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PICC

中国人民保险集团股份有限公司

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

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

(Stock Code: 1339)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the "Board") of The People's Insurance Company (Group) of China Limited (the "Company") announces the following unaudited interim consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with the comparative figures for the previous year, which should be read in conjunction with the following management discussion and analysis:

CONDENSED FINANCIAL STATEMENTS AND MATERIAL NOTES

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Gross written premiums	*4*	**279,726**	264,578
Less: premiums ceded to reinsurers	*4*	**(14,900)**	(18,159)
Net written premiums	*4*	**264,826**	246,419
Change in unearned premium reserves		**(24,580)**	(17,948)
Net earned premiums		**240,246**	228,471
Reinsurance commission income		**4,106**	6,088
Investment income	*5*	**16,520**	15,079
Other income		**1,433**	1,154
TOTAL INCOME		**262,305**	250,792
Life insurance death and other benefits paid		**92,171**	73,925
Claims incurred		**100,239**	90,164
Changes in long-term life insurance contract liabilities		**(2,569)**	20,755
Policyholder dividends		**1,479**	1,928
Claims and policyholders' benefits		**191,320**	186,772
Less: claims and policyholders' benefits ceded to reinsurers		**(8,312)**	(8,922)
Net claims and policyholders' benefits		**183,008**	177,850
Handling charges and commissions		**31,401**	25,570
Finance costs		**2,455**	2,039
Exchange losses/(gains)		**325**	(233)
Other operating and administrative expenses		**34,454**	34,422
TOTAL BENEFITS, CLAIMS AND EXPENSES		**251,643**	239,648
Share of profits and losses of associates and joint ventures		**5,945**	3,426
Loss on deemed disposal of an associate		**(798)**	–
PROFIT BEFORE TAX	*6*	**15,809**	14,570
Income tax expense	*7*	**(3,018)**	(3,286)
PROFIT FOR THE PERIOD		**12,791**	11,284
Attributable to:			
Equity holders of the Company		**8,815**	7,725
Non-controlling interests		**3,976**	3,559
		12,791	11,284
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
–Basic *(in RMB)*	*9*	**0.21**	0.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
PROFIT FOR THE PERIOD		**12,791**	11,284
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		**1,617**	(4,980)
– Reclassification of (gains)/losses to profit or loss on disposals		**(1,119)**	548
– Impairment losses	*5(d)*	**401**	185
Income tax effect		**(229)**	1,062
		670	(3,185)
Net losses on cash flow hedges		**(3)**	(4)
Income tax effect		**1**	1
		(2)	(3)
Share of other comprehensive (expense)/income of associates and joint ventures		**(1,200)**	435
Exchange differences on translating foreign operations		**(121)**	22
NET OTHER COMPREHENSIVE EXPENSE MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(653)**	(2,731)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties		**247**	145
Income tax effect		**(62)**	(36)
		185	109
Actuarial (losses)/gains on pension benefit obligation		**(279)**	102
Share of other comprehensive income/(expense) of associates and joint ventures		**18**	(51)
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(76)**	160
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX		**(729)**	(2,571)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**12,062**	8,713
Attributable to:			
– Equity holders of the Company		**8,157**	5,806
– Non-controlling interests		**3,905**	2,907
		12,062	8,713

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
ASSETS			
Cash and cash equivalents		**60,518**	46,729
Derivative financial assets		–	3
Debt securities		**256,207**	240,531
Equity securities, mutual funds and trust schemes		**116,512**	150,550
Insurance receivables, net	*10*	**67,118**	34,339
Reinsurance assets		**31,006**	31,019
Term deposits		**79,938**	91,884
Restricted statutory deposits		**10,111**	9,911
Investments classified as loans and receivables		**195,029**	168,778
Investments in associates and joint ventures	*11*	**91,274**	85,834
Investment properties		**11,189**	10,695
Property and equipment		**23,567**	24,113
Intangible assets		**1,128**	1,197
Prepaid land premiums		**3,737**	3,825
Deferred tax assets		**10,388**	5,965
Other assets		**29,696**	26,776
TOTAL ASSETS		**987,418**	932,149
LIABILITIES			
Securities sold under agreements to repurchase		**34,379**	33,066
Payables to reinsurers	*12*	**28,799**	19,302
Income tax payable		**5,392**	2,756
Bonds payable		**46,191**	46,084
Insurance contract liabilities		**569,141**	538,513
Investment contract liabilities for policyholders		**44,497**	38,370
Policyholder dividends payable		**5,744**	7,064
Pension benefit obligation		**3,005**	2,800
Deferred tax liabilities		**684**	752
Other liabilities		**69,411**	72,448
TOTAL LIABILITIES		**807,243**	761,155
EQUITY			
Issued capital	*13*	**42,424**	42,424
Reserves		**90,401**	83,677
Equity attributable to equity holders of the Company		**132,825**	126,101
Non-controlling interests		**47,350**	44,893
TOTAL EQUITY		**180,175**	170,994
TOTAL EQUITY AND LIABILITIES		**987,418**	932,149

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company															
	Share capital *(note 13)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income/(expense) of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund*	Other reserves**	Actuarial losses on pension benefit obligation	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2017 (Audited)	42,424	19,925	2,353	7,062	1,300	2,417	(7)	661	6	1,410	(15,153)	(652)	64,355	126,101	44,893	170,994
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	8,815	8,815	3,976	12,791
Other comprehensive income/(expense)	-	-	429	-	-	160	(2)	(875)	(91)	-	-	(279)	-	(658)	(71)	(729)
Total comprehensive income/(expense)	-	-	429	-	-	160	(2)	(875)	(91)	-	-	(279)	8,815	8,157	3,905	12,062
Dividends paid to shareholders *(note 8)*	-	-	-	-	-	-	-	-	-	-	-	-	(1,433)	(1,433)	(1,448)	(2,881)
Balance as at 30 June 2017 (Unaudited)	42,424	19,925	2,782	7,062	1,300	2,577	(9)	(214)	(85)	1,410	(15,153)	(931)	71,737	132,825	47,350	180,175

* This reserve contains both statutory and discretionary surplus reserves.

** Other reserves contain a negative amount of RMB58 million (31 December 2016: a negative amount of RMB58 million) arising from transactions with non-controlling interests, a negative amount of RMB17,942 million (31 December 2016: a negative amount of RMB17,942 million) arising from elimination of asset revaluation of the Company when it was converted to a joint stock company and an amount of RMB2,847 million (31 December 2016: RMB2,847 million) arising from a major shareholder's undertaking to post-employment benefit obligations of the Company.

	Attributable to equity holders of the Company															
	Share capital *(note 13)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund	Other reserves	Actuarial gains/(losses) on pension benefit obligation	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2016(Audited)	42,424	19,925	5,840	5,770	1,300	2,232	(3)	594	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	7,725	7,725	3,559	11,284
Other comprehensive (expense)/income	-	-	(2,407)	-	-	75	(3)	298	16	-	-	102	-	(1,919)	(652)	(2,571)
Total comprehensive (expense)/income	-	-	(2,407)	-	-	75	(3)	298	16	-	-	102	7,725	5,806	2,907	8,713
Dividends paid to shareholders *(note 8)*	-	-	-	-	-	-	-	-	-	-	-	-	(959)	(959)	(1,574)	(2,533)
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	(9)	-	-	(9)	63	54
Balance as at 30 June 2016 (Unaudited)	42,424	19,925	3,433	5,770	1,300	2,307	(6)	892	(33)	1,101	(15,019)	(591)	59,436	120,939	42,490	163,429

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Net cash (used in)/from operating activities	**(3,516)**	21,497
Net cash from/(used in) investing activities	**17,585**	(20,700)
Net cash used in financing activities	**(219)**	(10,859)
Net increase/(decrease) in cash and cash equivalents	**13,850**	(10,062)
Cash and cash equivalents at the beginning of the period	**46,729**	49,884
Effects of exchange rate changes on cash and cash equivalents	**(61)**	60
Cash and cash equivalents at the end of the period	**60,518**	39,882

NOTES:

1. CORPORATE INFORMATION

The Company was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at No. 69, Dongheyan Street, Xuanwu District, Beijing 100052, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC ("MOF").

