中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328

Interim Report 2019

Company Profile

The Company, the largest property and casualty insurance company in Mainland China, was established in July 2003 with PICC Group as its sole promoter. The Company became the first domestic financial enterprise listed overseas when the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 November 2003. The Company currently has a total share capital of 22,242,765,303 shares, of which 68.98% are held by PICC Group.

PRINCIPAL ACTIVITIES

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

MISSION: People's insurance serves the people

CORE VALUE: To adhere to new growth model, thrive on specialties, prosper by innovation, and govern with uprightness

VISION: To make PICC a reliable and excellent brand

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

Financial Summary

RESULTS

	Six months ended 30 June 2019 RMB million	2018 RMB million (Restated)
Gross written premiums	236,036	205,041
Underwriting profit	4,339	6,758
Investment income	8,728	8,782
Net realised and unrealised gains/(losses) on investments	818	(201)
Share of profits or losses of associates and joint venture	2,109	2,348
Profit before tax	15,169	16,856
Income tax credit/(expense)	1,652	(4,765)
Profit for the period	16,821	12,091

The Company and its subsidiaries amended its compositions of underwriting profit based on industry practice. The Company and its subsidiaries reclassified certain other income and other expenses which will no longer be eligible for inclusion in underwriting profit. During the current interim period, prior period comparative figures have been revised accordingly, resulting in a reduction in underwriting profit of RMB251 million for the first half of 2018.

ASSETS AND LIABILITIES

	30 June 2019 RMB million	31 December 2018 RMB million
Total assets	604,214	550,619
Total liabilities	445,234	409,116
Total equity	158,980	141,503

Gross written premiums
236,036
RMB million

Underwriting profit
4,339
RMB million

Combined ratio
97.6%

Market share
35.1%

Total investment income
11,655
RMB million

Profit for the period
16,821
RMB million

Return on equity (non-annualised)
11.2%

Basic earnings per share attributable to owners of the Company
0.756
RMB

Net cash flows from operating activities
8,729
RMB million

Total equity
158,980
RMB million

Total assets
604,214
RMB million

Comprehensive solvency margin ratio
286%

Chairman's Statement

Miao Jianmin
Chairman

Dear Shareholders,

This year marks the 70th anniversary of the founding of the People's Republic of China. It also signifies the accomplishment of a glorious history of 70 years by PICC Property and Casualty Company Limited. Throughout the 70 years of challenges and changes with our fate connected with our country, we always commit to the people-centered approach, remain true to our original aspiration and keep our mission firmly in mind, and we have engaged in and witnessed the great historic journey of the People's Republic of China to strive for the well-being of the people and for the great rejuvenation of the Chinese nation. Over the 70 years of reforming and innovation by keeping pace with the times, we started the insurance business of the People's Republic of China with perseverance and limited resource, and restored the once interrupted insurance business with the coming of reform and opening-up; we were the first state-owned financial enterprise listed overseas and were now among the top rank in the global property insurance industry in terms of gross written premiums; we consistently uphold the essence of insurance and strive with untiring efforts and continuously promote the reform and development of the Company to new stages.

The year 2019 is a critical year for China's economy to achieve high-quality development, and also an important year for China's insurance industry to enter a new cycle. In light of the significant changes in the global insurance industry, the competition in domestic insurance market has intensified and the regulatory situation has changed profoundly. PICC Property and Casualty Company Limited carefully assessed the current situation and seized the favourable opportunities. Guided by the "3411 Project" of PICC Group, the Company speeded up the implementation of digitalisation strategy, and, through integration of policy-oriented business and commercial business and integration of technological reform and business model reform, upgraded the insurance supply and promoted quality improvement, efficiency enhancement and driving forces transformation to facilitate the Company's transformation to high-quality development. The Company has maintained a good momentum of faster development, better efficiency, better quality and stronger stimulus. **Firstly, our development has outperformed the market, reflecting the principle of pursuing progress while maintaining stability.** For the six months ended 30 June 2019, the Company recorded gross written premiums of RMB236,036 million, representing an increase of 15.1% compared to the same period of last year and achieved a market share of 35.1%. **Secondly, our profitability has outperformed the industry and we have further strengthened our profit base.** For the six months ended 30 June 2019, the Company achieved a combined ratio of 97.6%, continuing to maintain industry-leading level, and achieved an underwriting profit of RMB4,339 million. Benefiting from fast business growth, an increase in total investment income and the favourable policy on tax deduction, the Company realised a net profit of RMB16,821 million, representing an increase of 39.1% compared to the same period of last year and the best level for the same period in the past five years. The profit base of the Company has been further strengthened. **Thirdly, our business structure has been consistently improved and the high-quality development has achieved preliminary results.** For the six months ended 30 June 2019, the gross written premiums of the non-motor vehicle insurance business of the Company amounted to RMB108,549 million, representing an increase of 31.4% compared to the same period of last year, which is 16.3 percentage points higher than the overall growth rate of the Company. The percentage of the gross written premiums of non-motor vehicle insurance business over the total gross written premiums increased to 46.0%, and the non-motor vehicle insurance contributed 83.7% of the incremental gross written premiums. Non-motor vehicle insurance business has become an important force driving the Company to outperform the market in terms of gross written premiums. The high-quality development has achieved preliminary results.

Looking back to the first half of 2019, **we continued to improve the insurance coverage capacity.** The number of group and individual customers reached 3.24 million and 88.73 million respectively, with the number of individual customers increasing by 14.5% compared to the same period of last year. The total insured amount was RMB559 trillion, which was 12.4 times the GDP of the same period. The insured amount of agriculture insurance was RMB1.8 trillion, representing an increase of 40.9% compared to the same period of last year. We underwrote 1,047 social security projects of various kinds, which covered 31 provinces and 281 municipalities and served 504 million persons. We underwrote 1,413 overseas projects with an insured amount of over RMB3.1 trillion, covering 162 countries and regions in the world. **We actively embraced the new digital era** and speeded up technological innovation in insurance sector. We empowered the traditional insurance with new technologies by focusing on establishing high-quality product-driven development model, low-cost business acquisition model, digitalised underwriting and claim settlement model, high-quality service model, smart operation model, refined management model, systematic risk control model and diversified profit model. **We always focused on business model reform** and regarded digitalisation as the soul for optimising business model. We implemented the digitalisation strategy by taking improving efficiency and optimising customer

In order to implement the internationalisation strategy, the Company established specialised international business teams and dispatched overseas work groups to serve the "Belt and Road Initiative".

Wading through the mud, the claim investigators of the Company were examining and rescuing the damaged vehicles. They were acclaimed by the media as "the most beautiful characters heading upstream".

experience as the starting point and foothold. We promoted online customer services to create digitalised customer journey and improve digital customer experience; promoted the use of the consolidated customer-oriented "PICC" APP, pushed forward with the launch of 95518 smart customer service platform, vigorously developed PICC V League and promoted the intelligent upgrading of the sales and service platform; we started the development of the new generation of core business system, speeded up the construction of the mega data center, conducted independent research and development of new technology framework and made great efforts to build a strong technical and data support platform. **We continuously optimised the organisational structure.** We insisted on the "customer-centric" principle, optimised the front end business departments, strengthened the middle business supporting departments and solidified the back end comprehensive service departments through organisational reform, innovated and optimised the organisational structure, adapted ourselves to the digitalisation trends and the rapid development of individual non-motor vehicle insurance business, set up and optimised individual non-motor vehicle insurance department, information technology department, operation and sharing department, e-commerce center and software development center and other departments, increased technical investment, strengthened scientific and technological innovation, and supported the Company's business model reform with a brand new organisational structure. **We were continuously dedicated to business development in strategically significant cities and county market**, deepened the integration of technological reform and business model reform and the integration of policy-oriented businesses and commercial businesses, leveraged advantages and shore up weak spots, and, with the support of technologies, innovated insurance supply, upgraded the new model of "insurance + technology + service", innovated the "traffic police-insurer joint action", "scientific and technological claim settlement" and other service measures, established low-cost business acquisition channels, and enhanced our competitiveness in regional markets with more diversified products, better service and more efficient supply. **We continuously strengthened risk prevention and control**, established a risk compliance committee, improved the comprehensive risk management system, deepened the construction of internal control system at primary level, applied risk management technology in an innovative way, enhanced the comprehensive risk prevention and control capabilities, ensured non-occurrence of systematic risks and the Company's stable operation.

A branch of the Company was holding news conference on service innovation, showing a series of breakthroughs made by the Company in recent years in such areas as service standardisation, electronic policy, "traffic police-insurer joint action" and AI+.

Looking back to the past while contemplating the present, the past seventy years was a history of magnificence; building on past achievements to further advance our future, we anticipate an evergreen prosperity of hundreds of years. Looking forward, we will, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, bear in mind the corporate mission of "people's insurance serves the people", vigorously promote the core values of "to adhere to new growth model, thrive on specialties, prosper by innovation, and govern with uprightness", innovate technology empowerment, transform business model, make PICC "a reliable and excellent brand" with high-quality development transformation, and serve our customers, return our shareholders, reward our employees and contribute to the society with excellent operating results.

Miao Jianmin

Beijing, the PRC
23 August 2019

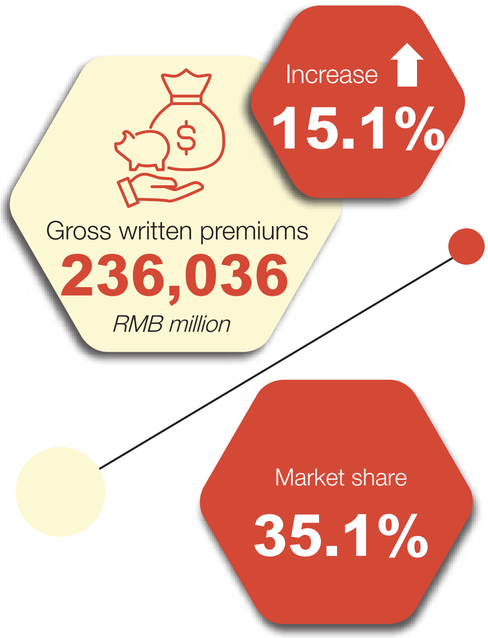
Discussion and Analysis of Operating Results and Financial Conditions

OVERVIEW

In the first half of 2019, faced with the development environment of "undergoing changes while maintaining stability with certain concerns existing amongst the changes", China persisted in mainly focusing on the supply-side structural reform while at the same time deepening the market-oriented reform, expanding high-level opening-up, expediting the development of a modern economic system and making coordinated efforts to maintain steady growth, advance reform, adjust structure, improve people's living standards, prevent risks and ensure stability. As a result, the Chinese economy has achieved a development momentum of making progress while maintaining general stability. As the regulatory authorities placed an emphasis on preventing systemic risks, innovated and improved regulatory methods, continuously reinforced regulatory actions and further promoted the deregulation of premium rate of commercial motor vehicle insurance, the property insurance sector went further in the insurance supply-side structural reform, took the initiative to serve the real economy and accelerated in shifting the focus back to the essence of insurance.

In the first half of 2019, the Company adhered to the principle of pursuing progress while maintaining stability, diligently carried out the requirements of supply-side structural reform for financial industry, actively aligned with the national governance policy to serve the real economy and social well-being and actively explored new areas of insurance service to continuously promote service quality and further optimise business structures; the Company reformed its business model, established the indicator system for the high-quality development, deepened the integrated development of policy-oriented businesses and commercial businesses and improved the service quality and efficiency in claim settlement, with the internal quality being further promoted; the Company set a new target of "building up a modern technology-driven risk management company", accelerated the innovation-driven development strategy and digitalisation strategy, and empowered operational transformation and business model transformation to improve its operation and management level and transform its development dynamics; the Company steadily pushed forward the organisational reform and streamlined the organisational structure to promote business transformation in this regard; the Company also took resolute measures to meet the new requirements for preventing financial risks, upheld the bottom line for compliance and risk, strengthened the risk prevention and control capability in key areas and pushed forward its stable transformation towards high-quality development.

