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 2018

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 2018 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 2018

(Amounts in millions of Renminbi, unless otherwise stated)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018
(Amounts in millions of Renminbi, unless otherwise stated)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)
ASSETS			
Cash and cash equivalents		**60,329**	72,819
Debt securities		**316,412**	313,261
Equity securities, mutual funds and trust schemes		**118,858**	115,013
Insurance receivables, net	*10*	**69,156**	41,518
Reinsurance assets		**28,488**	28,206
Term deposits		**81,582**	70,706
Restricted statutory deposits		**12,311**	11,311
Investments classified as loans and receivables		**167,695**	157,715
Investments in associates and joint ventures	*11*	**101,473**	97,740
Investment properties		**13,005**	12,155
Property and equipment		**23,743**	24,281
Intangible assets		**1,417**	1,494
Prepaid land premiums		**3,490**	3,649
Deferred tax assets		**12,630**	9,645
Other assets		**30,021**	28,393
TOTAL ASSETS		**1,040,610**	987,906
LIABILITIES			
Securities sold under agreements to repurchase		**52,807**	41,226
Payables to reinsurers		**17,887**	18,737
Income tax payable		**6,367**	4,462
Due to banks and other financial institutions		**600**	–
Bonds payable		**63,864**	49,801
Insurance contract liabilities		**578,857**	557,011
Investment contract liabilities for policyholders		**43,403**	45,880
Policyholder dividends payable		**4,620**	5,205
Pension benefit obligation		**2,955**	2,899
Deferred tax liabilities		**878**	834
Other liabilities		**70,947**	74,970
TOTAL LIABILITIES		**843,185**	801,025
EQUITY			
Issued capital	*12*	**42,424**	42,424
Reserves		**102,966**	95,109
Equity attributable to equity holders of the Company		**145,390**	137,533
Non-controlling interests		**52,035**	49,348
TOTAL EQUITY		**197,425**	186,881
TOTAL EQUITY AND LIABILITIES		**1,040,610**	987,906

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2018 (Unaudited)	Six months ended 30 June 2017 (Unaudited)
Net cash used in operating activities	**(24,799)**	(3,516)
Net cash (used in)/from investing activities	**(10,432)**	17,585
Net cash from/(used in) financing activities	**22,609**	(219)
Net (decrease)/increase in cash and cash equivalents	**(12,622)**	13,850
Cash and cash equivalents at the beginning of the period	**72,819**	46,729
Effects of exchange rate changes on cash and cash equivalents	**132**	(61)
Cash and cash equivalents at the end of the period	**60,329**	60,518

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 1st-13th Floors, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC.

The Company is an investment holding company. During the six months ended 30 June 2018, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("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 ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board, as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2016, the Group performed an assessment of these amendment and concluded that its activities were predominantly connected with insurance as at 31 December 2015. During the year ended 31 December 2017, the Group decided to apply the temporary exemption in its reporting period commencing on 1 January 2018.

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

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

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

- The asset management segment offers asset management services;

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

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

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

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

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

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

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

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

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
Net reinsurance commission income	4,305	91	53	–	–	42	(385)	4,106
Investment income	7,002	8,125	985	258	3,608	14	(3,472)	16,520
Other income	796	385	66	707	2	98	(621)	1,433
TOTAL INCOME – SEGMENT INCOME	156,400	91,534	13,699	965	3,610	544	(4,447)	262,305
– External income	156,338	91,347	13,688	683	207	42	–	262,305
– Inter-segment income	62	187	11	282	3,403	502	(4,447)	–
Net claims and policyholders' benefits	87,886	82,849	12,199	–	–	138	(64)	183,008
Handling charges and commissions	25,738	5,613	434	–	–	–	(384)	31,401
Finance costs	966	783	264	2	440	–	–	2,455
Exchange gains	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 assets and liabilities as at 30 June 2018 and 31 December 2017 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 2018 (Unaudited)								
Segment assets	**572,866**	**398,449**	**36,275**	**10,358**	**113,235**	**14,081**	**(104,654)**	**1,040,610**
Segment liabilities	**426,875**	**365,991**	**30,673**	**2,055**	**22,736**	**6,325**	**(11,470)**	**843,185**
31 December 2017 (Audited)								
Segment assets	530,450	381,802	43,096	10,293	109,569	11,382	(98,686)	987,906
Segment liabilities	392,477	350,242	37,463	2,205	20,587	3,541	(5,490)	801,025