The Company is an investment holding company. During the six months ended 30 June 2017, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.

2.1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board, and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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 2016.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

The following amendments to International Financial Reporting Standards ("IFRS") became effective for the current accounting period:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

None of the above amendments to IFRSs have had a material impact on the financial position or performance of the Group for the six months ended 30 June 2017.

2.3 NEW AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE

The following relevant new standards and amendments have been issued by are not effective for the financial year ending 31 December 2017 and have not been early adopted, but are expected to have a material impact on the financial position or results of operations of the Group:

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, but the Group qualifies for a temporary exemption as explained below. The Group is currently assessing the impact of the standard upon adoption, and expects that the adoption of IFRS 9 will likely to have a material impact on the classification, measurement and impairment of the Group's financial instruments in the Group's consolidated financial statements.

On 12 September 2016, the IASB issued amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, which provides two alternative options to address the different effective dates of IFRS 9 and the forthcoming insurance contracts standard, notably a temporary exemption and an overlay approach. The temporary exemption enables entities whose activities are predominantly connected with insurance to defer the effective date of IFRS 9 until the earlier of the effective date of the forthcoming insurance contracts standard and the financial periods beginning on or after 1 January 2021. The overlay approach allows entities applying IFRS 9 from 2018 onwards to remove from profit or loss the effects of certain accounting mismatches that may occur before the forthcoming insurance contracts standard is applied. The Group has assessed that its activities are predominantly connected with insurance according to the requirements of the amendments so the Group is eligible to apply the temporary exemption. The Group will decide whether to apply the temporary exemption to defer the effective date of IFRS 9 once its impact assessment on IFRS 9 is completed, which will be no later than the release of the Group's 2017 Annual Report.

IFRS 17, Insurance Contracts, was published on 18 May 2017 and replaces the current IFRS 4, Insurance Contracts. IFRS 17 sets out the principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. The standard requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin representing the unearned profit of the contract. Additionally, IFRS 17 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. The standard is effective for financial periods beginning on or after 1 January 2021. The Group is yet to undertake a detailed assessment of the new standard.

IFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 replaces IAS 17 Leases and related interpretations. A key change arising from IFRS 16 is that a lessee is required to recognise assets and liabilities for all leases, except for short-term leases and leases of low value assets. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is currently assessing the full impact of the standard on its financial position and performance.

3. OPERATING SEGMENT INFORMATION

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

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

- The non-life insurance segment offers a wide variety of insurance products to both personal and corporate customers including automobile insurance, agricultural insurance, property insurance and liabilities insurance;

- The life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products;

- The health insurance segment offers a wide range of health and medical insurance products;

- The asset management segment comprises asset management services;

- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal, and human resources functions;

- The others segment comprises insurance agent business, reinsurance business and other operating business of the Group.

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

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

Intersegment sales are transacted according to terms and conditions agreed by the relevant parties within the Group.

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

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

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

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

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

Segment assets and liabilities as at 30 June 2017 and 31 December 2016 are as follows:

	Non-life insurance *in RMB million*	Life insurance *in RMB million*	Health insurance *in RMB million*	Asset management *in RMB million*	Head-quarters *in RMB million*	Others *in RMB million*	Eliminations *in RMB million*	Total *in RMB million*
30 June 2017 (Unaudited)								
Segment assets	**535,120**	**377,336**	**45,773**	**9,576**	**109,945**	**3,725**	**(94,057)**	**987,418**
Segment liabilities	**404,419**	**344,525**	**40,107**	**1,669**	**21,668**	**1,653**	**(6,798)**	**807,243**
31 December 2016 (Audited)								
Segment assets	480,354	375,499	45,224	9,531	108,320	6,586	(93,365)	932,149
Segment liabilities	357,480	342,629	39,548	1,800	20,190	2,656	(3,148)	761,155

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2016:0.91%, 6.45% and 6.70%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in the financial statements of the Company and of another principal subsidiary. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

4. GROSS AND NET WRITTEN PREMIUMS

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
(a) Gross written premiums		
Long-term life insurance premiums	**90,780**	94,528
Short-term life insurance premiums	**9,090**	8,070
Non-life insurance premiums	**179,856**	161,980
Total	**279,726**	264,578
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	**(441)**	(329)
Short-term life insurance premiums ceded to reinsurers	**(861)**	(1,524)
Non-life insurance premiums ceded to reinsurers	**(13,598)**	(16,306)
Total	**(14,900)**	(18,159)
Net written premiums	**264,826**	246,419

5. INVESTMENT INCOME

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Dividend, interest and rental income (a)	**15,538**	15,929
Realised gains/(losses) (b)	**1,194**	(688)
Fair value gains (c)	**189**	23
Impairment losses (d)	**(401)**	(185)
Total	**16,520**	15,079

(a) Dividend, interest and rental income

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Operating lease income from investment properties	**260**	224
Interest income		
Current and term deposits	**2,722**	4,070
Debt securities		
– Held-to-maturity	**2,894**	2,970
– Available-for-sale	**2,524**	2,845
– Held-for-trading	**44**	23
Derivative financial assets	**3**	14
Loans and receivables	**5,262**	3,736
Subtotal	**13,449**	13,658
Dividend income		
Equity securities and mutual funds		
– Available-for-sale	**1,582**	1,686
– Held-for-trading	**247**	361
Subtotal	**1,829**	2,047
Total	**15,538**	15,929

(b) Realised gains/(losses)

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Debt securities		
– Available-for-sale	**29**	98
– Held-for-trading	**4**	23
Equity securities and mutual funds		
– Available-for-sale	**1,062**	(646)
– Held-for-trading	**99**	(163)
Total	**1,194**	(688)

(c) Fair value gains

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Debt securities		
– Held-for-trading	**(38)**	(8)
Equity securities and mutual funds		
– Held-for-trading	**296**	(79)
Investment properties	**(69)**	110
Total	**189**	23

(d) Impairment losses

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Equity securities and mutual funds		
– Available-for-sale	**(401)**	(185)

6. PROFIT BEFORE TAX

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

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Employee costs	**18,938**	16,974
Depreciation of property and equipment	**922**	970
Impairment losses recognised on insurance receivables *(note 10)*	**320**	364
Impairment losses recognised on prepaid land premiums	**8**	–
Impairment losses recognised on other assets	**23**	180
Minimum lease payments under operating leases in respect of land and buildings	**570**	496
Amortisation of intangible assets and prepaid land premiums	**171**	161

7. INCOME TAX EXPENSE

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Current income tax		
– Charge for the period	**7,811**	5,949
– Adjustments in respect of current tax of previous periods	**(12)**	–
Deferred income tax	**(4,781)**	(2,663)
Total	**3,018**	3,286

In accordance with the relevant PRC enterprise income tax rules and regulations, the Company and the Company's subsidiaries registered in the PRC are subject to corporate income tax at the statutory rate of 25% (six months ended 30 June 2016: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Final dividends recognised as distribution during the period:		
Year 2015 Final – RMB 2.26005 cent per share	**–**	959
Year 2016 Final – RMB 3.37881 cent per share	**1,433**	–

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2017 and the six months ended 30 June 2016 is based on the profit attributable to equity holders of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Profit attributable to equity holders of the Company for the period *(in RMB millions)*	**8,815**	7,725
Number of ordinary shares *(in million shares)*	**42,424**	42,424
Basic earnings per share *(in RMB)*	**0.21**	0.18

No diluted earnings per share has been presented for the six months ended 30 June 2017 and 2016 as the Group had no potential ordinary shares in issue during the periods.