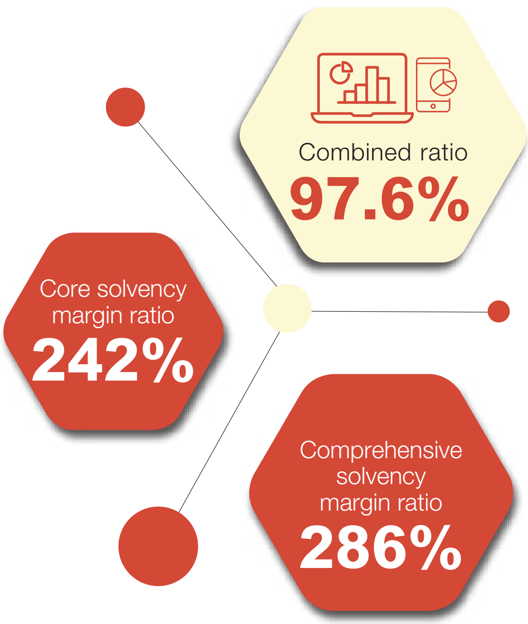
Business progressing while maintaining stability and structure becoming more balanced. In the first half of 2019, the Company and its subsidiaries seized the policy opportunities, served the national strategies, deeply promoted the insurance supply-side structural reform, innovated development and recorded gross written premiums of RMB236,036 million, representing an increase of 15.1% compared to the same period of last year. The growth rate outperformed the market. Among which, the gross written premiums of the motor vehicle insurance business amounted to RMB127,487 million, representing an increase of 4.1% compared to the same period of last year; and the gross written premiums of the non-motor vehicle insurance business amounted to RMB108,549 million, representing an increase of 31.4% compared to the same period of



last year. The gross written premiums of the non-motor insurance business accounted for 46.0% of the total gross written premiums, representing an increase of 5.7 percentage points compared to the same period of last year. The development of the business was more balanced. The Company's market share in the PRC property and casualty insurance market was 35.1% *(Note)*, representing an increase of 2.1 percentage points compared to the end of 2018.

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

Improvement of internal quality and continuous strengthening of comprehensive strength. In the first half of 2019, the Company and its subsidiaries achieved a combined ratio of 97.6%, lower than the average level of the industry; net profit was RMB16,821 million, representing an increase of 39.1% compared to the same period of last year; return on equity (non-annualised) was 11.2%, continuing to stay at a market leading level. The net cash flows from operating activities was RMB8,729 million and the net cash flows from each premium of RMB100 was RMB3.71, showing a significant improvement of liquidity. As at 30 June 2019, the total assets, total equity and total investment assets of the Company and its subsidiaries grew continuously. Its total assets reached RMB604,214 million, representing an increase of 9.7% compared to the end of 2018; the total equity reached RMB158,980 million, representing an increase of 12.4% compared to the end of 2018; the total investment assets reached RMB441,070 million, representing an increase of 1.6% compared to the end of 2018. The Company's core solvency margin ratio was 242% and the comprehensive solvency margin ratio was 286%, representing a steady increase compared to the end of 2018.



Steadily implementing digitalisation strategy to empower its transformation and development. In the first half of 2019, the Company and its subsidiaries established and upgraded the framework for independent R&D technology and launched the development of the new generation of core system, completed the construction of the dedicated lines for the exclusive cloud network; pushed forward with the launch of 95518 smart customer service platform, completed the consolidation of "PICC" APP and accelerated the implementation of online customer services, leading to an increase of 2.6 percentage

"PICC" APP was consolidated and successfully launched.

points in the customer WeChat online tying rate compared to the beginning of this year; effectively improved the claim settlement efficiency, customer experience and service quality through wide application of a series of platforms and claim settlement systems such as GIS smart deployment system for motor vehicle insurance, automatic settlement and calculation factory, mobile claim investigation and loss assessment system, WeChat claim settlement, APP claim settlement system for accidental injury insurance, platform automatic batch processing of the internet business with micro and small insurance amount. By way of digitalisation technology, the Company and its subsidiaries continued to optimise the insurance value chain and empowered each part of their operations to deeply promote the transformation and development.

Keeping in mind the compliance awareness and strengthening risk management and control. In the first half of 2019, the Company and its subsidiaries resolutely and consistently implemented the requirements by the central government for preventing and defusing major risks in the financial sector, consistently implemented the various regulatory policies of CBIRC, carried out in-depth work to rectify disorders in key areas, strengthened the supervision, inspection and risk identification and strengthened the rigid control over risks in key areas and key parts to gradually establish a sound and long-term risk control mechanism to ensure stable operation of the Company.

The Company was invited to participate in the "Internet Protection 2019" initiative led and organised by the Ministry of Public Security for the first time and Mr. Xie Yiqun, the Vice Chairman of the Board and the President of the Company, was inspecting and guiding the work on site.

UNDERWRITING RESULTS

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

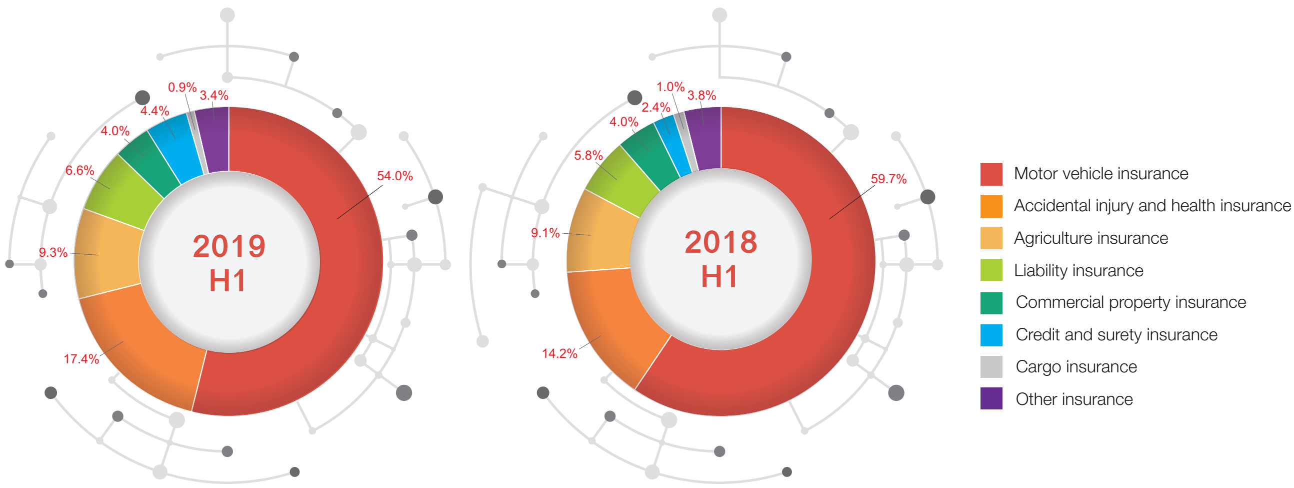
	Six months ended 30 June			
	2019		2018 (Restated)	
	RMB million	%	*RMB million*	%
Net earned premiums	**180,188**	**100.0**	168,834	100.0
Net claims incurred	**(116,654)**	**(64.7)**	(103,269)	(61.2)
Total expenses *(Note)*	**(59,195)**	**(32.9)**	(58,807)	(34.8)
Underwriting profit	**4,339**	**2.4**	6,758	4.0

Note: Total expenses include net policy acquisition costs, other underwriting expenses and administrative expenses.

GROSS WRITTEN PREMIUMS

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Motor vehicle insurance	**127,487**	122,433
Accidental injury and health insurance	**40,937**	29,036
Agriculture insurance	**22,031**	18,672
Liability insurance	**15,645**	11,808
Commercial property insurance	**9,388**	8,297
Credit and surety insurance	**10,437**	4,847
Cargo insurance	**2,140**	2,084
Other insurance	**7,971**	7,864
Total	**236,036**	205,041



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

	Six months ended 30 June				
	2019			2018	
	Amount	Percentage	Increase/ (decrease)	Amount	Percentage
	RMB million	*%*	*%*	*RMB million*	*%*
Insurance agents	145,287	61.7	9.5	132,659	64.8
Among which:					
Individual insurance agents	67,937	28.8	3.9	65,366	32.0
Ancillary insurance agents	24,887	10.6	(2.4)	25,490	12.4
Professional insurance agents	52,463	22.3	25.5	41,803	20.4
Direct sales	70,966	30.2	25.5	56,559	27.6
Insurance brokers	19,082	8.1	22.6	15,563	7.6
Total	235,335	100.0	14.9	204,781	100.0

The following table sets forth the direct written premiums of the Company and its subsidiaries by top ten regions for the relevant periods:

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Guangdong Province	**24,189**	18,951
Jiangsu Province	**21,081**	18,949
Zhejiang Province	**15,272**	15,077
Shandong Province	**14,268**	12,632
Hebei Province	**13,859**	11,670
Hubei Province	**11,522**	9,327
Sichuan Province	**10,746**	7,860
Fujian Province	**9,319**	7,915
Hunan Province	**9,249**	8,010
Anhui Province	**9,092**	7,659
Other regions	**96,738**	86,731
Total	**235,335**	204,781

Gross written premiums of the Company and its subsidiaries were RMB236,036 million in the first half of 2019, representing an increase of RMB30,995 million (or 15.1%) from RMB205,041 million in the first half of 2018. The steady growth of the overall business was mainly driven by the relatively rapid development of the businesses such as accidental injury and health insurance, credit and surety insurance, motor vehicle insurance, liability insurance, and agriculture insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB127,487 million, representing an increase of RMB5,054 million (or 4.1%) from RMB122,433 million in the first half of 2018. In the first half of 2019, faced with the challenges brought by the continuous slowdown in sales of motor vehicles and the further implementation of the deregulation of premium rate of commercial motor vehicle insurance, the Company and its subsidiaries strengthened the integration of business model reform and technological reform and continuously promoted the business model upgrading. In terms of incremental business, the Company and its subsidiaries fully leveraged the advantages of existing channels, continued to reinforce resources control and channel collaboration, amplified the efficiency of resources utilisation and explored the business potentials; in terms of the existing business, the Company and its subsidiaries constantly improved the service quality, strengthened the building of professional marketing team, advanced the transformation of e-commerce channels, reinforced the process tracking and management and control of key milestones, explored the utilisation of new technologies such as artificial intelligence, optimised the process of insurance renewal and transferred-in insurance, and persistently intensified the capability in acquiring quality existing business. Through the joint efforts in every aspect, the motor vehicle insurance has seen steady growth in terms of number of insurance policies and business scale.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB40,937 million, representing an increase of RMB11,901 million (or 41.0%) from RMB29,036 million in the first half of 2018. In the first half of 2019, given the increase of financing standards for critical illness insurance, the Company and its subsidiaries have seen rapid development in the critical illness insurance business for urban and rural residents, urban residents and new rural cooperative medical care, and the premiums from non-critical illness insurance business such as poverty alleviation and medical assistance insurance and long-term medical care insurance has exceeded RMB10 billion, forming a sound development momentum with dual drivers of critical illness insurance and non-critical illness health insurance businesses. In addition, the Company and its subsidiaries have also achieved relatively rapid growth in the public transport accident insurance, individual accident insurance and driver accident insurance.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB22,031 million, representing an increase of RMB3,359 million (or 18.0%) from RMB18,672 million in the first half of 2018. In the first half of 2019, the central government continued to increase the efforts to support the agriculture insurance and have fully implemented the program of total cost and income insurance for three main grain crops in the pilot areas; the business underwriting model for agriculture insurance in certain areas has been adjusted with obvious increase in regained business and incremental businesses. Meanwhile, the Company and its subsidiaries further strengthened the efforts on product innovation, and, based on the traditional insurance products, have launched new products such as pigs culling insurance, mutton sheep weather index insurance, fur animal cost and price insurance as well as breeding insurance for small breed such as silkworm and various aquatic products. The Company and its subsidiaries intensified their efforts to tap customer resources such as corporate customers and new agricultural entities, consolidated the existing business and expanded the incremental business, consistently improved the breadth and depth of services and have achieved steady growth in agriculture insurance business.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB15,645 million, representing an increase of RMB3,837 million (or 32.5%) from RMB11,808 million in the first half of 2018. In the first half of 2019, the Company and its subsidiaries continuously improved the product system of policy-oriented liability insurance, developed insurance products such as police law enforcement safety liability insurance, governmental poverty prevention and assistance and eldercare institution liability insurance, supported the further advancement of national policy of "streamlining the government, delegating power, and improving government services" and further consolidated its leading position in social governance liability insurance. The Company and its subsidiaries also promoted the innovation of commercial liability insurance products, developed liability insurance covering robot products, automatic control system and green building performance, further enhanced the capability to serve the real economy and consolidated its advantages in group insurance business. The Company and its subsidiaries focused on emerging channels and scenario marketing, launched liability insurance for compensation of losses caused by delay of transactions and e-commerce platform liability insurance, and continuously promoted the rapid development of diversified liability insurance business.

Gross written premiums of the commercial property insurance segment of the Company and its subsidiaries were RMB9,388 million, representing an increase of RMB1,091 million (or 13.1%) from RMB8,297 million in the first half of 2018. In the first half of 2019, the Company and its subsidiaries vigorously developed quality business while strictly managed high-risk businesses, actively promoted the transformation of new product capacity and developed new premium growth point. The Company and its subsidiaries also established maps on sources of insurances, strengthened the management on insurance renewal and transferred-in insurance, enhanced the insurance renewal rate and facilitated the steady development of commercial property insurance.

