中国人民保险集团股份有限公司

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

Stock Code：1339

Interim Report 2017

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") is the first nation-wide insurance company in the People's Republic of China (the "PRC"), and has developed into a leading large scale integrated insurance financial group in the PRC, ranking 114th on the Global 500 (2017) published by Fortune magazine.

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

The Company's principal competitive strengths include:

- We are the pioneer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry.
- We are an integrated insurance financial group focusing on our core business, with a leading position in the rapidly developing Chinese insurance market.
- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to sustain rapid development in business and stable growth in profits.
- We proactively synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.
- We have implemented efficient management at the group level to effectively improve synergies among different business lines and to improve our overall operational efficiency.
- We have a strong professional technical edge and product and service innovation capabilities.
- We have an industry-leading asset management platform and have undertaken strategic planning in the noninsurance financial areas.
- We have an experienced and insightful management team.

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Financial Highlights

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

	For the six months ended 30 June		
	2017	2016	(% of change)
Gross written premiums	**279,726**	264,578	5.7
Net profit	**12,791**	11,284	13.4
Net profit attributable to equity holders of the Company	**8,815**	7,725	14.1
Earnings per share (RMB) – Basic and diluted [(1)]	**0.21**	0.18	14.1
Weighted average return on equity (annualised) (%)	**13.5**	13.0	Increase of 0.5pt

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

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments: the P&C insurance business constitutes the P&C insurance segment and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interest, respectively; the life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company directly and indirectly holds 80.0% equity interest, and the health insurance segment includes PICC Health, in which the Company directly and indirectly holds 95.45% equity interest; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC Asset Management (Hong Kong) Company Limited ("PICC AMHK"), in which the Company respectively holds 100% equity interest. The Company also holds 100% equity interest in PICC Financial Services and directly and indirectly holds100% of equity interest in PICC Reinsurance.

KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

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

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

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

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

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

(2) Key Financial Indicators

Unit: RMB in millions, except for percentages

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

Unit: RMB in millions, except for percentages

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

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

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

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

P&C INSURANCE BUSINESS

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

(1) Analysis by Product

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

Unit: RMB in millions, except for percentages

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

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

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

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

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

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

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

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

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

(2) Analysis by Channel

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

Unit: RMB in millions, except for percentages

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

(3) Financial analysis

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

LIFE AND HEALTH INSURANCE

(1) Life insurance

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

1. Analysis by Product

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

Unit: RMB in millions, except for percentages

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

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

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

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

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

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

3. *Persistency Ratios of Premiums*

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

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

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

(2) Health Insurance

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

1. *Analysis by Product*

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

Unit: RMB in millions, except for percentages

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

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

2. *Analysis by Channel*

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

Unit: RMB in millions, except for percentages

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

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

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

3. *Persistency Ratios of premiums*

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

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

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

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

4. *Financial Analysis*

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

Unit: RMB in millions, except for percentages

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

Net earned premiums

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

Investment income

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

Other income

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

Net claims and policyholders' benefits

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

Handling charges and commissions

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

Finance costs

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

Net profit

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

Analysis of Original Premiums Income by Region

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

Unit: RMB in millions

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

Asset Management Business

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

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

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

Unit: RMB in millions, except for percentages

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

Investment income

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

Other income

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

Finance costs

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

Net profit

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

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment Portfolio

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

Unit: RMB in millions, except for percentages

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

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

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

(2) Investment income

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

Unit: RMB in millions, except for percentages

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

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

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

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

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

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

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

2. Statement of Cash Flows

Unit: RMB in millions, except for percentages

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

(2) Solvency

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

Unit: RMB in millions, except for percentages

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

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

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

BORROWINGS

As at 30 June 2017, the balance of subordinated debts and capital supplementary bonds issued by the Group are set out in note 26 to the condensed consolidated financial statements. As at 30 June 2017, the balance of securities sold under agreements to repurchase is set out in the condensed consolidated statement of financial position. As at 30 June 2017, the Group had no bank borrowings.

PROSPECTS

(1) Market Environment

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

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

(2) Key Work

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

NO MATERIAL CHANGES

Save as disclosed in this interim report, from 1 January 2017 to 30 June 2017, there are no material changes affecting the Company's performance that needs to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Embedded Value

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

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

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2017, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2017, on a range of assumptions. Copies of Deloitte's reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

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

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

CONSULTING ACTUARY'S REPORT FOR PICC LIFE INSURANCE COMPANY LIMITED

PICC Life has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to prepare the consulting actuary's report on matters related to its embedded value as of 30 June 2017. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

1. Scope of Work

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

- The methodology of the embedded value and value of half year's new business as of 30 June 2017;
- The assumptions of the embedded value and value of half year's new business as of 30 June 2017;
- The various embedded value results as of 30 June 2017, including the embedded value, value of half year's new business and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- The value of half year's new business as of 30 June 2016, based on the same assumption of rate of investment return and valuation methodology as of 30 June 2017 while other assumptions remain unchanged; and
- The breakdown of value of half year's new business as of 30 June 2017 and 30 June 2016 by distribution channel.