10. INSURANCE RECEIVABLES, NET

(In RMB millions)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Insurance receivables	**70,653**	37,557
Less: impairment provision on insurance receivables	**(3,535)**	(3,218)
Total	**67,118**	34,339

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

(In RMB millions)	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
At the beginning of the period	**3,218**	2,869
Impairment losses recognised *(note 6)*	**320**	364
Amount written off as uncollectible	**(3)**	(2)
At the end of the period	**3,535**	3,231

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

(In RMB millions)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Not yet due and within 3 months	**45,914**	27,749
3 to 6 months	**13,475**	4,234
6 to 12 months	**6,637**	1,943
1 to 2 years	**961**	300
Over 2 years	**131**	113
Total	**67,118**	34,339

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

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2017 and 31 December 2016 are as follows:

(In RMB millions)	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Associates		
Cost of investment in associates	**66,694**	63,961
Share of post-acquisition profits and other comprehensive income	**21,690**	18,983
Subtotal	**88,384**	82,944
Joint ventures		
Cost of investment in joint ventures	**2,890**	2,890
Total	**91,274**	85,834

Included in the carrying amount of investments in associates as at 30 June 2017 was an aggregate amount of RMB78,956 million (31 December 2016: RMB73,541 million) in respect of listed entities and their corresponding fair values amounted to RMB72,353 million (31 December 2016: RMB66,416million) on the same date.

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2017, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2016 to 31 March 2017.

On 31 March 2017, Industrial Bank completed its private offering. The Group did not subscribe the shares proportionately, therefore its total equity interest in Industrial Bank was diluted from 14.06% to 12.90%. The Group is of the view that it still has significant influence over Industrial Bank and continues to account for the investment in Industrial Bank as an associate. As such, a deemed disposal loss amounting to RMB798 million was recognised in profit or loss.

On 26 May 2017, a shareholders' meeting of Industrial Bank approved a final dividend in respect of the year ended 31 December 2016 and the Group recognised the dividends receivable of RMB1,634 million on the same date. Therefore, when applying the equity method to this associate, the Group adjusted the carrying amount of the share of the net assets of this associate by the corresponding dividends receivable.

12. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Reinsurance payables	**28,799**	19,302

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

13. SHARE CAPITAL

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Issued and fully paid ordinary shares of RMB 1 each *(in million shares)*		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424
Share capital *(in RMB million)*		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424

14. EVENT AFTER THE REPORTING PERIOD

According to the Company's financial statements prepared in accordance with IFRS, the retained earnings of the Company as at 30 June 2017 amounted to RMB 11,764 million (31 December 2016: RMB 11,429 million). As at 30 June 2017, there was no difference between the retained earnings of the Company in the financial statements prepared in accordance with IFRS and those prepared in accordance with China Accounting Standards.

On 25 August 2017, the Board of Directors of the Company proposed to appropriate an amount of RMB10,000 million from the retained profits to discretionary surplus reserve fund. According to PRC Company Law, reserves funds can be utilised to make good losses, converted to share capital and support business operations of the Company. This appropriation is subject to the approval of shareholders' general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Original Premiums Income			
PICC P&C	**179,317**	161,562	11.0
PICC Life	**83,291**	81,899	1.7
PICC Health	**16,543**	20,320	(18.6)
Combined ratio of PICC P&C (%)	**95.5**	95.0	Increase of 0.5 pt
Value of half year's new business of PICC Life(1)	**3,907**	2,152	81.6
Value of half year's new business of PICC Health(1)	**284**	229	24.0
Total investment yield (annualised) (%)	**5.4**	5.0	Increase of 0.4 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2017	As of 31 December 2016	(% of change)
Market share [(2)]			
PICC P&C (%)	**34.0**	33.5	Increase of 0.5 pt
PICC Life (%)	**4.7**	4.8	Decrease of 0.1 pt
PICC Health (%)	**0.9**	1.1	Decrease of 0.2 pt
Embedded Value of PICC Life	**60,615**	57,558	5.3
Embedded Value of PICC Health	**7,716**	7,118	8.4

	As of 30 June 2017	As of 31 December 2016	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	**296**	284	Increase of 12 pt
PICC P&C	**290**	287	Increase of 3 pt
PICC Life	**199**	177	Increase of 22 pt
PICC Health	**235**	215	Increase of 20 pt
Core solvency margin ratio (%)			
PICC Group	**233**	220	Increase of 13 pt
PICC P&C	**237**	232	Increase of 5 pt
PICC Life	**171**	149	Increase of 22 pt
PICC Health	**220**	200	Increase of 20 pt

(1) The value of half year's new business of PICC Life and PICC Health for the 6 months up to 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).

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

For the six months ended 30 June 2017, by adhering to its key aspiration of "Stabilizing growth, optimizing structure, creating valuation and preventing risk", the Group increased the efforts of reform and innovation, enhanced the aggregation effect, continued to promote customer-oriented transformation and built leading service capabilities. The Group has shown a steady growth in its business and its structure continued to be optimised. For the six months ended 30 June 2017, the market share of PICC P&C in the P&C insurance market was 34.0%, the market share of PICC Life in life and health insurance market was 4.7% and the market share of PICC Health in life and health insurance market was 0.9%. In terms of the total written premiums (the "TWPs"), for the six months ended 30 June 2017, the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB179,317 million, RMB91,196 million, RMB22,387 million and HKD110 million, respectively. The Group proactively pushed for a transformation towards being "customer-oriented", and for the unification in the construction of the Group. The TWPs generated by the synergy among the Group's business lines grew by 3.8% to RMB22,631 million for the six months ended 30 June 2017 from RMB21,797 million for the same period in 2016.

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Gross written premiums	**279,726**	264,578	5.7
P&C Insurance	**179,856**	161,980	11.0
Life Insurance	**83,328**	82,278	1.3
Health Insurance	**16,543**	20,320	(18.6)
Profit before tax	**15,809**	14,570	8.5
Net Profit	**12,791**	11,284	13.4
Net profit attributable to equity holders of the Company	**8,815**	7,725	14.1
Earnings per share (RMB)	**0.21**	0.18	14.1
Weighted average return on equity (annualised) (%)	**13.5**	13.0	Increase of 0.5 pt

Unit: RMB in millions, except for percentages

	As of 30 June 2017	As of 31 December 2016	(% of change)
Total assets	**987,418**	932,149	5.9
Total liabilities	**807,243**	761,155	6.1
Total equity	**180,175**	170,994	5.4
Net assets per share (RMB)	**3.13**	2.97	5.3
Gearing ratio [1] (%)	**81.8**	81.7	Increase of 0.1 pt

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

The Group's capital base has been further strengthened, in which total equity grew by 5.4% to RMB180,175 million as of 30 June 2017 from RMB170,994 million as of 31 December 2016. The Group's gross written premiums ("GWPs") increased by 5.7% to RMB279,726 million in 2017 from RMB264,578 million for the six months ended 30 June 2016. Net profit increased by 13.4% to RMB12,791 million for the six months ended 30 June 2017 from RMB11,284 million for the same period in 2016. Profit attributable to equity holders of the Company increased by 14.1% to RMB8,815 million for the six months ended 30 June 2017 from RMB7,725 million for the same period in 2016. The weighted average return on equity of the Group increased by 0.5 percentage points to 13.5% for the six months ended 30 June 2017 from 13.0% for the same period in 2016.

The net assets per share of the Group increased by 5.3% to RMB3.13 as of 30 June 2017 from RMB2.97 as of 31 December 2016. The Group's earnings per share increased by 14.1% to RMB0.21 for the six months ended 30 June 2017 from RMB0.18 for the same period in 2016. The Group's gearing ratio increased by 0.1 percentage points to 81.8% as of 30 June 2017 from 81.7% as of 31 December 2016.