Gross written premiums of the credit and surety insurance segment of the Company and its subsidiaries were RMB10,437 million, representing an increase of RMB5,590 million (or 115.3%) from RMB4,847 million in the first half of 2018. In the first half of 2019, the Company and its subsidiaries further diversified the product supply of individual credit loan surety insurance, newly established specialised institutions and newly added salesforces began to release business capacities, which facilitated the rapid development of the individual credit loan surety insurance business.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB2,140 million, representing an increase of RMB56 million (or 2.7%) from RMB2,084 million in the first half of 2018. In the first half of 2019, the Company and its subsidiaries actively dealt with the adverse impact of increasing downward pressure of domestic and foreign macro-economy and US-China trade frictions, further developed the potential of internet and telemarketing and online distribution channels and have realised relatively rapid development in diversified businesses and achieved steady growth of cargo insurance business in general.

Gross written premiums of the other insurance segment of the Company and its subsidiaries were RMB7,971 million, representing an increase of RMB107 million (or 1.4%) from RMB7,864 million in the first half of 2018. In the first half of 2019, driven by the dual drivers of policy-oriented businesses and commercial businesses, the Company and its subsidiaries have constantly enhanced the innovation capability and competitiveness and realised relatively fast growth in homeowners insurance business.

NET EARNED PREMIUMS

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Motor vehicle insurance	**121,179**	125,245
Accidental injury and health insurance	**24,114**	15,492
Agriculture insurance	**9,629**	9,356
Liability insurance	**9,653**	7,040
Commercial property insurance	**4,586**	4,333
Credit and surety insurance	**5,773**	2,329
Cargo insurance	**1,415**	1,400
Other insurance	**3,839**	3,639
Total	**180,188**	168,834

Net earned premiums of the Company and its subsidiaries were RMB180,188 million in the first half of 2019, representing an increase of RMB11,354 million (or 6.7%) from RMB168,834 million in the first half of 2018.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2019		2018	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	RMB million	*%*	*RMB million*	*%*
Motor vehicle insurance	(74,674)	(61.6)	(73,681)	(58.8)
Accidental injury and health insurance	(21,214)	(88.0)	(14,110)	(91.1)
Agriculture insurance	(7,308)	(75.9)	(5,877)	(62.8)
Liability insurance	(5,347)	(55.4)	(4,003)	(56.9)
Commercial property insurance	(2,072)	(45.2)	(1,997)	(46.1)
Credit and surety insurance	(3,545)	(61.4)	(1,359)	(58.4)
Cargo insurance	(597)	(42.2)	(574)	(41.0)
Other insurance	(1,897)	(49.4)	(1,668)	(45.8)
Total	(116,654)	(64.7)	(103,269)	(61.2)

Net claims incurred of the Company and its subsidiaries in the first half of 2019 were RMB116,654 million, representing an increase of RMB13,385 million (or 13.0%) from RMB103,269 million in the first half of 2018. The loss ratio increased by 3.5 percentage points from 61.2% in the first half of 2018 to 64.7% in the first half of 2019.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB74,674 million, representing an increase of RMB993 million (or 1.3%) from RMB73,681 million in the first half of 2018. The loss ratio increased by 2.8 percentage points from 58.8% in the first half of 2018 to 61.6% in the first half of 2019.

The Company worked with traffic police to improve claim settlement services in traffic accidents and has promoted the "traffic police-insurer joint action" in 342 cities in China to improve customer experience of our service.

In the first half of 2019, the Company and its subsidiaries always insisted on the "customer-centric" principle, and improved the efficiency of claim settlement by scientific and technological application and service measures such as joint action with local traffic police for prompt claim settlement and payment and "PICC always being with you at the time of driving". Thus, the quality of claims settlement services continued to improve. On the other hand, the Company and its subsidiaries continued to expand the implementation scope of "Yuhang Mode" and promoted the initiative of decreasing cost and raising efficiency in claim settlement by a series of measures such as inspection, scientific and technological claim settlement, Jiaanpei auto parts direct supply platform, tax offset for claim payment, and payment recovery. The growth rate of the claims was lower than the growth rate of the premiums. However, the generation rate of the net earned premiums of the motor vehicle insurance segment was lower than that in the same period of last year, leading to an increase in the loss ratio.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB21,214 million, representing an increase of RMB7,104 million (or 50.3%) from RMB14,110 million in the first half of 2018. The loss ratio decreased by 3.1 percentage points from 91.1% in the first half of 2018 to 88.0% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries continued to optimise the business structure, adjusted the underwriting policy on a dynamic basis and vigorously developed such business as the driver's accidental injury insurance, and the quality of the accidental injury insurance showed a good trend. Meanwhile, the Company continued to strengthen the control on the risks in underwriting and claim settlement of the social security business of health insurance. The loss ratio of the accidental injury and health insurance was improved.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB7,308 million, representing an increase of RMB1,431 million (or 24.3%) from RMB5,877 million in the first half of 2018. The loss ratio increased by 13.1 percentage points from 62.8% in the first half of 2018 to 75.9% in the first half of 2019. In the first half of 2019, due to impacts of such significant natural disasters as windstorm and rainstorm and such epidemics as African Swine Fever, the loss of the agriculture insurance increased on a year-on-year basis and the loss ratio increased.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB5,347 million, representing an increase of RMB1,344 million (or 33.6%) from RMB4,003 million in the first half of 2018. The loss ratio decreased by 1.5 percentage points from 56.9% in the first half of 2018 to 55.4% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries optimised the business structure of the liability insurance segment and continued to improve the quality of the underwriting business. In addition, the Company continued to strengthen the process control of significant cases and personal injury cases and promoted the entire chain management of the claim settlement cost through the positive interaction of underwriting and claim settlement, leading to a decrease in the loss ratio of the liability insurance segment.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB2,072 million, representing an increase of RMB75 million (or 3.8%) from RMB1,997 million in the first half of 2018. The loss ratio decreased by 0.9 percentage points from 46.1% in the first half of 2018 to 45.2% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries strengthened the capability of risk control in the commercial property insurance segment and improved the business quality; enhanced the construction of the claim settlement team and intensified the control on the claim settlement cost. In addition, the impact of the catastrophes decreased on a year-on-year basis and the claim frequencies dropped. The loss ratio of the commercial property insurance remained stable with a slight decrease.

Net claims incurred of the credit and surety insurance segment of the Company and its subsidiaries were RMB3,545 million, representing an increase of RMB2,186 million (or 160.9%) from RMB1,359 million in the first half of 2018. The loss ratio increased by 3.0 percentage points from 58.4% in the first half of 2018 to 61.4% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries actively served the real economy and the demands of social consumption upgrade and the financing credit and surety insurance business developed at a relatively rapid speed. Due to the influence of the macro-economic trend, the social credit risk level increased, leading to an increase in the loss ratio of the credit and surety insurance.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries were RMB597 million, representing an increase of RMB23 million (or 4.0%) from RMB574 million in the first half of 2018. The loss ratio increased by 1.2 percentage points from 41.0% in the first half of 2018 to 42.2% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries improved the capability of underwriting risk identification in the cargo insurance segment through analysis and application of mega data of claims, which further strengthened the risk control of the internet business. However, the changes in the business structure led to the increase of the insurance risks and a slight increase of the loss ratio on a year-on-year basis.

Net claims incurred of the other insurance segment of the Company and its subsidiaries were RMB1,897 million, representing an increase of RMB229 million (or 13.7%) from RMB1,668 million in the first half of 2018. The loss ratio increased by 3.6 percentage points from 45.8% in the first half of 2018 to 49.4% in the first half of 2019. In the first half of 2019, the loss ratio of the special risks insurance increased on a year-on-year basis due to some large-amount claims.

The Company was investigating forest fire with drones and gathering detailed information for accurate claim investigation and loss assessment.

The Company actively promoted technological claim settlement and more than 500,000 cases were settled through smart claim settlement tool "Loss Assessment by Chip". Technology empowers the claim settlement.

TOTAL EXPENSES

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

	Six months ended 30 June			
	2019		2018 (Restated)	
	Total expenses *RMB million*	Expense ratio *%*	Total expenses *RMB million*	Expense ratio *%*
Motor vehicle insurance	(44,248)	(36.5)	(47,752)	(38.1)
Accidental injury and health insurance	(3,267)	(13.5)	(1,582)	(10.2)
Agriculture insurance	(1,828)	(19.0)	(2,400)	(25.7)
Liability insurance	(3,885)	(40.2)	(2,569)	(36.5)
Commercial property insurance	(1,754)	(38.2)	(1,740)	(40.2)
Credit and surety insurance	(2,114)	(36.6)	(877)	(37.7)
Cargo insurance	(544)	(38.4)	(586)	(41.9)
Other insurance	(1,555)	(40.5)	(1,301)	(35.8)
Total	(59,195)	(32.9)	(58,807)	(34.8)

Total expenses of the Company and its subsidiaries were RMB59,195 million, representing an increase of RMB388 million (or 0.7%) from RMB58,807 million in the first half of 2018. The expense ratio decreased by 1.9 percentage points from 34.8% in the first half of 2018 to 32.9% in the first half of 2019. In the first half of 2019, the Company and its subsidiaries actively adjusted the business structure to achieve a balanced development and the policy-oriented businesses with low expense ratios grew relatively fast; actively promoted the implementation of the policy of consistency between the commission rates reported to the regulator and the actual commission rates, carried out resources integration, optimised the allocation of sales expenses and enhanced the resources utilisation efficiency. While maintaining the rapid growth of the business, the total underwriting expenses decreased by RMB34 million compared to the first half of 2018 and the underwriting expense ratio decreased by 2.0 percentage points from 32.3% in the first half of 2018 to 30.3% in the first half of 2019. Meanwhile, the Company and its subsidiaries strictly implemented comprehensive budget management and control, adopted a cost-leadership strategy, and controlled administrative expenses. However, due to the impact of the change of net earned premiums as a whole, the administrative expense ratio increased by 0.1 percentage point from 2.5% in the first half of 2018 to 2.6% in the first half of 2019.

UNDERWRITING PROFIT/(LOSS)

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

	Six months ended 30 June			
	2019		2018 (Restated)	
	Underwriting profit/(loss) *RMB million*	Underwriting profit/(loss) ratio *%*	Underwriting profit/(loss) *RMB million*	Underwriting profit/(loss) ratio *%*
Motor vehicle insurance	2,257	1.9	3,812	3.1
Accidental injury and health insurance	(367)	(1.5)	(200)	(1.3)
Agriculture insurance	493	5.1	1,079	11.5
Liability insurance	421	4.4	468	6.6
Commercial property insurance	760	16.6	596	13.7
Credit and surety insurance	114	2.0	93	3.9
Cargo insurance	274	19.4	240	17.1
Other insurance	387	10.1	670	18.4
Total	4,339	2.4	6,758	4.0

The Company and its subsidiaries recorded an underwriting profit of RMB4,339 million in the first half of 2019, representing a decrease of RMB2,419 million (or -35.8%) from RMB6,758 million in the first half of 2018; and the underwriting profit ratio was 2.4%, representing a decrease of 1.6 percentage points from 4.0% in the first half of 2018.

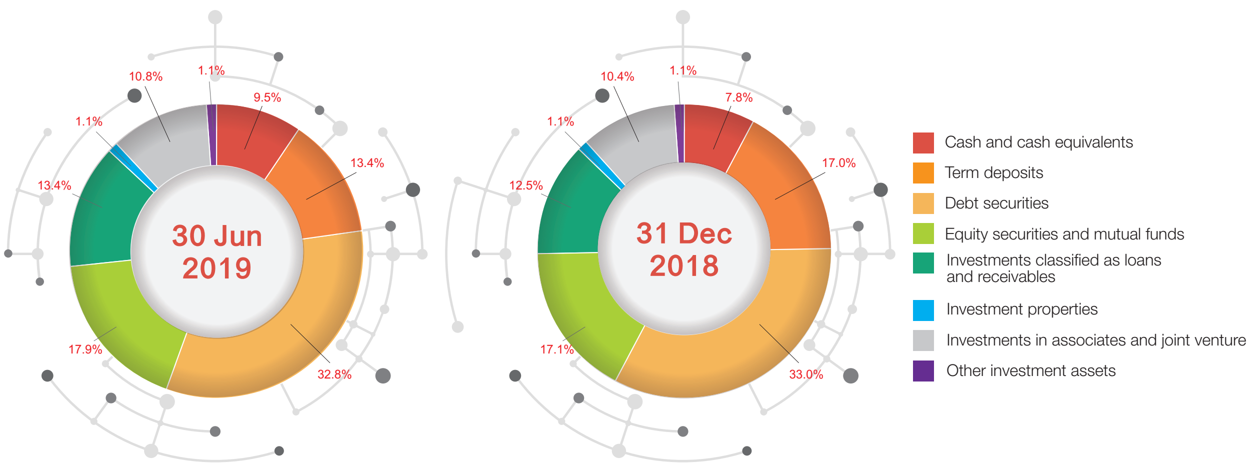
INVESTMENT RESULTS

Composition of Investment Assets

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

	30 June 2019		31 December 2018	
	Balance	**Percentage**	Balance	Percentage
	RMB million	***%***	*RMB million*	*%*
By category:				
Cash and cash equivalents	**42,046**	**9.5**	33,797	7.8
Term deposits	**59,191**	**13.4**	73,963	17.0
Debt securities	**144,648**	**32.8**	143,499	33.0
Equity securities and mutual funds	**79,094**	**17.9**	74,102	17.1
Investments classified as loans and receivables	**58,891**	**13.4**	54,097	12.5
Investment properties	**4,723**	**1.1**	4,881	1.1
Investments in associates and joint venture	**47,804**	**10.8**	45,301	10.4
Other investment assets *(Note)*	**4,673**	**1.1**	4,582	1.1
Total investment assets	**441,070**	**100.0**	434,222	100.0

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



In the first half of 2019, the cash flow from operating activities of the Company and its subsidiaries improved, which provided a strong financial support to the investment activities and facilitated a steady growth in the size of investment assets. Meanwhile, by adhering to the long-term prudent investment philosophy, the Company gradually adjusted the investment assets structure, with reference to the circumstances of the capital market and its own risk preferences and on the condition that the involved risks were controllable, with a view to achieving a balance between investment yield and risk.