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

4. GROSS AND NET WRITTEN PREMIUMS

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

5. INVESTMENT INCOME

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

(a) Dividend, interest and rental income

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

(b) Realised gains

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

(c) Fair value (losses)/gains

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

(d) Impairment losses

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

6. PROFIT BEFORE TAX

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

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

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

7. INCOME TAX EXPENSE

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

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

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

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

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

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

10. INSURANCE RECEIVABLES, NET

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

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

(In RMB millions)	**Six months ended 30 June 2018 (Unaudited)**	Six months ended 30 June 2017 (Unaudited)
At the beginning of the period	**3,602**	3,218
Impairment losses recognised *(note 6)*	**135**	320
Amount written off as uncollectible	**(4)**	(3)
At the end of the period	**3,733**	3,535

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

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

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

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

Included in the carrying amount of investments in associates as at 30 June 2018 was an aggregate amount of RMB88,123 million (31 December 2017: RMB84,958 million) in respect of listed entities and their corresponding fair values amounted to RMB60,664 million (31 December 2017: RMB71,963 million) on the same date. As at 30 June 2018, the carrying amount of certain investments in associates exceeded its fair value for more than one year. Management performed impairment test accordingly considering such impairment indicator. Based on management's assessment results, there was no impairment as at 30 June 2018 (31 December 2017: none).

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

12. SHARE CAPITAL

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

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"), directly and indirectly holds 100% of equity interest in PICC Reinsurance Company Limited ("PICC Reinsurance") and holds 100% equity interest in PICC Pension Company Limited ("PICC Pension").

KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

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

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

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

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

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

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

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

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

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

P&C INSURANCE BUSINESS

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

(1) Analysis by Product

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

Unit: RMB in millions, except for percentages

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

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

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

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

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

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

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

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

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

(2) Analysis by Channel

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

Unit: RMB in millions, except for percentages

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

(3) Financial Analysis

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

LIFE AND HEALTH INSURANCE

(1) Life insurance

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

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

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

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

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

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

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

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

3. *Persistency Ratios of Premiums*

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

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

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

(2) Health Insurance

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

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

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

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

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

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

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

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

3. *Persistency Ratios of premiums*

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

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

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

Analysis of Original Premiums Income by Region

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

Unit: RMB in millions

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

Asset Management Business

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

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

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

Unit: RMB in millions, except for percentages

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

Investment income

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

Other income

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

Finance costs

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

Net profit

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

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

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

(1) Investment Portfolio

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

Unit: RMB in millions, except for percentages

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

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

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

(2) Investment income

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

Unit: RMB in millions, except for percentages

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

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

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

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

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

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

(2) Solvency

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

Unit: RMB in millions, except for percentages

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

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

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

PROSPECTS

(1) Market Environment

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

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

(2) Key tasks

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

We will speed up the progress of our "top four strategies" and enhance the protection capacity of our services. We will put effort in key areas of transformation and development, pursue achievements in the "central city battle" and promote institutional reform and "three determinations". Fourthly, reinforcing "the bottom plate" by enhancing risk prevention and control ability fundamentally. We will strengthen risk control awareness of front-line departments and employees, improve risk control and compliance systems and mechanisms and strengthen supervision, appraisal and accountability to promote the law compliance and risk prevention standard of the Group comprehensively.

EMBEDDED VALUE

1. Result Summary

Embedded Value of PICC Life and PICC Health as of 30 June 2018 and 31 December 2017 with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
Adjusted Net Worth	**41,255**	39,467	**5,944**	5,897
Value of In-Force Business before CoC	**32,165**	28,469	**2,474**	2,165
Cost of Required Capital	**(6,602)**	(6,027)	**(306)**	(231)
Value of In-Force Business after CoC	**25,562**	22,442	**2,168**	1,934
Embedded Value	**66,817**	61,909	**8,111**	7,831

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 2018 and 30 June 2017 of PICC Life and PICC Health with 10% as the risk discount rate are summarized below (in RMB million):