P&C INSURANCE BUSINESS

In the first half of 2017, "The Belt and Road" Initiative was on the full swing, poverty alleviation was actively promoted and the "Healthy China" Initiative was implemented comprehensively, which offered a wider development space for domestic P&C insurance business. Meanwhile, the equal importance attached to the accelerated progress of marketalization and the prevention of financial risks in the P&C insurance business as well as the ongoing intensified market-oriented reform in respect of insurance premium rates have imposed new challenges on the Group's P&C insurance segment in its serving the development of real economy and its upgrading of insurance supply. In face of the complex and fierce market competition, the Group's P&C insurance segment endeavored to strengthen strategic guidance, optimize organizational structure, inspire those at the grassroots level, implement proactive financial policy, intensify market benchmarking assessment and promote upgrades. In the first half of 2017, PICC P&C held the initiative of development with progressive market strategies and elevated its leading position of development and profitability with professional competence, thereby achieving on Original Premiums Income of RMB179.317 billion with a stable market share.

(1) Analysis by Product

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Motor vehicle insurance	**117,854**	108,404	8.7
Commercial property insurance	**7,632**	7,843	(2.7)
Liability insurance	**8,927**	7,354	21.4
Accidental injury and health insurance	**21,196**	16,430	29.0
Cargo insurance	**1,718**	1,616	6.3
Agricultural insurance	**14,088**	12,777	10.3
Other P&C insurance	**8,441**	7,556	11.7
Total	**179,856**	161,980	11.0

GWPs for the P&C insurance segment increased by 11.0% to RMB179,856 million for the six months ended 30 June 2017 from RMB161,980 million for the same period in 2016. The overall steady growth was largely driven by the relatively rapid development in areas such as motor vehicle insurance, accidental injury and health insurance, agricultural insurance and liability insurance.

GWPs for motor vehicle insurance increased by 8.7% to RMB117,854 million for the six months ended 30 June 2017 from RMB108,404 million for the same period in 2016. In the first half of 2017, the growth rate in sales volume of new vehicles in the PRC declined. The P&C insurance segment took the opportunity of the second round of deregulation of premium rate for commercial motor vehicle insurance to continuously strengthen its pricing and investment strategies, continue to improve the ability of acquiring high-quality businesses and take serious measures to enhance the renewal rate of sub-new vehicles. While reinforcing the continuous steady growth of new vehicles insurance business, the P&C insurance segment's policy renewal and policy transfer businesses continued to drive a steady growth in the motor vehicle insurance business.

GWPs for commercial property insurance decreased by 2.7% to RMB7,632 million for the six months ended 30 June 2017 from RMB7,843 million for the same period in 2016. In the first half of 2017, affected by the in-depth economic restructuring of "cutting overcapacity and improving efficiency", the existing business decreased and competition intensified in the commercial property insurance market, premium rate declined dramatically and the GWPs for commercial property insurance dropped as compared to the same period of last year.

GWPs for liability insurance increased by 21.4% to RMB8,927 million for the six months ended 30 June 2017 from RMB7,354 million for the same period in 2016. In the first half of 2017, the P&C insurance segment maintained a good developing trend in traditional businesses, including employer, production safety, medical, public and product liability insurance, and started new business growing point in the insurance of the first major technological equipment, export products liability insurance, government assistance insurance, motor vehicle extended maintenance insurance and online shopping shipment fee loss insurance.

GWPs for accidental injury and health insurance increased by 29.0% to RMB21,196 million for the six months ended 30 June 2017 from RMB16,430 million for the same period in 2016. In the first half of 2017, the critical illness insurance, new rural cooperative supplementary medical insurance and urban resident basic medical insurance continually recorded surging growth. At the same time, the P&C insurance segment focused on facilitating the rapid development of accidental injury insurance business for vehicle drivers and rural migrant workers.

GWPs for cargo insurance increased by 6.3% to RMB1,718 million for the six months ended 30 June 2017 from RMB1,616 million for the same period in 2016. In the first half of 2017, demands for cargos of raw metals, mineral products and building materials recovered, which led to the growth of traditional insurance for imports, water transportation and water and land transportation. Meanwhile, remarkable results have been achieved in the expansion of individual cargo insurance businesses of carry-on baggage with vehicles and people in the P&C insurance segment.

GWPs for agricultural insurance increased by 10.3% to RMB14,088 million for the six months ended 30 June 2017 from RMB12,777 million for the same period in 2016. In the first half of 2017, the reform in the agricultural products pricing mechanism stimulated the new developments of agricultural insurance, poverty alleviation plans introduced new requirements for agricultural insurance and the demands for agricultural insurance by the subject of agricultural scale operation were strong. The P&C insurance segment seized policy opportunities to continue with steady development of insurance for staple agricultural and animal products and do a good job of catastrophes insurance pilot work in the main production areas of the three major grain crops. Animal breeding insurance as well as poverty alleviation insurance, futures price insurance and weather index insurance in the emerging businesses achieved a rapid development.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 11.7% to RMB8,441 million for the six months ended 30 June 2017 from RMB7,556 million for the same period in 2016. In the first half of 2017, the CIRC released the Guidelines on the Insurance Industry Serving "The Belt and Road" Construction (《關於保險業服務「一帶一路」建設的指導意見》). The P&C insurance segment actively explored overseas business expansion model and utilized the international market resource channel, as a result, the insurance business for nuclear energy, petroleum, aerospace and credit insurance developed rapidly. At the same time, family property insurance and project insurance in the P&C insurance segment also maintained a rapid growth.

(2) Analysis by Channel

The following table sets forth a breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. In the first half of 2017, PICC P&C accelerated the implementation of a differentiated operational and integrated channel strategy, strived to build a complete channel system and an optimal channel structure. It put forward internet strategic development, continuously optimized coordination between property, life and health insurance, which led to healthy growth in its business.

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June				
	2017			2016	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
Insurance agents	**114,659**	**63.9**	**19.9**	95,630	59.2
Among which:					
Individual insurance agents	**60,182**	**33.5**	**15.1**	52,271	32.4
Ancillary insurance agents	**26,110**	**14.6**	**1.4**	25,750	15.9
Professional insurance agents	**28,367**	**15.8**	**61.1**	17,609	10.9
Direct sales	**55,335**	**30.9**	**(3.7)**	57,460	35.6
Insurance brokerage	**9,323**	**5.2**	**10.0**	8,472	5.2
Total	**179,317**	**100.0**	**11.0**	161,562	100.0

(3) Financial analysis

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Net earned premiums	**144,297**	129,467	11.5
Investment income	**7,002**	6,644	5.4
Other income	**796**	635	25.4
Total income	**156,400**	142,595	9.7
Net claims and policyholders' benefits	**87,886**	77,883	12.8
Handling charges and commissions	**25,738**	21,189	21.5
Finance costs	**966**	517	86.8
Other operating and administrative expenses	**29,355**	30,453	(3.6)
Total benefits, claims and expenses	**144,147**	129,905	11.0
Profit before tax	**15,763**	14,296	10.3
Income tax expense	**(3,094)**	(2,988)	3.5
Net profit	**12,669**	11,308	12.0

Net earned premiums

Benefiting from the steady development in the businesses of motor vehicle insurance, agricultural insurance, accidental injury and health insurance, liability insurance and credit insurance, net earned premiums of the P&C insurance segment increased by 11.5% to RMB144,297 million for the six months ended 30 June 2017 from RMB129,467 million for the same period in 2016.

Investment income

Investment income of the P&C insurance segment increased by 5.4% to RMB7,002 million for the six months ended 30 June 2017 from RMB6,644 million for the same period in 2016. This was primarily due to the fact that P&C insurance segment was catered for capital market trends which seized band slots operation and market rebound opportunities and adjusted the equity securities investment positions, thereby the realised investment income in equity investment has achieved an increase.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the P&C insurance segment increased by 12.8% to RMB87,886 million for the six months ended 30 June 2017 from RMB77,883 million for the same period in 2016, of which the loss ratio of PICC P&C increased by 0.7 percentage points to 60.9% for the six months ended 30 June 2017 from 60.2% for the same period of 2016. In the first half of 2017, the social medical insurance business maintained a rapid development trend, the scope of its business responsibilities is wide with high degree of protection, and thus promoted an increase in the overall loss ratio in accidental injury and health insurance.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 21.5% to RMB25,738 million for the six months ended 30 June 2017 from RMB21,189 million for the same period in 2016. The increase in handling charges and commissions were mainly due to relatively fast increase in business scale, increased investment in high-quality business and more intense market competition.