2. Basis of Preparation, Reliance and Limitation

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

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

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

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

3. Definition and Methodology

3.1 Definition

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

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

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

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

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

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

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

3.2 Methodology

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

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

4. Results Summary

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

4.1 Overall Results

Table 4.1.1 Embedded Value of PICC Life as of 30 June 2017 and 31 December 2016 *(Unit: RMB Million)*

	30/06/2017	31/12/2016
Risk Discount Rate	**10.0%**	10.0%
Value of In-Force Business before CoC	**26,267**	21,949
Cost of Required Capital	**(4,838)**	(3,468)
Value of In-Force Business after CoC	**21,429**	18,481
Adjusted Net Worth	**39,185**	39,076
Embedded Value	**60,615**	57,558

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

Table 4.1.2 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2017 and 30 June 2016 *(Unit: RMB Million)*

	30/06/2017	30/06/2016
Risk Discount Rate	**10.0%**	10.0%
Value of Half Year's New Business before CoC	**5,624**	3,431
Cost of Required Capital	**(1,717)**	(1,278)
Value of Half Year's New Business after CoC	**3,907**	2,152

Notes:

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

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

4.2 *Results by Distribution Channels*

The results of the value of half year's new business split by distribution channel are illustrated in this chapter. The results of the value of half year's new business by distribution channel as of 30 June 2017 and 30 June 2016 are summarized in the table below.

Table 4.2.1 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2017 and 30 June 2016 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	10.0%				
Distribution Channel	**Bancassu-rance**	**Individual insurance agent**	**Group sales**	**Reinsur -ance**	**Total**
Value of Half Year's New Business after CoC (2017)	481	3,136	290	0	3,907
Value of Half Year's New Business after CoC (2016)	10	1,911	229	2	2,152

Notes:

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

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

When calculating the value of in-force business and value of half year's new business, the expense assumptions represent the expected long-term expense level in the future. As the operating history of PICC Life is not long, the business scale has not reached the expected level. Hence the expenses to be incurred in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as of 30 June 2017.

5.1 *Risk Discount Rate*

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

5.2 Rate of Investment Return

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

5.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Life. The impact on the value of in-force business and value of half year's new business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity tests.

5.4 Mortality and Morbidity

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

5.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Life's own experience. They are in the range from 37% to 68% of gross premium depending on the lines of business.

5.6 Lapse Rates

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

5.7 Expenses and Commissions

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

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

5.8 Tax

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

6. Sensitivity Tests

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

Table 6.1 Value of In-Force Business of PICC Life as of 30 June 2017 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	26,267	21,429
Risk Discount Rate at 9%	28,342	23,914
Risk Discount Rate at 11%	24,504	19,310
Rate of investment return increased by 50 bps	31,305	26,760
Rate of investment return decreased by 50 bps	21,263	16,137
Expenses increased by 10%	25,906	21,068
Expenses decreased by 10%	26,629	21,791
Lapse rate increased by 10%	24,699	20,447
Lapse rate decreased by 10%	27,720	22,296
Mortality increased by 10%	25,888	21,067
Mortality reduced by 10%	26,652	21,796
Morbidity increased by 10%	26,044	21,208
Morbidity reduced by 10%	26,491	21,650
Short-term business claim ratio increased by 10%	26,215	21,377
Short-term business claim ratio decreased by 10%	26,320	21,482
Participating Ratio (80/20)	25,608	20,465

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

Table 6.2 Value of Half Year's New Business for the 6 months up to 30 June 2017 of PICC Life under Alternative Assumptions

(Unit: RMB Million)

Scenarios	Before CoC	After CoC
Base Scenario	5,624	3,907
Risk Discount Rate at 9%	6,254	4,704
Risk Discount Rate at 11%	5,090	3,224
Rate of investment return increased by 50 bps	7,488	5,892
Rate of investment return decreased by 50 bps	3,792	1,955
Expenses increased by 10%	5,090	3,373
Expenses decreased by 10%	6,158	4,441
Lapse rate increased by 10%	5,008	3,508
Lapse rate decreased by 10%	6,196	4,249
Mortality increased by 10%	5,524	3,810
Mortality reduced by 10%	5,725	4,005
Morbidity increased by 10%	5,551	3,835
Morbidity reduced by 10%	5,697	3,979
Short-term business claim ratio increased by 10%	5,571	3,854
Short-term business claim ratio decreased by 10%	5,677	3,960
Participating Ratio (80/20)	5,428	3,601