	PICC Life		PICC Health	
	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
Value of Half Year's New Business before CoC	**4,030**	5,624	**358**	384
Cost of Required Capital	**(962)**	(1,717)	**(54)**	(100)
Value of Half Year's New Business after CoC	**3,068**	3,907	**304**	284

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

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

	PICC Life		PICC Health	
	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
Bancassurance channel	**397**	481	**20**	11
Individual insurance agent channel	**2,545**	3,136	**266**	259
Group insurance sales channel	**125**	290	**18**	14
Inward reinsurance	**0**	0	**0**	0
Total	**3,068**	3,907	**304**	284

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

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 2018 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 2018 are summarized below (in RMB million):

	Risk Discount Rate at 10% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of Half Year's New Business after CoC**
Base scenario	25,562	3,068
Risk discount rate at 9%	29,187	3,669
Risk discount rate at 11%	22,548	2,562
Rate of investment return increased by 50 bps	32,345	4,217
Rate of investment return decreased by 50 bps	18,972	1,952
Expenses increased by 10%	24,839	2,887
Expenses decreased by 10%	26,286	3,248
Lapse rates increased by 10%	25,135	2,953
Lapse rates decreased by 10%	26,008	3,189
Mortality increased by 10%	25,323	3,030
Mortality reduced by 10%	25,806	3,106
Morbidity increased by 10%	25,105	2,969
Morbidity reduced by 10%	26,024	3,168
Short-term business claim ratio increased by 10%	25,519	3,010
Short-term business claim ratio decreased by 10%	25,606	3,126
Participating ratio (80/20)	24,316	2,821

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 2018 are summarized below (in RMB million):

	Risk Discount Rate at 10% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of Half Year's New Business after CoC**
Base scenario	2,168	304
Risk discount rate at 9%	2,381	337
Risk discount rate at 11%	1,984	275
Rate of investment return increased by 50 bps	2,506	353
Rate of investment return decreased by 50 bps	1,830	256
Expenses increased by 10%	2,050	256
Expenses decreased by 10%	2,298	351
Lapse rates increased by 10%	2,170	300
Lapse rates decreased by 10%	2,167	307
Mortality increased by 10%	2,157	303
Mortality reduced by 10%	2,177	305
Morbidity increased by 10%	2,100	296
Morbidity reduced by 10%	2,235	313
Short-term business claim ratio increased by 5%	1,586	114
Short-term business claim ratio decreased by 5%	2,804	495
Participating ratio (80/20)	2,161	297

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

CORPORATE GOVERNANCE

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

The term of directorships of the second session of the Board expired on 4 March 2017. According to the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, the Directors shall serve consecutive terms if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of Directors results in the number of Directors being less than the statutory requirement. Accordingly, the second session of the Board will continue to serve as Directors until the newly elected Director commences his/her term of office. In order to comply with the requirement of A.4.2 of the Corporate Governance Code, the Company held an extraordinary general meeting on 19 April 2018, at which Mr. Miao Jianmin, Mr. Xie Yiqun and Mr. Tang Zhigang were elected as Executive Directors to serve the third session of the board of directors of the Company, Mr. Wang Qingjian, Mr. Xiao Xuefeng, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin were elected as Non-executive Directors to serve the third session of the board of directors of the Company, and Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao were elected as Independent Non-executive Directors to serve the third session of the board of directors of the Company.

As of 30 June 2018, the Company had complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

INTERIM DIVIDEND

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

NO MATERIAL CHANGES

Save as disclosed in this announcement, after the publication of the annual report 2017, no material changes affecting the Company's performance need to be disclosed under paragraph 46 (3) of Appendix 16 to the Listing Rules.

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

In the first half of 2018, 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 2018.

PUBLICATION OF THE INTERIM REPORT

The 2018 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
Miao Jianmin
Chairman

Beijing, the PRC, 24 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Miao Jianmin, Mr. Xie Yiqun and Mr. Tang Zhigang, the non-executive directors are Mr. Wang Qingjian, Mr. Xiao Xuefeng, Ms. Hua Rixin, Ms. Cheng Yuqin and Mr. Wang Zhibin, and the independent non-executive directors are Mr. Shiu Sin Por, Mr. Ko Wing Man, Mr. Luk Kin Yu, Peter, Mr. Lin Yixiang and Mr. Chen Wuzhao.