Finance costs

Finance costs of the P&C insurance segment increased by 86.8% to RMB966 million for the six months ended 30 June 2017 from RMB517 million for the same period in 2016. The increase in finance costs was mainly due to the increase in interest expenses relating to the subordinated debts, capital supplementary bonds and securities sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the P&C insurance segment increased by 12.0% to RMB12,669 million for the six months ended 30 June 2017 from RMB11,308 million in for the same period in 2016.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half of 2017, China's economy maintained a stable and positive operation with a blooming supply side structural reform and increasing demand for social insurance and security. Policies for personal tax-exempt health insurance and personal tax-deferred pension insurance gradually opened, providing tremendous space for development in the life and health insurance industry. In the meantime, insurance regulators advocated the principle of "insurance provides protection first" to guide the industrial return to provide protection and set great store by risk prevention, thereby, the life and health insurance industry maintained a momentum of steady development in the process of adjustment. The Group's life insurance segment implemented transformation and development strategy of "stabilizing growth, emphasizing value, strengthening foundation", continued to deepen business structure transformation, accelerated the reform of major projects, improved security supporting system construction and reinforced the assessment system guided by value incentive to promote the realization of systematic transformation. As at 30 June 2017, the Original Premiums Income of the Group's life insurance segment amounted to RMB83.291 billion, representing an increase of 1.7% as compared to the same period last year; the TWPs of first-year regular premiums increased by 57.2% as compared to the corresponding period last year; the value of the half-year new business was significantly increased by 81.6% as compared to the same period last year, demonstrating notable results for the transforming development.

1. Analysis by Product

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2017		2016	
Life insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Traditional life and health insurance	**69,986**	**84.0**	70,285	85.8
Participating life insurance	**11,886**	**14.3**	10,098	12.3
Universal life insurance	**51**	**0.1**	44	0.1
Accidental injury and short-term health insurance	**1,367**	**1.6**	1,472	1.8
Total	**83,291**	**100.0**	81,899	100.0

In terms of TWPs, for the six months ended 30 June 2017, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB69,986 million, RMB12,852 million, RMB6,990 million and RMB1,367 million, respectively. The Company achieved a remarkable result in its transformation development, with the active reduction in short & medium-term product businesses, it achieved a positive growth in TWPs. The high value business in traditional life and health insurance and participating life insurance and renewal insurance premiums doubled year on year.

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Bancassurance	**48,702**	50,206	(3.0)
First-year business of long-term insurance	**43,657**	48,428	(9.9)
Single premiums	**38,124**	44,386	(14.1)
First-year regular premiums	**5,532**	4,042	36.9
Renewal business	**4,984**	1,697	193.7
Short-term insurance	**61**	82	(25.6)
Individual Insurance	**28,395**	24,267	17.0
First-year business of long-term insurance	**20,333**	19,670	3.4
Single premiums	**10,749**	14,103	(23.8)
First-year regular premiums	**9,584**	5,567	72.2
Renewal business	**7,666**	4,126	85.8
Short-term insurance	**396**	471	(15.9)
Group Insurance	**6,193**	7,426	(16.6)
First-year business of long-term insurance	**5,212**	6,500	(19.8)
Single premiums	**5,096**	6,426	(20.7)
First-year regular premiums	**115**	74	55.4
Renewal business	**72**	6	1,100.0
Short-term insurance	**910**	920	(1.1)
Total	**83,291**	81,899	1.7

In terms of TWPs, for the six months ended 30 June 2017, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB49,585 million, RMB30,647 million and RMB10,963 million, respectively.

In the life insurance segment, the individual insurance agent channel became the main channel in contributing the Company's business value, such insurance channel focused on regular premiums business and development of sales persons. The first-year TWPs of regular premiums business increased rapidly with the improving capabilities of the sales teams. As of 30 June 2017, the number of insurance agents for the life insurance segment was 213,154. The first-year TWPs per capita from sales agent amounted to RMB9,409 and the number of new life insurance policies per capita was 1.41 per month. The bancassurance channel focused on transformation, and developed regular premiums business for business structure optimization. The TWPs of first-year regular premiums increased rapidly. The group insurance sales channel focused on legal persons' business and high-value business, and its sales competitiveness continued to improve while short-term premium remained steady.

3. *Persistency Ratios of Premiums*

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

	For the Six Months Ended 30 June	
Item	**2017**	2016
13-month premium persistency ratio[1] (%)	**93.1**	89.5
25-month premium persistency ratio[2] (%)	**89.2**	84.3

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Net earned premiums	**82,933**	82,133	1.0
Investment income	**8,125**	7,625	6.6
Other income	**385**	272	41.5
Total income	**91,534**	90,172	1.5
Net claims and policyholders' benefits	**82,849**	83,337	(0.6)
Handling charges and commissions	**5,613**	4,169	34.6
Finance costs	**783**	861	(9.1)
Other operating and administrative expenses	**3,632**	2,905	25.0
Total benefits, claims and expenses	**92,955**	91,214	1.9
Profit before tax	**(140)**	453	–
Income tax expense	**166**	(49)	–
Net Profit	**26**	404	(93.6)

Net earned premiums

Net earned premiums for the life insurance segment increased by 1.0% to RMB82,933 million for the six months ended 30 June 2017 from RMB82,133 million for the same period in 2016, mainly due to benefiting from business transformation measures of the Company, fast increase of its business value, with the first half-year new business value increased by 81.6% year-on-year, it ensured the premiums income increased steadily and the scale increased slightly.

Investment income

Investment income of the life insurance segment increased by 6.6% to RMB8,125 million for the six months ended 30 June 2017 from RMB7,625 million for the same period in 2016. As the non-standard product interest rates increased since the beginning of the year and stock market conditions became better, the Company timely increased the allocation in non-standard product, investment income of equity increased, therefore investment income also increased as compared to last year.

Other income

Other income of the life insurance segment increased by 41.5% to RMB385 million for the six months ended 30 June 2017 from RMB272 million for the same period in 2016, mainly due to the business synergy income which increased year-on-year.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the life insurance segment decreased by 0.6% to RMB82,849 million for the six months ended 30 June 2017 from RMB83,337 million for the same period in 2016. As the Company transformed effectively and adjusted its business structure, it reduced significantly the scale of short & medium-term product businesses which led to a decrease in withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 34.6% to RMB5,613 million for the six months ended 30 June 2017 from RMB4,169 million for the same period in 2016, under the condition that premium income grew steadily and optimization of business structure, product fees increased significantly as compared to the same period of last year.

Finance costs

Finance costs of the life insurance segment decreased by 9.1% to RMB783 million for the six months ended 30 June 2017 from RMB861 million for the same period in 2016, which was mainly due to the reduced interest rate of certain accounts and the decrease in interests credited to policyholders' deposits and investment amounts.

Net profit

As a result of the foregoing reasons and dilution of equity interest in Industrial Bank, the net profit of the life insurance segment decreased by 93.6% to RMB26.0 million for the six months ended 30 June 2017 from RMB404 million for the same period in 2016.

(2) Health Insurance

In the first half of 2017, the construction of "Healthy China" accelerated, reform of the medical and health system and construction of multi-level medical security system continuously deepened, policy bonus and demand bonus for health insurance released rapidly, the health insurance faced a broad development prospect. Under the guidance of "Speed up transformation and develop through innovation" and based on the operational strategy of "Profession with feature, transformation with effectiveness, turnaround with results", the health insurance segment of the Group took strengthening value creation and accelerating transformation and upgrading as the principal line to seize development opportunities to make overall efforts to facilitate each work, which vigorously promoted the co-development of the three major business segments, namely government commission insurance business, commercial health insurance business and health management business, constantly improved the professional medical risk control mechanism and profitability increased significantly as compared to the same period of last year. The health insurance segment actively adjusted and optimized business structure and reduced short & medium-term product businesses to promote the rapid growth of business with high embedded value. First-year regular premium of individual insurance agent channel increased by 69.8% as compared to the previous year; The short-term insurance premiums of group channel increased by 17.2% as compared to the previous year; The value of half-year's new business increased by 24.0% as compared to the same period in the previous year, which indicates a continuously enhancing value creation capabilities.