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

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

Eric Lu
FIAA, FCAA

CONSULTING ACTUARY'S REPORT FOR PICC HEALTH INSURANCE COMPANY LIMITED

PICC Health has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to prepare the consulting actuary's report on matters related to its embedded value as of 30 June 2017. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

1. Scope of Work

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

- The methodology of the embedded value and value of half year's new business as of 30 June 2017;
- The assumptions of the embedded value and value of half year's new business as of 30 June 2017;
- The various embedded value results as of 30 June 2017, including the embedded value, value of half year's new business and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- The value of half year's new business as of 30 June 2016, based on the same assumption of rate of investment return and valuation methodology as of 30 June 2017 while other assumptions remain unchanged; and
- The breakdown of value of half year's new business as of 30 June 2017 and 30 June 2016 by distribution channel.

2. Basis of Preparation, Reliance and Limitation

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

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

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

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

3. Definition and Methodology

3.1 Definition

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

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

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

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

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

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

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

3.2 Methodology

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

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

4. Results Summary

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

4.1 Overall Results

Table 4.1.1 Embedded Value of PICC Health as of 30 June 2017 and 31 December 2016 *(Unit: RMB Million)*

	30/06/2017	31/12/2016
Risk Discount Rate	**10.0%**	10.0%
Value of In-Force Business before CoC	**2,062**	1,755
Cost of Required Capital	**(346)**	(324)
Value of In-Force Business after CoC	**1,716**	1,430
Adjusted Net Worth	**6,000**	5,687
Embedded Value	**7,716**	7,118

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

Table 4.1.2 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2017 and 30 June 2016 *(Unit: RMB Million)*

	30/06/2017	30/06/2016
Risk Discount Rate	**10.0%**	10.0%
Value of Half Year's New Business before CoC	**384**	309
Cost of Required Capital	**(100)**	(80)
Value of Half Year's New Business after CoC	**284**	229

Notes:

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

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

4.2 *Results by Distribution Channels*

The results of the value of half year's new business split by distribution channel are illustrated in this chapter. The results of the value of half year's new business by distribution channel as of 30 June 2017 and 30 June 2016 are summarized in the table below.

Table 4.2.1 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2017 and 30 June 2016 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	10.0%				
Distribution Channel	**Bancassu-rance**	**Individual insurance agent**	**Group sales**	**Reinsur-ance**	**Total**
Value of Half Year's New Business after CoC (2017)	11	259	14	–	284
Value of Half Year's New Business after CoC (2016)	1	176	52	–	229

Notes:

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

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

When calculating the value of in-force business and value of half year's new business, the expense assumptions represent the expected long-term expense level in the future. As the operating history of PICC Health is not long, the business scale has not reached the expected level. Hence the expenses to be incurred in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as of 30 June 2017.

5.1 *Risk Discount Rate*

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

5.2 Rate of Investment Return

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

5.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Health. The impact on the value of in-force business and value of half year's new business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity tests.

5.4 Mortality and Morbidity

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

5.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on PICC Health's own experience. They are in the range from 30% to 94% of gross premium depending on the lines of business.

5.6 Lapse Rates

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

5.7 Expenses and Commissions

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

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

5.8 Tax

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

6. Sensitivity Tests

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

Table 6.1 Value of In-Force Business of PICC Health as of 30 June 2017 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	2,062	1,716
Risk Discount Rate at 9%	2,195	1,892
Risk Discount Rate at 11%	1,946	1,563
Rate of investment return increased by 50 bps	2,342	2,017
Rate of investment return decreased by 50 bps	1,778	1,411
Expenses increased by 10%	1,977	1,624
Expenses decreased by 10%	2,150	1,813
Lapse rate increased by 10%	2,048	1,719
Lapse rate decreased by 10%	2,073	1,708
Mortality increased by 10%	2,057	1,711
Mortality reduced by 10%	2,070	1,725
Morbidity increased by 10%	2,022	1,668
Morbidity reduced by 10%	2,110	1,773
Short-term business claim ratio increased by 5%	1,594	1,247
Short-term business claim ratio decreased by 5%	2,557	2,214
Participating Ratio (80/20)	2,066	1,720

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

Table 6.2 Value of Half Year's New Business for the 6 months up to 30 June 2017 of PICC Health under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Before CoC	After CoC
Base Scenario	384	284
Risk Discount Rate at 9%	417	331
Risk Discount Rate at 11%	355	242
Rate of investment return increased by 50 bps	472	380
Rate of investment return decreased by 50 bps	296	188
Expenses increased by 10%	341	240
Expenses decreased by 10%	427	328
Lapse rate increased by 10%	374	277
Lapse rate decreased by 10%	395	291
Mortality increased by 10%	383	283
Mortality reduced by 10%	385	285
Morbidity increased by 10%	372	271
Morbidity reduced by 10%	396	297
Short-term business claim ratio increased by 5%	215	114
Short-term business claim ratio decreased by 5%	552	454
Participating Ratio (80/20)	383	283