Investment income

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Operating lease income from investment properties	**123**	125
Interest income	**6,969**	7,014
Dividend income	**1,636**	1,643
Total of investment income	**8,728**	8,782

The investment income of the Company and its subsidiaries was RMB8,728 million, representing a decrease of RMB54 million (or -0.6%) from RMB8,782 million in the first half of 2018. In the first half of 2019, as the Company made timely adjustments to the investment size of fixed income assets and dividend equity assets with reference to the circumstances of the monetary and capital markets, the interest income decreased by RMB45 million and the dividend income decreased by RMB7 million compared to the same period of last year.

Net Realised and Unrealised Gains/(Losses) on Investments

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Realised gains/(losses) on investments	**1,334**	(155)
Unrealised gains/(losses) on investments	**56**	(18)
Impairment losses	**(535)**	(83)
Fair value (losses)/gains on investment properties	**(37)**	55
Total of net realised and unrealised gains/(losses) on investments	**818**	(201)

In the first half of 2019, by way of grasping band trading and market opportunities, the Company and its subsidiaries adjusted the equity assets positions and recorded realised gains on investments of RMB1,334 million in the first half of 2019, representing an increase of RMB1,489 million from the net losses of RMB155 million in the first half of 2018. Meanwhile, due to the fluctuations in the capital market, the impairment losses of the available for sale financial assets were RMB535 million, representing an increased loss of RMB452 million compared to the same period of last year.

SHARE OF PROFITS OR LOSSES OF ASSOCIATES AND JOINT VENTURE

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Share of profits or losses of associates and joint venture	**2,109**	2,348

ASSET PLEDGE

The Company conducted the sale and repurchase transactions due to needs in the liquidity management. The securities held by the Company would be used as the collateral under the transaction.

OVERALL RESULTS

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

	Six months ended 30 June	
	2019	2018
	RMB million	*RMB million*
Profit before tax	**15,169**	16,856
Income tax credit/(expense)	**1,652**	(4,765)
Profit for the period	**16,821**	12,091
Total assets *(Note)*	**604,214**	550,619

Note: Based on the data as at 30 June 2019 and 31 December 2018.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB15,169 million in the first half of 2019, representing a decrease of RMB1,687 million (or -10.0%) from RMB16,856 million in the first half of 2018.

INCOME TAX

In the first half of 2019, the income tax credit of the Company and its subsidiaries was RMB1,652 million, as opposed to the income tax expense of RMB4,765 million in the first half of 2018. In May 2019, the Ministry of Finance and State Taxation Administration jointly issued the "Announcement on the Policy of Pre-tax Deduction for Commissions of Insurance Enterprises" (Announcement of the Ministry of Finance and State Taxation Administration [2019] No.72) which provides for that the commissions paid by an insurance enterprise related to its insurance business are deductible to the extent of 18%, increased from 15%, of its direct written premiums, and the excess, can be carried forward to the succeeding years, which is applicable to 2018 annual income tax filing. A sum of RMB4,230 million reflecting the impact on the income tax expense for the year ended 31 December 2018 was recognised in 2019 by the Company in accordance with the accounting standards. In the first half of 2018, as the applicable pre-tax deduction percentage for commissions was before the above amendment, the taxable income and current income tax expenses of the Company and its subsidiaries increased accordingly.

PROFIT FOR THE PERIOD

As a result of the foregoing, profit for the period of the Company and its subsidiaries increased by RMB4,730 million from RMB12,091 million in the first half of 2018 to RMB16,821 million in the first half of 2019. Basic earnings per share attributable to owners of the Company in the first half of 2019 was RMB0.756.

CASH FLOWS

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

	Six months ended 30 June	
	2019	2018 (Restated)
	RMB million	*RMB million*
Net cash flows from/(used in) operating activities	**8,729**	(429)
Net cash flows from/(used in) investing activities	**20,173**	(484)
Net cash flows (used in)/from financing activities	**(20,655)**	1,572
Foreign exchange gains on cash and cash equivalents	**2**	111
Net increase in cash and cash equivalents	**8,249**	770

In the first half of 2019, the net cash flows from operating activities of the Company and its subsidiaries were RMB8,729 million while the net cash flows used in the operating activities were RMB429 million in the same period of last year. In the first half of 2019, the Company and its subsidiaries enhanced authorisation and process management and control relating to the premiums receivable and strengthened its assessment on premiums collection while the business grew steadily. The increase of the actual premiums collected has offset the increase of the cash expenditures in claim payments and underwriting expenses. In addition, compared to the same period of last year, the tax-related cash expenditure decreased as a result of the increase in the pre-tax deduction ratio for commissions and other factors.

In the first half of 2019, the net cash flows from investing activities of the Company and its subsidiaries were RMB20,173 million while the net cash flows used in the investing activities was RMB484 million in the same period of last year. In the first half of 2019, the maturity of term deposits held by the Company and its subsidiaries resulted in a net cash flows of RMB14,772 million from investing activities while there was a net cash flows of RMB4,663 million used in investing activities as a result of increase in the term deposits in the same period of last year; in addition, the net cash flows from purchase and sale of debt securities, equity securities and mutual funds by the Company and its subsidiaries were RMB4,404 million while there was a net cash flows of RMB1,579 million used in in the same period of last year.

In the first half of 2019, the net cash flows used in financing activities of the Company and its subsidiaries were RMB20,655 million while the net cash flows from the financing activities was RMB1,572 million in the same period of last year. In the first half of 2019, a net decrease of RMB19,706 million in the securities sold under agreements to repurchase by the Company and its subsidiaries while there was a net increase of RMB2,089 million in the same period of last year.

As at 30 June 2019, the cash and cash equivalents of the Company and its subsidiaries were RMB42,046 million.

LIQUIDITY

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

In November 2016, the Company issued fixed-rate capital supplementary bonds of RMB15 billion, and in October 2014, the Company issued fixed-rate subordinated term debts of RMB8 billion, each with a term of 10 years, to institutional investors in the PRC for the primary purposes of supplementing the capital and increasing the solvency margin of the Company.

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for properties under construction, acquisition of motor vehicles for business purposes as well as development of the information systems. Capital expenditure of the Company and its subsidiaries was RMB1,761 million in the first half of 2019.

SOLVENCY MARGIN REQUIREMENT

As at 30 June 2019, the Company and its subsidiaries' actual capital was RMB181,211 million, in which core capital was RMB153,402 million, minimum capital was RMB63,418 million; comprehensive solvency margin ratio was 286% and core solvency margin ratio was 242%.

GEARING RATIO

As at 30 June 2019, the gearing ratio *(Note)* of the Company and its subsidiaries was 69.8%, representing a decrease of 0.2 percentage points from 70.0% as at 31 December 2018.

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

CONTINGENT EVENT

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

There were certain pending legal proceedings for the Company and its subsidiaries as at 30 June 2019. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

EVENTS AFTER THE BALANCE SHEET DATE

On 23 August 2019, the Board of the Company approved the appropriation of RMB5,000 million from the retained profits to the discretionary surplus reserve.

CREDIT RISK

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

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

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

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

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

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

INTEREST RATE SWAPS

The Company's financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interest are received from, and floating interests are paid to, the counterparties.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2019, the Company focused on the hot spots of the market and the needs of customers and developed a total of 964 new insurance provisions, among which there are 142 national provisions and 822 regional provisions as well as 783 main insurance provisions and 181 rider provisions. Among these new provisions, the Company registered 236 provisions in the self-registered platform of the Insurance Association of China, and registered 22 provisions in Shanghai marine insurance platform, and filed 696 agriculture and agriculture-related insurance provisions on the CBIRC's electronic filing system of insurance provisions, and reported 10 provisions to CBIRC for approval.

EMPLOYEES

As at 30 June 2019, the Company had 187,682 employees. In the first half of 2019, the Company and its subsidiaries paid a total remuneration of RMB17,441 million to their employees, which mainly included basic salaries, performance-related bonus and various insurances and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhance the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

Currently, the downward pressure on China's economy is increasing and the supply-side structural reform is accelerating. Meanwhile, the deregulation of premium rate of commercial motor vehicle insurance continues to deepen, the supervision and regulation are continuously enhanced, and the property and casualty insurance industry is experiencing a critical transformation to the high-quality development. The shift in driving forces for market development is accelerating, the business model is experiencing the accelerated upgrading, and the Company is faced with multiple challenges such as development and profitability, speed and quality, competition and compliance.

Faced with the new situation and new challenges, the Company will always stick to the bottom line of operational compliance, and strictly implement various supervision and regulatory policies and closely monitor any potential risk, and promote compliance risk governance and strengthen systematic risk management and control; advocate the concept of "Compliance Creates Value", firmly uphold the principle of risk bottom line, regard the risk prevention as the lifeline of the Company, follow the laws and return to the essence of insurance. We will center on requirements of "3411 Project" of PICC Group and "Ten Key Items" of work of the Company, focus on the target of "building up a modern technology-driven risk management company", adhere to a vision of reform featuring "Fundamental Changes in 9 Aspects", and define and guide our development with new target. In the second half of 2019, the Company will, based on consolidation of its sound development momentum in the first half of the year, set its target for stable growth, better profitability and improved service, prioritise improving business quality, optimising business structure, enhancing claim efficiency and improving client experience, speed up the insurance supply-side structural reform, transform the business model and promote the supply upgrading. We will provide insurance services of higher quality, operate the Company with higher efficiency and offer better insurance supply, amplify the Company's leading advantage and strengthen its dominant market position to facilitate the Company's transformation towards high-quality development.

Corporate Governance and Other Information

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

The Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 30 June 2019 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

CHANGES IN DIRECTORATE AND SUPERVISORY COMMITTEE

Changes in Directorate

Changes in the members of the Board during the period from 1 January 2019 to the date of this interim report are as follows:

Mr Lin Zhiyong resigned as the Vice Chairman of the Board and the President due to other work arrangements, with effect from 25 February 2019.

At the Extraordinary General Meeting of the Company on 7 March 2019, Mr Miao Jianmin was re-elected as an Executive Director, Mr Xie Yiqun was re-elected as a Non-executive Director, Mr Tang Zhigang was appointed as a Non-executive Director, Mr Lin Zhiyong was re-elected as an Executive Director (Mr Lin Zhiyong resigned as an Executive Director due to other work arrangements, with effect from 7 March 2019, and has ceased to act as a member of the Strategic Planning Committee and the Risk Management and Investment Decision-making Committee since the election of a new session of the Board), Mr Li Tao was re-elected as a Non-executive Director, Ms Xie Xiaoyu and Mr Hua Shan were appointed as Executive Directors, and Mr Lin Hanchuan, Mr Lo Chung Hing, Mr Na Guoyi, Mr Ma Yusheng, Mr Chu Bende and Ms Qu Xiaohui were re-elected as Independent Non-executive Directors. The terms of office of the aforesaid persons commence from the date of the formal appointment by the Company and end on the expiry of the term of the fifth session of the Board. On the same day, the Board re-elected Mr Miao Jianmin as the Chairman of the Board and Mr Xie Yiqun as the Vice Chairman of the Board. Meanwhile, Mr Xie Yiqun was appointed as the President and was re-designated from a Non-executive Director to an Executive Director.

Ms Qu Xiaohui was appointed on 7 March 2019 as the Chairman of the Audit Committee.

Mr Lin Hanchuan was appointed on 7 March 2019 as a member of the Audit Committee.

Mr Tang Zhigang was appointed on 7 March 2019 as a member of the Nomination, Remuneration and Review Committee.

Mr Xie Yiqun and Mr Hua Shan were appointed as members of the Strategic Planning Committee on 7 March 2019.

Ms Xie Xiaoyu and Mr Huashan were appointed as the members of the Risk Management and Investment Decision-Making Committee on 7 March 2019.