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2017		2016	
Health insurance products	**Amount**	**(% of total)**	Amount	(% of total)
Illness insurance	**489**	**3.0**	290	1.4
Medical insurance	**7,038**	**42.5**	6,175	30.4
Disability losses insurance	**61**	**0.4**	55	0.3
Nursing care insurance	**8,425**	**50.9**	13,293	65.4
Accidental injury insurance	**364**	**2.2**	326	1.6
Participating endowment insurance	**166**	**1.0**	181	0.9
Total	**16,543**	**100.0**	20,320	100.0

In terms of TWPs, for the six months ended 30 June 2017, the TWPs of illness insurance, medical insurance, disability losses insurance, nursing care insurance, accidental injury insurance and participating endowment insurance amounted to RMB489 million, RMB10,832 million, RMB61 million, RMB10,475 million, RMB364 million and RMB166 million, respectively. The health insurance segment has adhered to the value-oriented direction, solidly promoted the tasks, optimized continuously the business structure, and the value creation ability continued to be improved. In the first half of 2017, with actively reducing short & medium-term product businesses, it achieved the TWPs of RMB22.387 billion. In addition, the health insurance segment has also actively developed government commission processing business, and the entrusted basic medical insurance fund size was RMB8.0 billion.

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Bancassurance	**5,081**	10,777	(52.9)
First-year business of long-term insurance	**4,935**	10,634	(53.6)
Single premiums	**4,843**	10,577	(54.2)
First-year regular premiums	**92**	57	61.4
Renewal business	**137**	140	(2.1)
Short-term insurance	**8**	2	300.0
Individual Insurance	**3,694**	2,781	32.8
First-year business of long-term insurance	**3,214**	2,507	28.2
Single premiums	**2,781**	2,252	23.5
First-year regular premiums	**433**	255	69.8
Renewal business	**434**	224	93.8
Short-term insurance	**46**	50	(8.0)
Group Insurance	**7,768**	6,763	14.9
First-year business of long-term insurance	**93**	215	(56.7)
Single premiums	**90**	215	(58.1)
First-year regular premiums	**3**	1	200.0
Renewal business	**5**	2	150.0
Short-term insurance	**7,670**	6,546	17.2
Total	**16,543**	20,320	(18.6)

In terms of TWPs, for the six months ended 30 June 2017, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB5,156 million, RMB3,845 million and RMB13,386 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. As of 30 June 2017, the number of sales agents for the health insurance segment was 32,736. The first-year TWPs of new insurance policies amounted to RMB2,925 per sales agent per month and the monthly new insurance policies were 0.80 per sales agent per month. The bancassurance channel actively seized business development opportunities, strengthened supervision and training efforts, closed the cooperative relations with channel partners, continuously improved the professional skills, and actively conducted transformation of business structure, which resulted in satisfactory outcomes for business development and stable growth in first-year regular premiums. The group insurance sales channel actively grasped the market and policy opportunities in government commission insurance, actively participated in construction of the national multi-level medical security systems, continuously expanded service areas and extended protection chains. With regard to the commercial group insurance business, it continued to strengthen its innovation and further expand its business scale, which recorded a relatively rapid growth in capacity per agent.

3. *Persistency Ratios of premiums*

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

	For the Six Months Ended 30 June	
Item	**2017**	2016
13-month premium persistency ratio[1] (%)	**84.0**	79.5
25-month premium persistency ratio[2] (%)	**75.0**	71.7

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Net earned premiums	**12,595**	16,871	(25.3)
Investment income	**985**	725	35.9
Other income	**66**	40	65.0
Total income	**13,699**	17,733	(22.7)
Net claims and policyholders' benefits	**12,199**	16,630	(26.6)
Handling charges and commissions	**434**	432	0.5
Finance costs	**264**	206	28.2
Other operating and administrative expenses	**786**	617	27.4
Total benefits, claims and expenses	**13,687**	17,883	(23.5)
Profit before tax	**12**	(150)	–
Income tax expense	**–**	(52)	–
Net profit	**12**	(202)	–

Net earned premiums

Net earned premiums of the health insurance segment decreased by 25.3% to RMB12,595 million for the six months ended 30 June 2017 from RMB16,871 million for the same period in 2016, mainly due to its active promoting of the business transformation and upgrading, and initiative shrinking of the scale of short & medium-term product businesses.

Investment income

Investment income from the health insurance segment increased by 35.9% to RMB985 million for the six months ended 30 June 2017 from RMB725 million for the same period in 2016. This was primary due to that it grasped better investment opportunities in equity market and achieved a stable growth in capital income from reinvestment.

Other income

Other income from the health insurance segment increased by 65.0% to RMB66 million for the six months ended 30 June 2017 from RMB40 million for the same period in 2016. This was mainly due to the increase in corresponding management fee income generated from increasing scale of government commission processing business.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for the health insurance segment decreased by 26.6% to RMB12,199 million for the six months ended 30 June 2017 from RMB16,630 million for the same period in 2016, mainly due to the shrinking scale of short & medium-term product businesses as a result of adjustment of business structure and a decrease in withdrawal of premium reserves.

Handling charges and commissions

Handling charges and commissions of the health insurance segment increased by 0.5% to RMB434 million for the six months ended 30 June 2017 from RMB432 million for the same period in 2016. This was mainly attributable to the increase in scale of traditional long-term regular premiums business and short-term commercial insurance business.

Finance costs

Finance costs from the health insurance segment increased by 28.2% to RMB264 million for the six months ended 30 June 2017 from RMB206 million for the same period in 2016, primarily due to the increase in interest expenses of securities sold under the agreements to repurchase.

Net profit

Mainly due to the factors mentioned above, the health insurance segment turned a loss of RMB202 million for the six months ended 30 June 2016 to a net profit of RMB12 million for the same period in 2017.

Analysis of Original Premiums Income by Region

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

Unit: RMB in millions

	For the Six Months Ended 30 June	
	2017	2016
Jiangsu Province	**22,440**	22,366
Guangdong Province	**21,565**	19,615
Zhejiang Province	**18,263**	16,760
Shandong Province	**17,030**	17,520
Hebei Province	**15,184**	15,482
Sichuan Province	**15,103**	14,417
Beijing City	**12,793**	14,178
Liaoning Province	**11,367**	10,256
Hubei Province	**11,363**	9,895
Hunan Province	**11,070**	9,092
Other regions	**122,973**	114,201
Total	**279,151**	263,781

Asset Management Business

In the first half of 2017, the Group's asset management segment overcame certain adverse factors, such as financial "de-leverage", tightening of market liquidity, narrow fluctuation in stock market and frequent occurrence of credit risk. It seized market opportunities to further increase the investment proportion in debt securities, trust plan and bank financial products, which helped maintain a stable investment return and effectively reduced investment risk. Under the keen market competition environment, the asset management segment continued to further expand the development of traditional equity and debt products. It proactively developed inclusive finance area, coordinated the development of major insurance business. For the first half of 2017, the insurance assets management products, such as equity plan and debt investment scheme, of the asset management segment had a registered scale of RMB16,500 million. As of 30 June 2017, the scale of entrusted third-party and the issued insurance assets management products of the asset management segment amounted to RMB294,899 million.