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

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

Eric Lu
FIAA, FCAA

Report on Review of Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 81, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2017

Condensed Consolidated Income Statement

For the six months ended 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Gross written premiums	4	**279,726**	264,578
Less: premiums ceded to reinsurers	4	**(14,900)**	(18,159)
Net written premiums	4	**264,826**	246,419
Change in unearned premium reserves		**(24,580)**	(17,948)
Net earned premiums		**240,246**	228,471
Reinsurance commission income		**4,106**	6,088
Investment income	5	**16,520**	15,079
Other income	6	**1,433**	1,154
TOTAL INCOME		**262,305**	250,792
Life insurance death and other benefits paid		**92,171**	73,925
Claims incurred		**100,239**	90,164
Changes in long-term life insurance contract liabilities		**(2,569)**	20,755
Policyholder dividends		**1,479**	1,928
Claims and policyholders' benefits	7	**191,320**	186,772
Less: claims and policyholders' benefits ceded to reinsurers	7	**(8,312)**	(8,922)
Net claims and policyholders' benefits	7	**183,008**	177,850
Handling charges and commissions		**31,401**	25,570
Finance costs	8	**2,455**	2,039
Exchange losses/(gains)		**325**	(233)
Other operating and administrative expenses	9	**34,454**	34,422
TOTAL BENEFITS, CLAIMS AND EXPENSES		**251,643**	239,648
Share of profits and losses of associates and joint ventures		**5,945**	3,426
Loss on deemed disposal of an associate	21	**(798)**	–
PROFIT BEFORE TAX	10	**15,809**	14,570
Income tax expense	11	**(3,018)**	(3,286)
PROFIT FOR THE PERIOD		**12,791**	11,284
Attributable to:			
Equity holders of the Company		**8,815**	7,725
Non-controlling interests		**3,976**	3,559
		12,791	11,284
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic (in RMB)	13	**0.21**	0.18

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Cash and cash equivalents	14	**60,518**	46,729
Derivative financial assets	15	**–**	3
Debt securities	16	**256,207**	240,531
Equity securities, mutual funds and trust schemes	17	**116,512**	150,550
Insurance receivables, net	18	**67,118**	34,339
Reinsurance assets	19, 27	**31,006**	31,019
Term deposits		**79,938**	91,884
Restricted statutory deposits		**10,111**	9,911
Investments classified as loans and receivables	20	**195,029**	168,778
Investments in associates and joint ventures	21	**91,274**	85,834
Investment properties	22	**11,189**	10,695
Property and equipment	23	**23,567**	24,113
Intangible assets		**1,128**	1,197
Prepaid land premiums		**3,737**	3,825
Deferred tax assets		**10,388**	5,965
Other assets	24	**29,696**	26,776
TOTAL ASSETS		**987,418**	932,149
LIABILITIES			
Securities sold under agreements to repurchase		**34,379**	33,066
Payables to reinsurers	25	**28,799**	19,302
Income tax payable		**5,392**	2,756
Bonds payable	26	**46,191**	46,084
Insurance contract liabilities	27	**569,141**	538,513
Investment contract liabilities for policyholders	28	**44,497**	38,370
Policyholder dividends payable		**5,744**	7,064
Pension benefit obligation		**3,005**	2,800
Deferred tax liabilities		**684**	752
Other liabilities	29	**69,411**	72,448
TOTAL LIABILITIES		**807,243**	761,155
EQUITY			
Issued capital	30	**42,424**	42,424
Reserves		**90,401**	83,677
Equity attributable to equity holders of the Company		**132,825**	126,101
Non-controlling interests		**47,350**	44,893
TOTAL EQUITY		**180,175**	170,994
TOTAL EQUITY AND LIABILITIES		**987,418**	932,149

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

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

* This reserve contains both statutory and discretionary surplus reserves.

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

Condensed Consolidated Statement of Changes In Equity (continued)

For the six months ended 30 June 2016
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the Company															
	Share capital *(note 30)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Agriculture catastrophic loss reserve	Asset revaluation	Cash flow hedge	Share of other comprehensive income of associates and joint ventures	Foreign currency translation reserve	Surplus reserve fund	Other reserves	Actuarial gains /(losses) on pension benefit obligation	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2016(Audited)	42,424	19,925	5,840	5,770	1,300	2,232	(3)	594	(49)	1,101	(15,010)	(693)	52,670	116,101	41,094	157,195
Profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	7,725	7,725	3,559	11,284
Other comprehensive (expense)/income	–	–	(2,407)	–	–	75	(3)	298	16	–	–	102	–	(1,919)	(652)	(2,571)
Total comprehensive (expense)/income	–	–	(2,407)	–	–	75	(3)	298	16	–	–	102	7,725	5,806	2,907	8,713
Dividends paid to shareholders *(note 12)*	–	–	–	–	–	–	–	–	–	–	–	–	(959)	(959)	(1,574)	(2,533)
Change in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	(9)	–	–	(9)	63	54
Balance as at 30 June 2016 (Unaudited)	42,424	19,925	3,433	5,770	1,300	2,307	(6)	892	(33)	1,101	(15,019)	(591)	59,436	120,939	42,490	163,429