Mr Na Guoyi resigned as an Independent Non-executive Director due to other work arrangements, with effect from 19 July 2019, and the position of him as a member of the Strategic Planning Committee also ceased simultaneously.

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

Mr Miao Jianmin *(Chairman of the Board, Executive Director)*
Mr Xie Yiqun *(Vice Chairman of the Board, Executive Director)*
Mr Tang Zhigang *(Non-executive Director)*
Mr Li Tao *(Non-executive Director)*
Ms Xie Xiaoyu* *(Executive Director)*
Mr Hua Shan* *(Executive Director)*
Mr Lin Hanchuan *(Independent Non-executive Director)*
Mr Lo Chung Hing *(Independent Non-executive Director)*
Mr Ma Yusheng* *(Independent Non-executive Director)*
Mr Chu Bende* *(Independent Non-executive Director)*
Ms Qu Xiaohui *(Independent Non-executive Director)*

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

Changes in Supervisory Committee

Changes in the members of the Supervisory Committee during the period from 1 January 2019 to the date of this interim report are as follows:

At the Extraordinary General Meeting of the Company on 7 March 2019, Mr Jiang Caishi and Mr Wang Yadong were appointed as Supervisors of the fifth session of the Supervisory Committee, Mr Charlie Yucheng SHI was appointed as an Independent Supervisor of the fifth session of the Supervisory Committee, Mr Lu Zhengfei was re-elected as an Independent Supervisor of the fifth session of the Supervisory Committee. The terms of office of abovementioned persons commence from the date of the formal appointment of the Company and end on the expiry of the fifth session of the Supervisory Committee. The Employee Representative Supervisors, namely Mr Li Fuhan and Ms Gao Hong, will continue to serve as the Employee Representative Supervisors of the fifth Session of the Supervisory Committee until the expiry of their terms of office as Supervisors on 27 February 2020. On the same day, Mr Jiang Caishi was elected as the Chairman of the fifth session of the Supervisory Committee by the Supervisory Committee, whose term of office is the same as his term of office as a Supervisor.

Mr Li Zhuyong retired as a Supervisor on 7 March 2019.

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

Mr Jiang Caishi *(Chairman of the Supervisory Committee)*
Mr Wang Yadong* *(Shareholder Representative Supervisor)*
Mr Lu Zhengfei *(Independent Supervisor)*
Mr Charlie Yucheng SHI* *(Independent Supervisor)*
Mr Li Fuhan* *(Employee Representative Supervisor)*
Ms Gao Hong* *(Employee Representative Supervisor)*

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

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

Changes in the Information on Directors

Mr Xie Yiqun, the Vice Chairman and an Executive Director, no longer serves as the Vice Chairman of the Asia Financial Cooperation Association.

Mr Lin Hanchuan, an Independent Non-executive Director, also acts as the Dean of China Institute for Small and Medium Enterprises of Zhejiang University of Technology. Mr Lin no longer serves as the Deputy Director of the University Academic Committee and the Deputy Director of the Academic Degree Committee of the University of International Business and Economics, the Chief Expert of Beijing Center for Enterprise Globalisation and Management Research and an Independent Non-executive Director of Shengang Securities Co., Ltd..

Ms Qu Xiaohui, an Independent Non-executive Director, no longer serves as an Independent Non-executive Director of SDIC Capital Co., Ltd.*.

* The Company is listed on Shanghai Stock Exchange.

Changes in the Information on Supervisors

Mr Jiang Caishi, the Chairman of the Supervisory Committee, also acts as the President of the Shanghai Institute of Marine Insurance, a Director of the Specialised Committee on Non-motor vehicle Insurance of the Insurance Association of China, a Deputy Director of the Specialised Committee on Property Reinsurance of the Insurance Association of China, a Deputy Director of the Specialised Committee on Cultural Development and Promotion of the Insurance Association of China and the Vice President of the Second Council of China Association for Public Safety.

Mr Wang Yadong, a Shareholder Representative Supervisor, also acts as an Executive Director of the China Institute of Internal Audit.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Securities Transactions Guidelines") that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions Guidelines are no less exacting than those set out in the Model Code. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code and the Securities Transactions Guidelines during the first half of 2019.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2019, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
PICC Group	Beneficial owner	15,343,471,470	Long position	100%	68.98%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
Citigroup Inc.	Person having a security interest in shares, interest of controlled corporations	512,185,031 *(Note 2)*	Long position	7.42%	2.30%
	Approved lending agent	442,042,995	Lending pool	6.41%	1.99%
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, person having a security interest in shares, trustee	425,001,381 *(Note 3)*	Long position	6.16%	1.91%
	Interest of controlled corporations, investment manager	32,076,242 *(Note 3)*	Short position	0.46%	0.14%
	Approved lending agent	273,260,307	Lending pool	3.96%	1.23%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue *(Note 1)*	Percentage of total number of shares in issue *(Note 1)*
The Capital Group Companies, Inc.	Interest of controlled corporations	553,744,144 *(Note 4)*	Long position	8.03%	2.49%
BlackRock, Inc.	Interest of controlled corporations	439,242,626 *(Note 5)*	Long position	6.37%	1.97%
	Interest of controlled corporations	497,000 *(Note 5)*	Short position	0.01%	0.002%
Schroders Plc	Investment manager	345,131,000	Long position	5.00%	1.55%

Notes:

1. As at 30 June 2019, the Company has issued domestic shares totaling 15,343,471,470 shares and H shares totalling 6,899,293,833 shares. The total number of its issued shares is 22,242,765,303.

2. Among which, 187,000 H shares (Long position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

3. Among which, 420,000 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 5,027,000 H shares (Short position) were held through derivatives, categorised as held through cash settled listed derivatives; 1,925,434 H shares (Long position) and 12,517,401 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; and 10,297,278 H shares (Long position) and 9,602,841 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

4. Among which, 275 H shares (Long position) were held through derivatives, categorised as held through physically settled unlisted derivatives.

5. Among which, 1,076,000 H shares (Long position) and 153,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 30 June 2019.

PROFIT APPROPRIATION AND INTERIM DIVIDEND

On 23 August 2019, the Board of Directors approved the appropriation of RMB5,000 million from the retained profits to the discretionary surplus reserve. The Board of Directors did not propose any interim dividend for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2019.

CORPORATE GOVERNANCE

Save for the deviation from code provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code in the first half of 2019.

According to code provision A.4.2 of the Corporate Governance Code, each director shall be subject to retirement by rotation at least once every three years. The term of office of the Directors of the fourth session of the Board expired on 25 June 2018. However, in accordance with the requirements of the Company Law, where upon the expiry of the term of office of a director, a new director has not yet been elected or if the number of directors will fall below the minimum number due to the resignation of any director, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Therefore, the Directors of the fourth session of the Board continued serving as a director until the Directors of the fifth session of the Board commence their terms of office. In order to comply with the requirements of code provision A.4.2 of the Corporate Governance Code, the Extraordinary General Meeting of the Company held on 7 March 2019 elected the Directors of the fifth session of the Board, whose terms of office commence from the date of the formal appointment by the Company and end on the expiry of the fifth session of the Board. As a result of the Directors of the fourth session of the Board not having retired by rotation upon the expiry of their terms of office, the Company failed to comply with the requirement of code provision A.4.2 of the Corporate Governance Code during the period from 26 June 2018 to 6 March 2019.

REVIEW OF INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2019.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF

PICC PROPERTY AND CASUALTY COMPANY LIMITED

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 83, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 August 2019

Condensed Consolidated Income Statement

For the six months ended 30 June 2019

	Notes	**Six months ended 30 June 2019 *RMB million* (Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
GROSS WRITTEN PREMIUMS	*4*	**236,036**	205,041
Net earned premiums	*4*	**180,188**	168,834
Net claims incurred	*5*	**(116,654)**	(103,269)
Net policy acquisition costs		**(37,594)**	(44,508)
Other underwriting expenses		**(16,951)**	(10,071)
Administrative expenses		**(4,650)**	(4,228)
UNDERWRITING PROFIT		**4,339**	6,758
Investment income	*6*	**8,728**	8,782
Net realised and unrealised gains/(losses) on investments	*7*	**818**	(201)
Investment related expenses		**(162)**	(165)
Interest expenses credited to policyholders' deposits		**–**	(1)
Exchange gains, net		**3**	88
Other income, net		**325**	340
Finance costs	*8*	**(991)**	(1,093)
Share of profits or losses of associates and joint venture		**2,109**	2,348
PROFIT BEFORE TAX	*9*	**15,169**	16,856
Income tax credit/(expense)	*10*	**1,652**	(4,765)
PROFIT FOR THE PERIOD		**16,821**	12,091
Attributable to			
– Owners of the Company		**16,821**	12,090
– Non-controlling interests		**–**	1
		16,821	12,091
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (in RMB Yuan)	*12*	**0.756**	0.544

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB million (Unaudited)	Six months ended 30 June 2018 RMB million (Unaudited)
PROFIT FOR THE PERIOD		**16,821**	12,091
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		**10,586**	(3,524)
– Reclassification of (gains)/losses to profit or loss on disposals		**(1,313)**	134
– Impairment losses	7	**535**	83
Income tax effect		**(2,452)**	827
		7,356	(2,480)
Share of other comprehensive income of associates and joint venture		**606**	274
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**7,962**	(2,206)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets/ prepaid land premiums upon transfer to investment properties	21	**105**	96
Income tax effect		**(26)**	(24)
		79	72
Share of other comprehensive income of associates and joint venture		**–**	6
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**79**	78
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		**8,041**	(2,128)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**24,862**	9,963
Total comprehensive income attributable to			
– Owners of the Company		**24,862**	9,962
– Non-controlling interests		**–**	1
		24,862	9,963

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 RMB million (Unaudited)	31 December 2018 RMB million (Audited)
ASSETS			
Cash and cash equivalents	13	42,046	33,797
Debt securities	14	144,648	143,499
Equity securities and mutual funds	15	79,094	74,102
Insurance receivables, net	16	78,868	42,421
Reinsurance assets	17	32,423	28,565
Term deposits	18	59,191	73,963
Investments classified as loans and receivables	19	58,891	54,097
Investments in associates and joint venture	20	47,804	45,301
Investment properties	21	4,723	4,881
Property and equipment	22	17,048	17,235
Right-of-use assets	23	5,520	–
Prepaid land premiums		–	2,845
Deferred tax assets		8,012	6,779
Prepayments and other assets	24	25,946	23,134
TOTAL ASSETS		604,214	550,619
LIABILITIES			
Payables to reinsurers	25	22,556	15,706
Accrued insurance security fund		1,038	1,026
Securities sold under agreements to repurchase		8,293	27,999
Income tax payable		2,585	3,109
Insurance contract liabilities	26	323,777	275,781
Policyholders' deposits		1,783	1,956
Bonds payable	27	23,488	23,420
Lease liabilities		2,573	–
Accruals and other liabilities	28	59,141	60,119
TOTAL LIABILITIES		445,234	409,116
EQUITY			
Issued capital	29	22,242	22,242
Reserves		136,730	119,253
Equity attributable to owners of the Company		158,972	141,495
Non-controlling interests		8	8
TOTAL EQUITY		158,980	141,503
TOTAL EQUITY AND LIABILITIES		604,214	550,619

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Six months ended 30 June 2019 (Unaudited)	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Asset revaluation reserve**	Available-for-sale investment revaluation reserve	Surplus reserve***	General risk reserve	Agriculture catastrophic loss reserve	Share of other comprehensive (expense)/income of associates and joint venture	Retained profits	Sub-total		
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Balance at 31 December 2018	22,242	11,572*	3,202*	3,562*	42,212*	12,935*	2,471*	(193)*	43,492*	141,495	8	141,503
Impact of change in accounting policy in associates *(note 20)*	-	-	-	-	-	-	-	91	(1,426)	(1,335)	-	(1,335)
Balance at 1 January 2019 (restated)	22,242	11,572*	3,202*	3,562*	42,212*	12,935*	2,471*	(102)*	42,066*	140,160	8	140,168
Profit for the period	-	-	-	-	-	-	-	-	16,821	16,821	-	16,821
Other comprehensive income	-	-	79	7,356	-	-	-	606	-	8,041	-	8,041
Total comprehensive income	-	-	79	7,356	-	-	-	606	16,821	24,862	-	24,862
Appropriations to discretionary surplus reserve****	-	-	-	-	10,000	-	-	-	(10,000)	-	-	-
2018 final dividend****	-	-	-	-	-	-	-	-	(6,050)	(6,050)	-	(6,050)
Balance at 30 June 2019	22,242	11,572*	3,281*	10,918*	52,212*	12,935*	2,471*	504*	42,837*	158,972	8	158,980

* The consolidated reserves of RMB136,730 million in the condensed consolidated statement of financial position as at 30 June 2019 comprise these reserve accounts.