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

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Investment income	**258**	191	35.1
Other income	**707**	555	27.4
Total income	**965**	746	29.4
Finance costs	**2**	1	100.0
Other operating and administrative expenses	**529**	343	54.2
Total expenses	**532**	344	54.7
Profit before tax	**434**	400	8.5
Income tax expense	**(105)**	(93)	12.9
Net profit	**329**	307	7.2

Investment income

Investment income from the asset management segment increased by 35.1% to RMB258 million for the six months ended 30 June 2017 from RMB191 million for the same period in 2016, mainly due to the increase in gain on disposal of existing assets.

Other income

Other income of the asset management segment increased by 27.4% to RMB707 million for the six months ended 30 June 2017 from RMB555 million for the same period in 2016. This was mainly attributable to the increase in income from disposal of assets and income from management fee of financial products.

Finance costs

Finance costs for the asset management segment increased by 100% to RMB2 million for the six months ended 30 June 2017 from RMB1 million for the same period in 2016, primarily due to the increase in interest expenses of securities sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 7.2% to RMB329 million for the six months ended 30 June 2017 from RMB307 million for the same period in 2016.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment Portfolio

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

Unit: RMB in millions, except for percentages

Investment assets	As of 30 June 2017 Carrying amount	(% of total)	As of 31 December 2016 Carrying amount	(% of total)
Cash and cash equivalents	**60,518**	**7.4**	46,729	5.8
Fixed-income investments	**348,782**	**42.4**	345,149	42.7
Term deposits	**79,938**	**9.7**	91,884	11.4
Fixed-income securities	**256,207**	**31.1**	240,531	29.8
Government bonds	**15,348**	**1.9**	14,597	1.8
Financial bonds	**104,349**	**12.7**	96,906	12.0
Corporate bonds	**136,510**	**16.6**	129,028	16.0
Other fixed-income investments (1)	**12,637**	**1.5**	12,734	1.6
Equity and fund investments at fair value	**98,461**	**12.0**	132,866	16.4
Securities investment funds	**61,177**	**7.4**	94,028	11.6
Equity securities	**37,284**	**4.5**	38,838	4.8
Other investments	**315,543**	**38.3**	282,994	35.0
Subordinated debts and debt investment schemes	**128,725**	**15.6**	109,714	13.6
Investment in associates and joint ventures	**91,274**	**11.1**	85,834	10.6
Others (2)	**95,544**	**11.6**	87,446	10.8
Total investment assets	**823,304**	**100.0**	807,738	100.0

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) Primarily consist of investment properties, derivative financial assets, equity investments stated at cost and asset management products.

(2) Investment income

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

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June	
Items	**2017**	2016
Cash and cash equivalents	**385**	266
Fixed-income investment	**8,101**	9,997
Interest income	**8,106**	9,884
Net realized gains/(losses)	**33**	121
Net unrealized gains/(losses)	**(38)**	(8)
Impairment	**–**	–
Equity and fund investments at fair value	**2,885**	974
Dividend income	**1,829**	2,047
Net realized gains/(losses)	**1,161**	(809)
Net unrealized gains/(losses)	**296**	(79)
Impairment	**(401)**	(185)
Other investment income/(loss)	**10,296**	7,268
Total investment income	**21,667**	18,505
Total investment yield (annualised)[1] (%)	**5.4**	5.0
Net investment yield (annualised)[2] (%)	**5.3**	5.3

(1) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) × 2.

(2) Net investment yield (annualised) = (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) × 2.

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2017	2016	(% of change)
Net cash flow from operating activities	**(3,516)**	21,497	–
Net cash flow from investment activities	**17,585**	(20,700)	–
Net cash flow from financing activities	**(219)**	(10,859)	(98.0)

(2) Solvency

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

Unit: RMB in millions, except for percentages

	As of 30 June 2017	As of 31 December 2016	(% of change)
PICC Group			
Actual capital	**236,990**	222,890	6.3
Core capital	**186,324**	172,358	8.1
Minimum capital	**80,075**	78,518	2.0
Comprehensive solvency margin ratio (%)	**296**	284	Increase of 12 pt
Core solvency margin ratio (%)	**233**	220	Increase of 13 pt
PICC P&C			
Actual capital	**149,526**	140,793	6.2
Core capital	**122,427**	113,864	7.5
Minimum capital	**51,649**	49,071	5.3
Comprehensive solvency margin ratio (%)	**290**	287	Increase of 3 pt
Core solvency margin ratio (%)	**237**	232	Increase of 5 pt
PICC Life			
Actual capital	**50,146**	46,380	8.1
Core capital	**43,061**	39,257	9.7
Minimum capital	**25,196**	26,263	(4.1)
Comprehensive solvency margin ratio (%)	**199**	177	Increase of 22 pt
Core solvency margin ratio (%)	**171**	149	Increase of 22 pt
PICC Health			
Actual capital	**7,439**	6,695	11.1
Core capital	**6,946**	6,200	12.0
Minimum capital	**3,159**	3,107	1.7
Comprehensive solvency margin ratio (%)	**235**	215	Increase of 20 pt
Core solvency margin ratio (%)	**220**	200	Increase of 20 pt

As of 30 June 2017, the comprehensive solvency margin ratio of the Group was 296%, representing an increase of 12 percentage points as compared to that as of 31 December 2016, and its core solvency margin ratio was 233%, representing an increase of 13 percentage points as compared to that as of 31 December 2016.

As of 30 June 2017, the comprehensive solvency margin ratio of PICC P&C was 290%, representing an increase of 3 percentage points as compared to that as of 31 December 2016, and its core solvency margin ratio was 237%, representing an increase of 5 percentage points as compared to that as of 31 December 2016; the comprehensive solvency margin ratio of PICC Life was 199%, representing an increase of 22 percentage points as compared to that as of 31 December 2016, and its core solvency margin ratio was 171%, representing an increase of 22 percentage points as compared to that as of 31 December 2016; the comprehensive solvency margin ratio of PICC Health was 235%, representing an increase of 20 percentage points as compared to that as of 31 December 2016, and its core solvency margin ratio was 220%, representing an increase of 20 percentage points as compared to that as of 31 December 2016.

PROSPECTS

(1) Market Environment

During the first half of 2017, China's insurance industry maintained a steady and fast development momentum. According to the information released by the CIRC, the Original Premiums Income of China's insurance industry amounted to about RMB2.31 trillion for the first half of 2017, representing an increase of 23.00% as compared to the same period last year. The Original Premiums Income of the P&C insurance companies and the life and health insurance companies recorded an increase of 13.90% and 25.98%, respectively, as compared to the same period last year. By the end of June 2017, total insurance assets of the insurance industry in China amounted to RMB16.43 trillion, representing an increase of 8.69% as compared to the beginning of 2017.

Since the beginning of the year 2017, the central government has adhered to the general tone of "making progress while maintaining stability", continued to lead the new normal of economic development with a new development philosophy and take the promotion of supply-side structure reform as the main track, launched a series of policies in order to stabilize growth, promote reform, adjust structure, improve people's well-being and prevent risks, which created a favorable environment for the sustained and healthy development of the insurance business. Firstly, it was clearly put forward at the national conference on financial work that there were three tasks of the financial industry under new circumstances, namely, serving real economy, preventing and controlling financial risks and deepening financial reform, which systematically explicated the important principles that we should return to origin, optimize structure, intensify supervision and take market as orientation in performing financial work. Secondly, the central government attached great importance to promoting social governance innovation with insurance mechanism and facilitating the compulsory liability insurance pilots in areas of environmental pollution, food safety, medical services and public services, which will provide new opportunities for accelerating the development of liability insurance in the insurance industry. Thirdly, the State Council issued the Opinions on Accelerating the Development of Commercial Pension Insurance (《關於加快發展商業養老保險的若干意見》) and formulated a series of policies in facilitating the "combination of medical treatment, medical insurance and medicines" and quickening the pace of new medical reform, which provided significant opportunities for the insurance industry expanding into healthy endowment services. Fourthly, our country took the development of technological finance and green finance as an important step for finance serving real economy and encouraged the construction of inclusive financial system, which harbored huge potential and development space. Fifth, 'The Belt and Road" Initiative, the construction of Xiongan New Area and Yangtze River Economic Belt and other major regional development strategies were further implemented, which will open up new space for the development of the insurance industry.