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**1,647**	26,936
Income tax paid		**(5,163)**	(5,439)
Net cash (used in)/from operating activities		**(3,516)**	21,497
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		**(876)**	(994)
Proceeds from disposals of investment properties, property and equipment, intangible assets and prepaid land premiums		**80**	140
Purchases of investments, associates and joint ventures		**(143,004)**	(217,500)
Proceeds from sale of investments		**132,938**	150,439
Interests received		**12,250**	13,318
Dividends received		**3,931**	3,748
Rentals received		**260**	224
Decrease in term deposits, net		**11,859**	29,465
Others		**147**	460
Net cash from/(used in) investing activities		**17,585**	(20,700)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in securities sold under agreements to repurchase		**1,313**	(4,443)
Repayment of subordinated debts		**–**	(5,000)
Interests paid		**(1,532)**	(1,416)
Net cash used in financing activities		**(219)**	(10,859)
Net increase/(decrease) in cash and cash equivalents		**13,850**	(10,062)
Cash and cash equivalents at the beginning of the period		**46,729**	49,884
Effects of exchange rate changes on cash and cash equivalents		**(61)**	60
Cash and cash equivalents at the end of the period		**60,518**	39,882
Analysis of balances of cash and cash equivalents:			
Cash on hand	14	**–**	1
Securities purchased under resale agreements with original maturity of less than three months	14	**22,107**	5,497
Demand deposits and deposits with banks with original maturity of less than three months		**38,411**	34,384
Cash and cash equivalents at end of the period	14	**60,518**	39,882

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2017
(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

The 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 2016.

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

- The asset management segment comprises asset management services;

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

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

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

4. GROSS AND NET WRITTEN PREMIUMS

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

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME

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

(a) Dividend, interest and rental income

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

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(b) Realised gains/(losses)

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

(c) Fair value gains

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Debt securities		
– Held for trading	**(38)**	(8)
Equity securities and mutual funds		
– Held for trading	**296**	(79)
Investment properties *(note 22)*	**(69)**	110
Total	**189**	23

(d) Impairment losses

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

(Amounts in millions of Renminbi, unless otherwise stated)

6. OTHER INCOME

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities	382	328
Management fee charged to policyholders	204	176
Disposal gains from property and equipment *(note 23)*	36	65
Government grants	135	80
Others	676	505
Total	1,433	1,154

7. CLAIMS AND POLICYHOLDERS' BENEFITS

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

	Six months ended 30 June 2016		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	73,925	177	73,748
Claims incurred	90,164	8,734	81,430
– Short-term life insurance	4,363	816	3,547
– Non-life insurance	85,801	7,918	77,883
Changes in long-term life insurance contract liabilities	20,755	11	20,744
Policyholder dividends	1,928	–	1,928
Total	186,772	8,922	177,850

(Amounts in millions of Renminbi, unless otherwise stated)

8. FINANCE COSTS

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Interest expenses		
Bonds payable	1,218	886
Securities sold under agreements to repurchase	665	286
Interest credited to policyholders *(note 28)*	440	753
Pension benefit obligation unwound	42	43
Due to banks and other financial institutions	–	26
Others	90	59
Less: amounts capitalised in qualifying assets	–	(14)
Total	2,455	2,039

9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Employee costs	15,818	14,340
Insurance guarantee fund	1,503	1,413
Business taxes and surcharges	1,128	5,500
Depreciation and amortisation	940	1,011
Impairment losses *(note 10)*	351	544
Others	14,714	11,614
Total	34,454	34,422

(Amounts in millions of Renminbi, unless otherwise stated)

10. PROFIT BEFORE TAX

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

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

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

11. INCOME TAX EXPENSE

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

12. DIVIDENDS

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

13. EARNINGS PER SHARE

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

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

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

14. CASH AND CASH EQUIVALENTS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Cash on hand	**–**	1
Money at call and short notice	**37,757**	36,060
Deposits with banks with original maturity of less than three months	**654**	3,743
Securities purchased under resale agreements with original maturity of less than three months	**22,107**	6,925
Total	**60,518**	46,729

(Amounts in millions of Renminbi, unless otherwise stated)

15. DERIVATIVE FINANCIAL ASSETS

	30 June 2017	
(Unaudited)	Notional amount	Derivative financial assets
Interest rate swaps		
– Hedging instruments	–	–

	31 December 2016	
(Audited)	Notional amount	Derivative financial assets
Interest rate swaps		
– Hedging instruments	200	3

Interest rate swaps are stated at fair values.