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

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

**** On 21 June 2019, the shareholders of the Company at the general meeting approved a final dividend of RMB0.272 per ordinary share totalling RMB6,050 million for the year ended 31 December 2018, and an amount of RMB10,000 million to be appropriated to discretionary surplus reserve.

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

* The consolidated reserves of RMB115,815 million in the condensed consolidated statement of financial position as at 30 June 2018 comprise these reserve accounts.

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB million (Unaudited)	Six months ended 30 June 2018 RMB million (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		8,729	(429)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Interest received		7,308	7,021
Payment for purchase of debt securities, equity securities and mutual funds		(31,127)	(44,495)
Payment for purchase of investments classified as loans and receivables		(9,013)	(6,293)
Payment for acquisition of associates and joint venture		(1,587)	(98)
Proceeds from sale of debt securities, equity securities and mutual funds		35,531	42,916
Proceeds from maturities of investments classified as loans and receivables		4,219	4,013
Decrease/(increase) in term deposits, net		14,772	(4,663)
Others		70	1,115
		20,173	(484)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
(Decrease)/increase in securities sold under agreements to repurchase, net		(19,706)	2,089
Repayments of lease liabilities		(579)	–
Others		(370)	(517)
		(20,655)	1,572
FOREIGN EXCHANGE GAINS ON CASH AND CASH EQUIVALENTS		2	111
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,249	770
Cash and cash equivalents at beginning of the period		33,797	34,688
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	13	42,046	35,458
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	13	24,160	15,850
Demand deposits and deposits with banks with original maturity of no more than three months	13	17,886	19,608
Cash and cash equivalents at end of the period	13	42,046	35,458

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the "Company") is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC. The Company is listed on The Stock Exchange of Hong Kong Limited. The parent and the ultimate holding company of the Company is The People's Insurance Company (Group) of China Limited (the "PICC Group"), which is incorporated in the PRC and listed on the Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

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

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest million except when otherwise indicated.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, certain financial instruments and insurance contract liabilities.

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 HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRS issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Except as described below, the application of these new and amendments to HKFRSs in the current interim period has had no material effect on the 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.

Impacts and changes in accounting policies on application of HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17") and the related interpretations.

(i) Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of motor vehicles, machinery and equipment and other assets, other than leases of office premises, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Impacts and changes in accounting policies on application of HKFRS 16 Leases (continued)

(i) Key changes in accounting policies resulting from application of HKFRS 16 *(continued)*

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Land leases are also in the scope of HKFRS 16. The Group recognises any prepaid premium for leasehold lands as right-of-use assets which are depreciated over the relevant lease terms.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

As a lessor

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Impacts and changes in accounting policies on application of HKFRS 16 Leases (continued)

(ii) Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease and not apply this Standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HKFRIC 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and has recognised the cumulative effect of initial application to opening retained profits without restating comparative information.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

The Group has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17 at an amount that equals to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of premises, machinery and equipment in the PRC was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised right-of-use assets of RMB5,649 million and lease liabilities of RMB2,733 million at 1 January 2019. Prepaid rent of RMB71 million and prepaid land premium of RMB2,845 million were included in the right-of-use assets on 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the group entities ranged from 4.03% to 4.61% for different lease terms.

As a lessor

The application of HKFRS 16 has had no material impact on the Group's 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 chief operating decision maker for deciding how to allocate resources and for assessing performance.

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

(a) the motor vehicle segment provides insurance products covering motor vehicles;

(b) the commercial property segment provides insurance products covering commercial properties;

(c) the cargo segment provides insurance products covering transport of goods;

(d) the liability segment provides insurance products covering policyholders' liabilities;

(e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;

(f) the agriculture segment provides insurance products covering agriculture business;

(g) the credit and surety segment provides insurance products covering credit and surety business;

(h) the others segment mainly represents insurance products related to homeowners, special risks, marine hull and construction; and

(i) the corporate segment includes the income and expenses from investment activities, share of results of associates and joint venture, other net income, unallocated income and expenditures of the Group.

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

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2019 and 2018 are as follows:

	Insurance								Corporate	Total
Six months ended 30 June 2019 (Unaudited)	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Credit and surety *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Gross written premiums	127,487	9,388	2,140	15,645	40,937	22,031	10,437	7,971	–	236,036
Net earned premiums	121,179	4,586	1,415	9,653	24,114	9,629	5,773	3,839	–	180,188
Net claims incurred	(74,674)	(2,072)	(597)	(5,347)	(21,214)	(7,308)	(3,545)	(1,897)	–	(116,654)
Net policy acquisition costs	(28,434)	(1,289)	(362)	(2,832)	(2,202)	(321)	(1,508)	(646)	–	(37,594)
Other underwriting expenses	(13,061)	(257)	(101)	(754)	(772)	(1,058)	(300)	(648)	–	(16,951)
Administrative expenses	(2,753)	(208)	(81)	(299)	(293)	(449)	(306)	(261)	–	(4,650)
Underwriting profit/(loss)	2,257	760	274	421	(367)	493	114	387	–	4,339
Investment income	–	–	–	–	–	–	–	–	8,728	8,728
Net realised and unrealised gains on investments	–	–	–	–	–	–	–	–	818	818
Investment related expenses	–	–	–	–	–	–	–	–	(162)	(162)
Exchange gains, net	–	–	–	–	–	–	–	–	3	3
Other income, net	–	–	–	–	–	–	–	–	325	325
Finance costs	–	–	–	–	–	–	–	–	(991)	(991)
Share of profits or losses of associates and joint venture	–	–	–	–	–	–	–	–	2,109	2,109
Profit/(loss) before tax	2,257	760	274	421	(367)	493	114	387	10,830	15,169
Income tax credit	–	–	–	–	–	–	–	–	1,652	1,652
Profit/(loss) for the period – segment results	2,257	760	274	421	(367)	493	114	387	12,482	16,821

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment income statements for the six months ended 30 June 2019 and 2018 are as follows: *(continued)*

Six months ended 30 June 2018 (Unaudited)	Insurance: Motor vehicle *RMB million*	Insurance: Commercial property *RMB million*	Insurance: Cargo *RMB million*	Insurance: Liability *RMB million*	Insurance: Accidental injury and health *RMB million*	Insurance: Agriculture *RMB million*	Insurance: Credit and surety *RMB million*	Insurance: Others *RMB million*	Corporate *RMB million*	Total *RMB million*
Gross written premiums	122,433	8,297	2,084	11,808	29,036	18,672	4,847	7,864	–	205,041
Net earned premiums	125,245	4,333	1,400	7,040	15,492	9,356	2,329	3,639	–	168,834
Net claims incurred	(73,681)	(1,997)	(574)	(4,003)	(14,110)	(5,877)	(1,359)	(1,668)	–	(103,269)
Net policy acquisition costs	(39,066)	(1,048)	(335)	(1,509)	(857)	(601)	(572)	(520)	–	(44,508)
Other underwriting expenses	(5,935)	(471)	(162)	(745)	(585)	(1,486)	(181)	(506)	–	(10,071)
Administrative expenses	(2,751)	(221)	(89)	(315)	(140)	(313)	(124)	(275)	–	(4,228)
Underwriting profit/(loss)	3,812	596	240	468	(200)	1,079	93	670	–	6,758
Investment income	–	–	–	–	–	–	–	–	8,782	8,782
Net realised and unrealised losses on investments	–	–	–	–	–	–	–	–	(201)	(201)
Investment related expenses	–	–	–	–	–	–	–	–	(165)	(165)
Interest expenses credited to policyholders' deposits	–	–	–	–	–	–	–	(1)	–	(1)
Exchange gains, net	–	–	–	–	–	–	–	–	88	88
Other income, net	–	–	–	–	–	–	–	–	340	340
Finance costs	–	–	–	–	–	–	–	–	(1,093)	(1,093)
Share of profits or losses of associates and joint venture	–	–	–	–	–	–	–	–	2,348	2,348
Profit/(loss) before tax	3,812	596	240	468	(200)	1,079	93	669	10,099	16,856
Income tax expense	–	–	–	–	–	–	–	–	(4,765)	(4,765)
Profit/(loss) for the period – segment results	3,812	596	240	468	(200)	1,079	93	669	5,334	12,091

3. OPERATING SEGMENT INFORMATION *(continued)*

The segment assets and liabilities of the Group as at 30 June 2019 and 31 December 2018 are as follows:

	Insurance								Corporate	Total
30 June 2019 (Unaudited)	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Credit and surety *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Segment assets	9,176	11,329	1,760	13,684	22,010	22,076	14,936	19,234	490,009	604,214
Segment liabilities	208,599	20,591	3,512	28,872	40,986	28,211	17,189	25,451	71,823	445,234

	Insurance								Corporate	Total
31 December 2018 (Audited)	Motor vehicle *RMB million*	Commercial property *RMB million*	Cargo *RMB million*	Liability *RMB million*	Accidental injury and health *RMB million*	Agriculture *RMB million*	Credit and surety *RMB million*	Others *RMB million*	*RMB million*	*RMB million*
Segment assets	9,758	8,891	1,421	9,536	10,319	7,272	11,385	16,213	475,824	550,619
Segment liabilities	208,558	17,195	3,269	23,763	24,341	14,569	11,732	22,658	83,031	409,116

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Gross written premiums		
Direct written premiums	**235,335**	204,781
Reinsurance premiums assumed	**701**	260
	236,036	205,041
Net earned premiums		
Gross written premiums	**236,036**	205,041
Reinsurance premiums ceded	**(20,695)**	(16,851)
Net written premiums	**215,341**	188,190
Gross change in unearned premium reserves	**(39,042)**	(21,178)
Reinsurer's share of change in unearned premium reserves	**3,889**	1,822
Net change in unearned premium reserves	**(35,153)**	(19,356)
Net earned premiums	**180,188**	168,834

5. NET CLAIMS INCURRED

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Gross claims paid	**115,804**	103,065
Paid losses recoverable from reinsurers	**(8,135)**	(7,548)
Net claims paid	**107,669**	95,517
Gross change in loss and loss adjustment expense reserves	**8,954**	6,907
Reinsurer's share of change in loss and loss adjustment expense reserves	**31**	845
Net change in loss and loss adjustment expense reserves	**8,985**	7,752
Net claims incurred	**116,654**	103,269

6. INVESTMENT INCOME

	Six months ended 30 June 2019 *RMB million* **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Operating lease income from investment properties	**123**	125
Interest income from:		
Current and term deposits	**2,005**	2,008
Debt securities		
– Held-to-maturity	**1,082**	1,044
– Available-for-sale	**2,213**	2,455
– At fair value through profit or loss	**83**	36
Investments classified as loans and receivables	**1,586**	1,471
	6,969	7,014
Dividend income from equity securities and mutual funds:		
– Available-for-sale	**1,553**	1,603
– At fair value through profit or loss	**83**	40
	1,636	1,643
	8,728	8,782

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

	Six months ended 30 June 2019 *RMB million* **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Realised gains/(losses) from:		
Debt securities		
– Available-for-sale	**73**	(20)
– At fair value through profit or loss	**9**	17
Equity securities and mutual funds		
– Available-for-sale	**1,240**	(114)
– At fair value through profit or loss	**12**	(38)
	1,334	(155)
Unrealised gains/(losses) from:		
Debt securities classified as fair value through profit or loss	**(1)**	25
Equity securities and mutual funds classified as fair value through profit or loss	**57**	(43)
	56	(18)
Impairment losses on equity securities and mutual funds classified as available-for-sale *(note 15)*	**(535)**	(83)
Fair value (losses)/gains on investment properties *(note 21)*	**(37)**	55
	818	(201)

8. FINANCE COSTS

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Interest on bonds payable	**575**	585
Interest on securities sold under agreements to repurchase	**344**	495
Interest on lease liabilities	**66**	–
Other finance costs	**6**	13
	991	1,093

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Employee expenses	**20,896**	16,777
Depreciation of property and equipment	**924**	803
Depreciation of right-of-use assets	**480**	–
Minimum lease payments under operating leases in respect of land and buildings	**–**	390
Amortisation of prepaid land premiums	**–**	80
Impairment losses on insurance receivables *(note 16)*	**517**	125
(Reversal of)/provision for impairment losses on prepayments and other assets	**(16)**	13

During the year ended 31 December 2018, the Group amended its compositions of underwriting profit based on industry practice. The Group reclassified certain other income and other expenses which will no longer be eligible for inclusion in underwriting profit, from administrative expenses to other income, net. During the current interim period, comparative figures for the six months ended 30 June 2018 have been revised accordingly, resulting in a reduction in underwriting profit of RMB251 million.

10. INCOME TAX (CREDIT)/EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2018: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Current tax	**6,290**	7,833
Adjustment relating to prior year	**(4,230)**	–
Deferred tax	**(3,712)**	(3,068)
Total	**(1,652)**	4,765

In May 2019, Ministry of Finance and State Taxation Administration issued the "Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises" (Announcement of the Ministry of Finance and State Taxation Administration [2019] No.72, the "New Policy"). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its direct written premiums, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,230 million for the year ended 31 December 2018 arising from the New Policy in current interim period, and therefore resulting in a tax credit for the current interim period.