(2) Key Work

In the second half of the year, the Company will further study and implement the spirit of the national conference on financial work, unswervingly stick to "serving real economy", "preventing and controlling financial risks" and "deepening financial reform", take initiative actions and strengthen implementation to ensure the completion of targeted tasks of this year. Firstly, strengthening service for real economy and further improving and optimizing major insurance business. We will vigorously develop insurance for "agriculture, rural areas and farmers", inclusive finance and business of supporting agriculture and small enterprises, facilitate innovation of healthy pension products and services and the development of liability insurance, develop products and services relevant to technological finance and green finance and intensify insurance and financing support for "The Belt and Road" Initiative, the construction of Xiongan New Area and Yangtze River Economic Belt. Secondly, intensifying risk prevention and further earnestly implementing the Group's risk prevention and elimination. We will trace to the source and tackle the violation of laws and regulations with respect to our business models and management procedures at its source by means of both dredging and blocking and strengthen the prevention of hidden risks in the major areas of underwriting and investment. Thirdly, reinforcing platform thinking and further accelerating the promotion of the Group's IT reform and operational reform. We will actively adapt to reforms of technology as well as the mode of service and business, promote the construction of IT and operational platforms that feature customer orientation, efficient operation and industry leading by taking customers' experience as standard and advanced technology as support. Fourthly, intensifying cooperativity thinking and further speeding up resource integration. We will expedite resource integration of reinsurance and pension insurance and other major projects of the Group's industrial chain extension to form a composite force of integration. We will also accelerate the construction of the Group's customer sharing platforms, improve and expand functional roles. Fifth, strengthening innovative thinking and further promoting the transformation and development of each business segment. We will combine policy-related businesses with commercial businesses as well as reform of business model with that of new technologies like the Internet, simultaneously promote the consolidation of traditional advantages and development of new superiorities to deepen the transformation of P&C insurance. We will maintain the solid growth of business scale, pay more attention to value creation, continuously facilitate life insurance transformation, value the professional effect of health insurance function position and optimize the business model of health insurance.

EMBEDDED VALUE

1. Result Summary

Embedded Value of PICC Life and PICC Health as of 30 June 2017 and 31 December 2016 with 10% as the discount rate are summarized below (RMB in millions):

	PICC Life		PICC Health	
	30 June 2017	31 December 2016	**30 June 2017**	31 December 2016
Value of In-Force Business before CoC	**26,267**	21,949	**2,062**	1,755
Cost of Required Capital	**(4,838)**	(3,468)	**(346)**	(324)
Value of In-Force Business after CoC	**21,429**	18,481	**1,716**	1,430
Adjusted Net Worth	**39,185**	39,076	**6,000**	5,687
Embedded Value	**60,615**	57,558	**7,716**	7,118

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

Value of Half Year's New Business for the 6 months up to 30 June 2017 and 30 June 2016 of PICC Life and PICC Health with 10% as the discount rate are summarized below (RMB in millions):

	PICC Life		PICC Health	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
Value of Half Year's New Business before CoC	**5,624**	3,431	**384**	309
Cost of Required Capital	**(1,717)**	(1,278)	**(100)**	(80)
Value of Half Year's New Business after CoC	**3,907**	2,152	**284**	229

Note: 1. Figures may not add up to total due to rounding.

2. The value of half year's new business as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the" Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).

Value of Half Year's New Business of PICC Life and PICC Health by distribution channel are summarized below (RMB in millions):

	PICC Life		PICC Health	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016
Bancassurance Channel	**481**	10	**11**	1
Individual insurance agent Channel	**3,136**	1,911	**259**	176
Group insurance sales Channel	**290**	229	**14**	52
Reinsurance	**0**	2	**–**	–
Total	**3,907**	2,152	**284**	229

Note: 1. *Figures may not add up to total due to rounding.*

2. *The value of half year's new business as of 30 June 2016 is recalculated based on the assumption of rate of investment return as of 30 June 2017 and the" Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" (Other assumptions remain the same as of 30 June 2016).*

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

2. Key Assumptions

For the results as at 30 June 2017 disclosed above, the assumption on risk discount rate is 10% and the assumption on the rate of investment return is 5.25% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The assumptions on mortality rates, morbidity rates, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as expectations on future experience and etc.

3. Sensitivity Tests

Sensitivity tests are based on a range of alternative assumptions. In each of the tests, only the assumption referred to is changed, while other assumptions remain unchanged. For the investment return assumption scenarios, the expected participating policyholder dividend will also change.

The results of sensitivity tests for PICC Life at 30 June 2017 are summarized below (RMB in millions):

	Risk Discount Rate at 10.0% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of Half Year's New Business after CoC**
Base Scenario	21,429	3,907
Risk Discount Rate at 9.0%	23,914	4,704
Risk Discount Rate at 11.0%	19,310	3,224
Rate of investment return plus 50 bps	26,760	5,892
Rate of investment return less 50 bps	16,137	1,955
Expenses increased by 10%	21,068	3,373
Expenses reduced by 10%	21,791	4,441
Lapse rates increased by 10%	20,447	3,508
Lapse rates reduced by 10%	22,296	4,249
Mortality increased by 10%	21,067	3,810
Mortality reduced by 10%	21,796	4,005
Morbidity increased by 10%	21,208	3,835
Morbidity reduced by 10%	21,650	3,979
Short-term business claim ratio increased by 10%	21,377	3,854
Short-term business claim ratio reduced by 10%	21,482	3,960
Participating Ratio (80/20)	20,465	3,601

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

The results of sensitivity tests for PICC Health at 30 June 2017 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10.0% (Note)	
	Value of In-Force Business after CoC	Value of Half Year's New Business after CoC
Base Scenario	1,716	284
Risk Discount Rate at 9.0%	1,892	331
Risk Discount Rate at 11.0%	1,563	242
Rate of investment return plus 50 bps	2,017	380
Rate of investment return less 50 bps	1,411	188
Expenses increased by 10%	1,624	240
Expenses reduced by 10%	1,813	328
Lapse rates increased by 10%	1,719	277
Lapse rates reduced by 10%	1,708	291
Mortality increased by 10%	1,711	283
Mortality reduced by 10%	1,725	285
Morbidity increased by 10%	1,668	271
Morbidity reduced by 10%	1,773	297
Short-term business claim ratio increased by 5%	1,247	114
Short-term business claim ratio reduced by 5%	2,214	454
Participating Ratio (80/20)	1,720	283

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the "Listing Rules" in the first half of 2017, and has adopted the recommended best practices under appropriate circumstances.

NO MATERIAL CHANGES

Save as disclosed in this announcement, after the publication of the annual report 2016, no material changes affecting the Company's performance need to be disclosed under paragraph 46 (3) of Appendix 16 to the Listing Rules.

INTERIM PROFIT DISTRIBUTION

The Board proposed that based on the accumulated retained profit balance as of 30 June, 2017, RMB10 billion will be appropriated to the discretionary surplus reserve. The proposal is subject to the approval of the shareholders at the general meeting. The Company believes that this profit distribution is conducive to enhancing the Company's capital strength, and creating more value for our shareholders.

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

In the first half of 2017, the Company and its subsidiaries did not purchase, dispose of or redeem any listed securities of the Company or its subsidiaries.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has, in the presence of the external auditor, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

PUBLICATION OF THE INTERIM REPORT

The 2017 Interim Report of the Company will be published on the website of the Company (www.picc.com) and the disclosure website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) in due course.

By Order of the Board
The People's Insurance Company (Group) of China Limited
Wu Yan
Chairman

Beijing, the PRC
25 August 2017

As at the date of this announcement, the executive directors are Mr. Wu Yan and Mr. Miao Jianmin, the non-executive directors are Mr. Wang Qingjian, Mr. Wang Qiao, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Lau Hon Chuen, Mr. Xu Dingbo, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr.Chen Wuzhao.