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

16. DEBT SECURITIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Classification of debt securities		
Held for trading, at fair value	2,401	4,109
Available-for-sale, at fair value	131,804	114,591
Held-to-maturity, at amortised cost	122,002	121,831
Total debt securities	256,207	240,531

(Amounts in millions of Renminbi, unless otherwise stated)

17. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Investments, at fair value		
Mutual funds	61,177	94,028
Shares	27,500	29,271
Preference shares	9,784	9,567
Equity Schemes	10,694	10,311
Subtotal	109,155	143,177
Investments, at cost less impairment		
Shares	107	107
Total equity securities and mutual funds	109,262	143,284
Trust scheme, at fair value	7,250	7,266

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

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

As at 30 June 2017, the Group is the sole funding provider of a trust investment of carrying value of RMB7,250 million (31 December 2016: RMB7,266 million). The Group concludes it does not control this trust as investment decisions are made by a trust manager, which can only be removed in limited situations.

The trust invests in predominantly debt instruments and it offers the Group an expected return of not more than 6.30% (31 December 2016: 6.30%) per annum. Its actual returns and eventual repayment of initial investments, however, depend on the performance of the underlying investments, which are predominantly debts in nature. The life of this trust arrangement is 5 years but can be extended for another 2 years upon mutual consent of the Group and the trust manager. The Group's maximum loss is limited to its investments and has no contractual obligations or intention to provide any financial support to the trust.

(Amounts in millions of Renminbi, unless otherwise stated)

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Classification of equity securities and mutual funds		
Held for trading, at fair value	15,083	31,062
Available-for-sale, at fair value	94,072	112,115
Available-for-sale, at cost less impairment	107	107
Total equity securities and mutual funds	109,262	143,284
Classification of trust scheme		
Available-for-sale, at fair value	7,250	7,266
Total equity securities, mutual funds and trust schemes	116,512	150,550

18. INSURANCE RECEIVABLES, NET

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

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

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
At the beginning of the period	3,218	2,869
Impairment losses recognised *(note 10)*	320	364
Amount written off as uncollectible	(3)	(2)
At the end of the period	3,535	3,231

(Amounts in millions of Renminbi, unless otherwise stated)

18. INSURANCE RECEIVABLES, NET *(continued)*

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

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

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

19. REINSURERS' SHARE OF INSURANCE CONTRACT PROVISIONS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Reinsurers' share of		
Unearned premium reserves	**10,753**	10,171
Claim reserves	**20,104**	20,709
Long-term life insurance reserves	**149**	139
Total	**31,006**	31,019

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

(Amounts in millions of Renminbi, unless otherwise stated)

20. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Long-term debt investment schemes	128,025	109,014
Wealth management products	46,310	42,002
Asset management products	17,994	15,062
Reinsurance arrangement classified as investment contract	2,000	2,000
Subordinated debts held	700	700
Total	195,029	168,778

Long-term debt investment schemes ("Debt Schemes") are structured entities and offer either fixed or variable interests to their investors, the Group has invested in a number of Debt Schemes over time. These Debt Schemes were created to raise funds from investors for lending onto various borrowers. The Group's investments in Debt Schemes are entirely lending transactions in nature and the Group's proportion of funds lent to these Debt Schemes ranges from 2.00% to 100.00% of the total funds raised. The interest rates of these Debt Schemes are 3.92%-8.00% (31 December 2016: 3.92%-8.00%) per annum as at 30 June 2017.

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

As at 30 June 2017, except for a Debt Scheme under which the Group commits a debt investment of RMB193 million (31 December 2016: RMB193 million), the Group did not guarantee or provide any financing support for these Debt Schemes, and considers that the carrying amount of the loans to these Debt Schemes represents the Group's maximum risk exposure.

Wealth management products are financial products offered by banks which offer fixed or determinable payments and are not quoted in active market. The original terms of these products held at year end date are within 1 year and the interest rates are 3.50%-5.50% (31 December 2016: 3.50%-4.90%) per annum as at 30 June 2017.

Asset management products are various financial products which offer fixed or determinable payments and are not quoted in active market. These financial products include securitised assets, asset management products offered by securities companies. The interest rates of these products are 3.48%-6.60% (31 December 2016: 3.30%-6.60%) per annum as at 30 June 2017.