11. DIVIDENDS

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2017 Final- RMB0.338 per ordinary share	**–**	5,012
Year 2018 Final- RMB0.272 per ordinary share	**6,050**	–

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2019.

12. EARNINGS PER SHARE

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Earnings:		
Profit attributable to owners of the Company (RMB million)	**16,821**	12,090
Shares:		
Weighted average number of ordinary shares in issue (in million shares) *(note 29)*	**22,242**	22,242
Basic earnings per share (in RMB Yuan)	**0.756**	0.544

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

Diluted earnings per share amounts for the six months ended 30 June 2019 and 2018 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2019 ***RMB million*** **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Demand deposits	**17,432**	15,376
Securities purchased under resale agreements with original maturity of no more than three months	**24,160**	17,289
Deposits with banks with original maturity of no more than three months	**454**	1,132
	42,046	33,797
Classification of cash and cash equivalents:		
Loans and receivables	**42,046**	33,797

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate the fair values of those collaterals as at 30 June 2019 and 31 December 2018.

14. DEBT SECURITIES

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Classification of debt securities:		
At fair value through profit or loss	4,171	5,643
Available-for-sale, at fair value	95,258	96,067
Held-to-maturity, at amortised cost	45,219	41,789
	144,648	143,499

15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Investments, at fair value:		
Listed shares	29,412	25,697
Unlisted shares	1,734	1,661
Mutual funds	27,296	29,417
Preferred shares	8,146	7,973
Equity schemes	10,975	9,111
Perpetual bonds	1,531	243
	79,094	74,102

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Classification of equity securities and mutual funds:		
At fair value through profit or loss	4,441	7,806
Available-for-sale, at fair value	74,653	66,296
	79,094	74,102

For the six months ended 30 June 2019, an impairment loss of RMB535 million was provided by the Group on equity securities and mutual funds (six months ended 30 June 2018: RMB83 million).

16. INSURANCE RECEIVABLES, NET

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Premiums receivable and agents' balances	**66,985**	30,543
Receivables from reinsurers	**15,548**	15,030
	82,533	45,573
Less: Impairment provisions on		
– Premiums receivable and agents' balances	**(3,467)**	(2,958)
– Receivables from reinsurers	**(198)**	(194)
	78,868	42,421

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
At the beginning of the period	**3,152**	3,566
Recognition of impairment losses *(note 9)*	**517**	125
Amount written off as uncollectible	**(4)**	(3)
At the end of the period	**3,665**	3,688

16. INSURANCE RECEIVABLES, NET *(continued)*

(b) An ageing 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 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Not yet due	**53,730**	29,822
Within 1 month	**6,490**	3,959
1 to 3 months	**8,348**	3,385
3 to 6 months	**6,901**	2,348
6 to 12 months	**2,228**	2,410
1 to 2 years	**1,053**	409
Over 2 years	**118**	88
	78,868	42,421

Included in the Group's insurance receivables are amounts due from a fellow subsidiary of RMB293 million (31 December 2018: RMB233 million) and an associate of RMB1,013 million (31 December 2018: RMB931 million), respectively. Please refer to note 33(b) for details.

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

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

17. REINSURANCE ASSETS

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Reinsurers' share of:		
Unearned premium reserves *(note 26)*	**14,643**	10,754
Loss and loss adjustment expense reserves *(note 26)*	**17,780**	17,811
	32,423	28,565

18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
More than 3 months to 1 year	**888**	577
More than 1 year to 2 years	**30**	–
More than 2 year to 3 years	**1,721**	1,021
More than 3 years	**56,552**	72,365
	59,191	73,963

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Long-term debt investment schemes	**35,062**	33,575
Trust plans	**13,613**	11,580
Asset management products	**4,953**	5,168
Subordinated debts held	**500**	500
Others	**4,763**	3,274
	58,891	54,097

The Group considered there was no impairment indicators identified, and therefore no provision was accrued on investments classified as loans and receivables as at 30 June 2019 and 31 December 2018.

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Associates		
Cost of investments in associates	**38,470**	36,883
Share of post-acquisition profit and other comprehensive income, net of dividend received *(i)*	**9,236**	8,320
Subtotal	**47,706**	45,203
Joint venture		
Cost of investment in joint venture	**98**	98
Total	**47,804**	45,301

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE *(Continued)*

(i) Hua Xia Bank Co., Ltd. (the Group's material associate, the "Hua Xia Bank") and Industrial Bank Co., Ltd. (an associate of the Group's another associate, the "IBC") applied PRC new financial instrument accounting standards (which is equivalent to HKFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. Comparatives of Hua Xia Bank and IBC for 2018 were not restated. This adoption has decreased the carrying amount of investments in associates and joint venture by RMB1,335 million on 1 January 2019. Adjustment to equity is as follows:

	1 January 2019 ***RMB million*** **(Unaudited)**
Share of other comprehensive income of associates and joint venture	**91**
Retained profits	**(1,426)**
Total equity	**(1,335)**

As permitted by Amendments to HKFRS 4 Insurance Contracts, the Group elects not to apply uniform accounting policies when using the equity method for Hua Xia Bank.

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
At 1 January	**4,881**	4,976
Transfers from property and equipment and right-of-use assets/prepaid land premiums	**31**	61
Fair value gain on revaluation of investment properties transferred from property and equipment and right-of-use assets/prepaid land premiums	**105**	96
(Decrease)/increase in fair value of investment properties during the period *(note 7)*	**(37)**	55
Transfers to property and equipment	**(257)**	(347)
At 30 June	**4,723**	4,841

21. INVESTMENT PROPERTIES *(continued)*

The fair values were determined based on the valuation carried out by an external independent valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd.. Valuations were carried out by the following two approaches:

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

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

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

22. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB221 million (six months ended 30 June 2018: RMB206 million) and incurred construction costs of RMB285 million (six months ended 30 June 2018: RMB644 million) for construction in progress.

Assets with a net book value of RMB19 million were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB52 million), resulting in a net disposal gain of RMB5 million (six months ended 30 June 2018: gain of RMB10 million).

During the six months ended 30 June 2019, construction in progress with an aggregate amount of RMB49 million (six months ended 30 June 2018: RMB29 million) was transferred to land and buildings upon completion.

During the six months ended 30 June 2019, property and equipment with a carrying amount of RMB7 million (six months ended 30 June 2018: RMB37 million) was transferred to investment properties, and investment properties with a carrying amount of RMB257 million (six months ended 30 June 2018: RMB347 million) was transferred to property and equipment.

23. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into some new lease agreements for the use of office building and vehicles for 1-10 years. The Group is required to make fixed payments periodically from the respective lease commencement dates. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB396 million of right-of-use asset and RMB353 million lease liability related to these new or modified leases.

At 30 June 2019, right-of-use assets included prepaid land premium of RMB2,740 million.

24. PREPAYMENTS AND OTHER ASSETS

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Interest receivables	**5,017**	5,277
Capital security fund *(i)*	**4,449**	4,449
Deductible input value-added tax	**4,426**	3,778
Prepayments for assets and expenses	**2,023**	489
Co-insurance receivables	**1,735**	1,822
Deposits	**1,366**	1,183
Prepaid insurance underwriting commission	**1,144**	1,808
Amounts due from associates *(note 33(b))*	**688**	314
Dividends due from an associate *(note 33(b))*	**446**	–
Amounts due from PICC Group *(note 33(b))*	**168**	57
Amounts due from fellow subsidiaries *(note 33(b))*	**57**	30
Others	**4,836**	4,352
	26,355	23,559
Less: Impairment provision on		
– Co-insurance receivables	**(252)**	(268)
– Other receivables	**(157)**	(157)
	25,946	23,134

(i) In accordance with the PRC Insurance Law, the Company is required to maintain a deposit equivalent to 20% of its registered capital with banks designated by the China Banking and Insurance Regulatory Commission (the "CBIRC") as a security fund. The use of the security fund is subject to the approval of the CBIRC.

25. PAYABLES TO REINSURERS

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

Included in the Group's reinsurance payables are amounts due to a fellow subsidiary of RMB215 million (31 December 2018: RMB237 million) and an associate of RMB2,087 million (31 December 2018: RMB846 million), respectively. Please refer to note 33(b) for details.

26. INSURANCE CONTRACT LIABILITIES

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

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Gross amount	**Reinsurers' share**	**Net amount**	Gross amount	Reinsurers' share	Net amount
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Unearned premium reserves	**179,394**	**(14,643)**	**164,751**	140,352	(10,754)	129,598
Loss and loss adjustment expense reserves	**144,383**	**(17,780)**	**126,603**	135,429	(17,811)	117,618
	323,777	**(32,423)**	**291,354**	275,781	(28,565)	247,216

27. BONDS PAYABLE

As at 30 June 2019, Bonds payable comprised subordinated debts and capital supplementary bonds.

	30 June 2019	31 December 2018
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Subordinated debts:		
Carrying amount repayable in		
More than five years	**8,328**	8,298
Capital supplementary bonds:		
Carrying amount repayable in		
More than five years	**15,160**	15,122
	23,488	23,420

On 24 October 2014, the Company issued subordinated debts of RMB8,000 million.

On 23 November 2016, the Company issued capital supplementary bonds of RMB15,000 million.

Terms of the subordinated debts of the Company are ten years. With proper notice to the counterparties, the Company has an option to redeem the subordinated debts at par values at the end of the fifth year from the date of issue. The interest rate of the subordinated debts is 5.75% per annum in the first five years and 7.75% per annum in the following five years.

Terms of the capital supplementary bonds of the Company are ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.65% per annum in the first five years and 4.65% per annum in the following five years.

28. ACCRUALS AND OTHER LIABILITIES

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Premiums received in advance *(note)*	**14,832**	23,589
Salaries and staff welfare payables	**8,927**	9,622
Other taxes payable	**7,543**	7,413
Commission payable	**7,759**	6,744
Dividend payable	**6,050**	–
Premium payable	**3,608**	3,593
Claims payable	**2,670**	3,099
Interest payable	**658**	177
Payables to interest holders of consolidated structured entities	**353**	353
Accrued capital expenditure	**321**	643
Amounts due to fellow subsidiaries *(note 33(b))*	**123**	109
Others	**6,297**	4,777
	59,141	60,119

Note: Premiums received in advance represent amounts collected from policies not yet effective as at 30 June 2019 and 31 December 2018, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

29. ISSUED CAPITAL

	30 June 2019 *RMB million* (Unaudited)	31 December 2018 *RMB million* (Audited)
Issued and fully paid:		
Domestic shares of RMB1.00 each	**15,343**	15,343
H shares of RMB1.00 each	**6,899**	6,899
	22,242	22,242

30. RISK MANAGEMENT

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

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the consolidated annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2018.

There have been no significant changes in the Group's risk management processes since 31 December 2018 or in any risk management policies.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

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

	Carrying amount		Fair value	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
At fair value through profit or loss				
– Equity securities and mutual funds	**4,441**	7,806	**4,441**	7,806
– Debt securities	**4,171**	5,643	**4,171**	5,643
Available-for-sale				
– Equity securities and mutual funds	**74,653**	66,296	**74,653**	66,296
– Debt securities	**95,258**	96,067	**95,258**	96,067
Held-to-maturity investments				
– Debt securities	**45,219**	41,789	**47,671**	44,435
Loans and receivables				
– Cash and cash equivalents	**42,046**	33,797	**42,046**	33,797
– Term deposits	**59,191**	73,963	**59,191**	73,963
– Investments classified as loans and receivables	**58,891**	54,097	**62,849**	57,519
– Insurance receivables, net	**78,868**	42,421	**78,868**	42,421
– Other financial assets	**18,726**	15,203	**18,726**	15,203
Total financial assets	**481,464**	437,082	**487,874**	443,150
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	**22,556**	15,706	**22,556**	15,706
– Accrued insurance security fund	**1,038**	1,026	**1,038**	1,026
– Securities sold under agreements to repurchase	**8,293**	27,999	**8,293**	27,999
– Policyholders' deposits	**1,783**	1,956	**1,783**	1,956
– Bonds payable	**23,488**	23,420	**23,811**	23,431
– Other financial liabilities	**27,471**	19,484	**27,471**	19,484
Total financial liabilities	**84,629**	89,591	**84,952**	89,602

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

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

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

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

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

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

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

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

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

Items	Fair value 30 June 2019 (Unaudited)	Fair value 31 December 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss debt securities	1,147	763	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	3,024	4,880	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	7,166	8,338	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	88,092	87,729	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	4,441	7,806	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	52,750	47,779	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	12,647	7,744	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	5,571	5,154	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	1,931	3,791	Level 3	Relative value that are assessed based on average price-to-earnings/price to sales ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	1,754	1,828	Level 3	Fair value of the investments is based on the use of internal discounted cash flow valuation models.