(Amounts in millions of Renminbi, unless otherwise stated)

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

Included in the balance of reinsurance arrangement classified as an investment contract was an amount paid under a reinsurance arrangement which did not transfer significant insurance risk. This arrangement offered a fixed interest rate of 6.35% (31 December 2016: 6.35%) per annum. Both the Group and the reinsurer have a right to terminate the arrangement at the end of or subsequent to the fifth anniversary of the effective date of the reinsurance contract.

The original terms of subordinated debts are 10 years with a redemption right exercisable by the issuer as at the end of fifth year after its issue. The interest rates of these debts are 5.50%-5.60% (31 December 2016: 5.50%-5.60%) per annum as at 30 June 2017.

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

21. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

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

22. INVESTMENT PROPERTIES

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Beginning of the period	**10,695**	10,358
Additions	**32**	5
Transfer from property and equipment	**492**	49
Transfer from prepaid land premiums	**9**	17
Gains on revaluation of properties upon transfer from property and equipment	**227**	107
Gains on revaluation of properties upon transfer from prepaid land premiums	**20**	38
(Decrease)/Increase in fair value of investment properties *(note 5(c))*	**(69)**	110
Transfer to property and equipment	**(214)**	(220)
Disposals	**(3)**	(6)
End of the period	**11,189**	10,458

The Group's investment properties were revalued as at the end of the reporting period. Valuations were based on combination of the following two approaches:

(1) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or

(2) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The management or independent valuers determine the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to their professional judgement.

(Amounts in millions of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired assets with a cost of RMB689 million (six months ended 30 June 2016: RMB918 million).

Assets with a net book value of RMB35 million were disposed of by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB32 million), resulting in a net disposal gain of RMB36 million (six months ended 30 June 2016: RMB65 million).

During the six months ended 30 June 2017, construction in progress with an aggregate amount of RMB63 million (six months ended 30 June 2016: RMB30 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 22.

24. OTHER ASSETS

Carrying values of other assets are as follows:

	Note	**30 June 2017 (Unaudited)**	31 December 2016 (Audited)
Interest receivables		**11,236**	10,037
Other receivables		**4,619**	5,887
Policy loans	(a)	**2,526**	2,823
Amount due from MOF		**344**	344
Dividends receivables		**43**	89
Others		**12,578**	9,233
Total		**31,346**	28,413
Less: Impairment provision on other assets		**(1,650)**	(1,637)
Net value		**29,696**	26,776

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rate at 5.22%-6.35% (31 December 2016: 5.22%-6.35%) per annum as at 30 June 2017.

(Amounts in millions of Renminbi, unless otherwise stated)

25. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

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

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

26. BONDS PAYABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Subordinated debts		
Carrying amount repayable		
– More than two years, but not exceeding five years	822	826
– More than five years	30,355	30,279
Subtotal	31,177	31,105
Capital supplementary bonds		
Carrying amount repayable		
– More than five years	15,014	14,979
TOTAL	46,191	46,084

Terms of these subordinated debts and capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the debts at par values at the end of the fifth year from the date of issue. The interest rates of the Group's debts are 3.65%-6.19% in the first five years (2016: 3.65%-6.19%) and 4.65%-8.19% in the second five years (2016: 4.65%-8.19%). During the six months ended 30 June 2017, the Group did not repay subordinated debts or capital supplementary bonds (six months ended 30 June 2016: RMB5,000 million).

(Amounts in millions of Renminbi, unless otherwise stated)

27. INSURANCE CONTRACT LIABILITIES

	30 June 2017		
(Unaudited)	**Insurance contract liabilities**	**Reinsurers' share**	**Net**
Long-term life and health insurance contracts	**288,440**	**149**	**288,291**
Short-term health insurance contracts			
– Claim reserves	**4,393**	**512**	**3,881**
– Unearned premium reserves	**4,819**	**372**	**4,447**
Non-life insurance contracts			
– Claim reserves	**135,329**	**19,592**	**115,737**
– Unearned premium reserves	**136,160**	**10,381**	**125,779**
Total insurance contract liabilities	**569,141**	**31,006**	**538,135**

	31 December 2016		
(Audited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	291,009	139	290,870
Short-term health insurance contracts			
– Claim reserves	3,513	560	2,953
– Unearned premium reserves	1,498	92	1,406
Non-life insurance contracts			
– Claim reserves	128,174	20,149	108,025
– Unearned premium reserves	114,319	10,079	104,240
Total insurance contract liabilities	538,513	31,019	507,494

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

As at 30 June 2017, the Group used information currently available to determine the above assumptions and, also refined the discount rate assumptions for insurance contracts under which future insurance benefits are not affected by investment income of the underlying asset portfolio in accordance with the regulatory requirements issued by the China Insurance Regulatory Commission in March 2017, and the impact of change in assumptions was charged to profit or loss. The changes of these assumptions in aggregate increased long-term life insurance contract liabilities by RMB1,751 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB744 million) and decreased profit before tax by RMB1,751 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB744 million).