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

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

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

As at 30 June 2019 (Unaudited)	**Level 1** *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	**4,441**	**–**	**–**	**4,441**
– Debt securities	**1,147**	**3,024**	**–**	**4,171**
Available-for-sale financial assets				
– Equity securities and mutual funds	**52,750**	**12,647**	**9,256**	**74,653**
– Debt securities	**7,166**	**88,092**	**–**	**95,258**
	65,504	**103,763**	**9,256**	**178,523**

As at 31 December 2018 (Audited)	Level 1 *RMB million*	Level 2 *RMB million*	Level 3 *RMB million*	Total *RMB million*
Financial assets classified as fair value through profit or loss				
– Equity securities and mutual funds	7,806	–	–	7,806
– Debt securities	763	4,880	–	5,643
Available-for-sale financial assets				
– Equity securities and mutual funds	47,779	7,744	10,773	66,296
– Debt securities	8,338	87,729	–	96,067
	64,686	100,353	10,773	175,812

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

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

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

For the six months ended 30 June 2019, available-for-sale debt securities with carrying amount of RMB3,205 million (six months ended 30 June 2018: RMB3,441 million) were transferred from Level 1 to Level 2 because quoted prices in the market for such investments were no longer regularly available. Conversely, available-for-sale debt securities with carrying amount of RMB2,523 million (six months ended 30 June 2018: RMB2,527 million) were transferred from Level 2 to Level 1 because quoted prices in active markets were available as at 30 June 2019.

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

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

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate their fair values as at 30 June 2019 and 31 December 2018 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

	Fair value hierarchy			
30 June 2019 (Unaudited)	**Level 1** *RMB million*	**Level 2** *RMB million*	**Level 3** *RMB million*	**Total** *RMB million*
Financial assets				
– Held-to-maturity investments	1,194	46,477	–	47,671
– Investments classified as loans and receivables	–	62,849	–	62,849
Financial liabilities				
– Bonds payable	–	23,811	–	23,811

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

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

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

	Fair value hierarchy			
31 December 2018	Level 1	Level 2	Level 3	Total
(Audited)	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial assets				
– Held-to-maturity investments	3,666	40,769	–	44,435
– Investments classified as loans and receivables	–	57,519	–	57,519
Financial liabilities				
– Bonds payable	–	23,431	–	23,431

The fair values of the financial assets and financial liabilities classified under Level 2 were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties obtained from China Bond Yield Curves published by China Central Depository & Clearing Co., Ltd..

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

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

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2019 *RMB million* **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
At 1 January	**10,772**	7,287
Addition	**466**	909
Transfer out *(note)*	**(2,455)**	(1,152)
Unrealised gains recognised in other comprehensive income	**473**	1,183
At 30 June	**9,256**	8,227

Note: As at 31 December 2018, the fair value of the Group's investment in an equity scheme classified as available-for-sale financial assets was classified as Level 3, as the underlying asset of the equity scheme is a New Third Board listed company that has suspended its trading since June 2018 and the Group used comparable companies method to determine the fair value of the equity scheme. During the six months ended 30 June 2019, the New Third Board listed company continued its trading. Therefore, the Group transferred its fair value from Level 3 to Level 2.

There were no transfers into Level 3 for the six months ended 30 June 2019 and 2018.

32. CONTINGENCIES AND COMMITMENTS

(1) Contingencies

Owing to the nature of the insurance business, the Group is involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies, and some losses arising therefrom will be indemnified by reinsurers or other recoveries including salvages and subrogation. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group for the six months ended 30 June 2019 and 2018.

(2) Capital commitments and leases

(a) Capital commitments

	30 June 2019 ***RMB million*** **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Property and equipment commitments:		
Contracted, but not provided for:	**1,274**	1,889

(b) Leases

As lessor

The Group leases its investment properties (note 21) under 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.

As at 30 June 2019, the undiscounted lease payments to be received under leases are as follows:

	30 June 2019 ***RMB million*** **(Unaudited)**
Within one year, inclusive 1 year	**215**
One to two years, inclusive 2 years	**102**
Two to three years, inclusive 3 years	**58**
Three to four years, inclusive 4 years	**34**
Four to five years, inclusive 5 years	**25**
After five years	**49**
	483

32. CONTINGENCIES AND COMMITMENTS *(continued)*

(2) Capital commitments and leases *(continued)*

(b) Leases (continued)

As lessor *(continued)*

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

	31 December 2018 *RMB million* (Audited)
Within one year	222
In the second to fifth year, inclusive	259
After five years	37
	518

33. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June 2019 ***RMB million*** **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Transactions with PICC Group:		
Addition to right-of-use assets	**88**	–
Addition to lease liabilities	**88**	–
Interest on lease liabilities	**2**	–
Rental expense	**–**	36
WAN service fees	**11**	10
Transactions with fellow subsidiaries:		
Management fee	**103**	101
Service fee	**98**	145
Subscription amount of financial products set up and managed by fellow subsidiaries	**5,330**	2,864
Premiums ceded	**320**	292
Reinsurance commission income	**97**	99
Paid losses recoverable from reinsurers	**119**	111
Brokerage commission expense	**210**	167
Addition to right-of-use assets	**4**	–
Addition to lease liabilities	**4**	–
Payment of the lease liabilities	**58**	–
Interest on lease liabilities	**8**	–
Rental expense	**–**	69

33. RELATED PARTY TRANSACTIONS *(continued)*

(a) Material transactions with related parties *(continued)*

	Six months ended 30 June 2019 *RMB million* **(Unaudited)**	Six months ended 30 June 2018 *RMB million* (Unaudited)
Transactions with associates of the Company:		
Premiums ceded	**2,781**	2,356
Reinsurance commission income	**866**	814
Paid losses recoverable from reinsurers	**979**	632
Premiums paid	**10**	7
Agency services commission received	**68**	79
Agency services commission paid	**238**	244
Interest income	**166**	178
Dividend received	**–**	387
Addition to right-of-use assets	**6**	–
Addition to lease liabilities	**6**	–
Payment of the lease liabilities	**10**	–
Interest on lease liabilities	**1**	–
Rental expense	**–**	7
Transactions with associates of PICC Group:		
Interest income	**466**	292
Dividend income	**885**	836
Interest expense	**15**	30

33. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	30 June 2019 ***RMB million*** **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Cash and cash equivalents:		
An associate	**143**	56
An associate of PICC Group	**2,815**	1,623
Term deposits:		
An associate	**6,000**	6,550
An associate of PICC Group	**18,866**	20,673
Debt securities:		
An associate of PICC Group	**3,223**	3,295
Equity securities:		
An associate of PICC Group	**23,202**	19,061
Receivables from reinsurers:		
A fellow subsidiary *(note 16)*	**293**	233
An associate *(note 16)*	**1,013**	931
Dividend receivable:		
An associate *(note 24)*	**446**	–
Due from related parties:		
The PICC Group *(note 24)*	**168**	57
Fellow subsidiaries *(note 24)*	**57**	30
Associates *(note 24)*	**688**	314
An associate of PICC Group	**532**	326

33. RELATED PARTY TRANSACTIONS *(continued)*

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

	30 June 2019 *RMB million* **(Unaudited)**	31 December 2018 *RMB million* (Audited)
Payables to reinsurers:		
A fellow subsidiary *(note 25)*	**215**	237
An associate *(note 25)*	**2,087**	846
Dividend payable:		
The PICC Group	**4,173**	–
Due to related parties:		
Fellow subsidiaries *(note 28)*	**123**	109
The PICC Group	**54**	–
An associate of PICC Group	**18**	5
Bonds payable issued to:		
An associate of PICC Group	**468**	467
Lease liabilities:		
The PICC Group	**88**	–
A fellow subsidiary	**345**	–
An associate	**35**	–

33. RELATED PARTY TRANSACTIONS *(continued)*

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

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

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

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

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

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

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

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

(d) Key management personnel

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

No transactions have been entered with the key management personnel during the six months ended 30 June 2019 other than the emoluments paid to them (being the key management personnel compensation).

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9

According to Amendments to HKFRS 4, the Group and the Company performed an assessment during the year ended 31 December 2016. The carrying amount of the Group's liabilities connected with insurance exceeded 90% of the carrying amount of the Group's total liabilities and, as such, the Group concluded that its activities were predominantly connected with insurance as at 31 December 2015, and is eligible to apply the temporary exemption from HKFRS 9. There had been no significant change in the activities of the Group and the Company since then that requires reassessment. The Group and the Company have decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

As disclosed in Note 20, the Group's material associate, Hua Xia Bank applied PRC new financial instrument accounting standards (which is equivalent to HKFRS 9) retrospectively from 1 January 2019, with the practical expedients permitted under the standard.

As permitted by Amendments to HKFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for Hua Xia Bank.

The additional disclosures about the temporary exemption from HKFRS 9 are as follows:

(i) Fair value of financial assets

The table below presents the fair value of the following groups of financial assets (Note) under HKFRS 9 as at 30 June 2019 and fair value changes for the six months ended 30 June 2019:

	Fair value as at 30 June 2019 *RMB million* **(Unaudited)**	Fair value changes for the six months ended 30 June 2019 *RMB million* (Unaudited)
Held for trading financial assets (A)	**8,612**	36
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	**–**	–
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	**180,443**	497
– Financial assets with contractual terms that do not meet SPPI terms (D)	**99,988**	9,413
Total	**289,043**	9,946

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 *(continued)*

(i) Fair value of financial assets *(continued)*

The fair value of the financial assets classified in Category A, B, C and D above under HKFRS 9 as at 31 December 2018 are RMB13,449 million, nil, RMB169,065 million and RMB95,252 million respectively. Fair value gains for Category A and C for the year ended 31 December 2018 are RMB38 million and RMB8,068 million respectively, fair value loss for Category D for the year ended 31 December 2018 is RMB6,834 million.

Note: The table above includes only debt securities, equity securities and mutual funds and investments classified as loans and receivables. As all other financial assets (including cash, term deposits, insurance receivables and other assets) held by the Group are financial assets that meet SPPI criterion, and their carrying amounts approximate their fair value. Accordingly, they have not been included in the table above.

(ii) Credit risk exposure

For the financial assets that meet SPPI criterion (included in C above), the credit rating of financial assets are assessed by qualified rating agencies in the PRC except for overseas bonds. The credit risk exposure is listed below:

Credit rating of financial assets that meet SPPI criterion (other than overseas bonds)

	Carrying amount *(Note 1)*	
	30 June 2019	31 December 2018
	RMB million	*RMB million*
	(Unaudited)	(Audited)
AAA	**136,336**	139,176
AA+	**4,691**	2,431
AA	**700**	–
A-1	**120**	–
Not rated*	**26,175**	21,758
Total	**168,022**	163,365

* Included in the not rated category, there is an aggregate carrying amount of RMB20,722 million (31 December 2018: RMB19,556 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and without any credit rating.

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 *(continued)*

(ii) Credit risk exposure *(continued)*

For the overseas bonds that meet SPPI criterion (included in C above), Moody's credit rating is used. The credit risk exposure is listed below:

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount *(Note 1)*	
	30 June 2019	31 December 2018
	RMB million	*RMB million*
	(Unaudited)	(Audited)
Aa1	**181**	131
Aa2	**5**	6
Aa3	**28**	17
A1	**54**	87
A2	**22**	34
A3	**8**	8
Baa1	**60**	54
Baa2	**6**	11
Total	**364**	348

	Carrying amount		Fair value	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
	RMB million	*RMB million*	***RMB million***	*RMB million*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	**10,964**	4,633	**11,396**	4,982

Note 1: For financial assets measured at amortised cost, carrying amount before adjusting impairment allowance is disclosed here.

Note 2: Financial assets that do not have low credit risk refer to financial assets with either credit rating for those assets rated by qualified rating agencies in the PRC below AAA or Moody's credit rating below Baa3.

35. EVENTS AFTER THE REPORTING PERIOD

On 23 August 2019, the Board of Directors of the Company approved an amount of RMB5,000 million to be appropriated to discretionary surplus reserve from retained profits.

36. COMPARATIVE FIGURES

Presentation of the condensed consolidated income statement for the six months ended 30 June 2018 has been restated to conform with current interim period's presentation.

Definitions

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

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

Corporate Information

REGISTERED NAME

Chinese name: 中國人民財產保險股份有限公司
(Abbreviation of Chinese name: 人保財險)

English name: PICC Property and Casualty Company Limited
(Abbreviation of English name: PICC P&C)

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC P&C

STOCK CODE

2328

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

REGISTERED OFFICE

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WEBSITE

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LEGAL REPRESENTATIVE

Miao Jianmin

SECRETARY OF THE BOARD OF DIRECTORS

Zou Zhihong

COMPANY SECRETARY

Ko Mei Ying

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AUDITORS

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Domestic Auditor
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LEGAL ADVISORS

as to Laws of Hong Kong, China
Linklaters

as to Laws of Chinese mainland
King & Wood Mallesons