(Amounts in millions of Renminbi, unless otherwise stated)

28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Interest-bearing deposits	42,733	36,603
Non-interest-bearing deposits	1,764	1,767
Total	44,497	38,370

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

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Beginning of the period	38,370	27,601
Deposits received after deducting fees	13,896	12,863
Deposits withdrawn	(8,209)	(4,661)
Interest credited *(note 8)*	440	753
End of the period	44,497	36,556

29. OTHER LIABILITIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Premiums received in advance	15,891	21,513
Salaries and welfare payable	14,189	14,210
Claims payable	11,380	12,400
Handling charges and commission payable	7,836	7,376
Business tax, net value added tax and other tax payable	5,785	5,519
Dividend payable	2,881	–
Interests payable	964	632
Insurance security fund	919	865
Others	9,566	9,933
Total	69,411	72,448

Premiums received in advance represent amounts collected from policies not yet effective as at the 30 June 2017 and 31 December 2016, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.

(Amounts in millions of Renminbi, unless otherwise stated)

30. SHARE CAPITAL

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

(Amounts in millions of Renminbi, unless otherwise stated)

31. FAIR VALUE AND FAIR VALUE HIERARCHY

Classification of financial instruments

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

	Carrying amount		Fair value	
	30 June 2017 (Unaudited)	31 December 2016 (Audited)	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Financial Assets				
Cash and cash equivalents	60,518	46,729	60,518	46,729
Held-for-trading				
– Equity securities, mutual funds and trust schemes	15,083	31,062	15,083	31,062
– Debt securities	2,401	4,109	2,401	4,109
– Derivative financial assets	–	3	–	3
Available-for-sale				
– Equity securities, mutual funds and trust schemes	101,322	119,381	101,322	119,381
– Debt securities	131,804	114,591	131,804	114,591
Held-to-maturity investment				
– Debt securities	122,002	121,831	124,751	127,961
Loans and receivables				
– Insurance receivables, net	67,118	34,339	67,118	34,339
– Term deposits	79,938	91,884	79,938	91,884
– Restricted statutory deposits	10,111	9,911	10,111	9,911
– Investments classified as loans and receivables	195,029	168,778	200,918	177,052
– Other assets	28,192	25,601	28,192	25,601
Total financial assets	813,518	768,219	822,156	782,623
Financial liabilities				
Other financial liabilities-measured at amortised cost				
– Securities sold under agreements to repurchase	34,379	33,066	34,379	33,066
– Payables to reinsurers	28,799	19,302	28,799	19,302
– Bonds payable	46,191	46,084	47,970	49,328
– Investment contract liabilities for policyholders	44,497	38,370	44,497	38,370
– Policyholder dividends payable	5,744	7,064	5,744	7,064
– Other liabilities	47,734	45,330	47,734	45,330
Total financial liabilities	207,344	189,216	209,123	192,460

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

Determination of fair value and the fair value hierarchy

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

(Amounts in millions of Renminbi, unless otherwise stated)

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

Determination of fair value and the fair value hierarchy *(continued)*

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

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

Items	Fair value 30 June 2017 (Unaudited)	Fair value 31 December 2016 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Derivative financial assets – Interest rate swaps	–	3	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Held for trading debt securities	403	187	Level 1	Quoted bid prices in an active market.
Held for trading debt securities	1,998	3,922	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	20,742	11,936	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	111,062	102,655	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Held for trading equity securities and mutual funds	5,367	31,062	Level 1	Quoted bid prices in an active market.
Held for trading equity securities and mutual funds	9,716	–	Level 2	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments listed in the PRC in each portfolio.
Available-for-sale equity securities and mutual funds	69,134	85,316	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	10,853	10,704	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	833	3,554	Level 3	Quoted bid prices adjusted by a liquidity discount determined by the Black-Scholes option pricing model. The key input is historical volatility of the share prices of the securities.
Available-for-sale equity securities and mutual funds	8,517	7,920	Level 3	The fair value is determined with reference to the quoted market price and latest round of financing price with an adjustment of discount for lack of marketability.
Available-for-sale equity securities and mutual funds	1,092	1,021	Level 3	Relative value that are assessed based on average pricing-to-earnings ratio from comparative companies and earnings per share of target company.
Available-for-sale equity securities, mutual funds and trust schemes	10,893	10,866	Level 3	Fair value of the investments is based on the use of internal valuation models.

(Amounts in millions of Renminbi, unless otherwise stated)

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

Determination of fair value and the fair value hierarchy *(continued)*

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

During the six months ended 30 June 2017, the Group transferred debt securities with a carrying amount of RMB3,590 million (six months ended 30 June 2016: RMB2,578 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB1,186 million (six months ended 30 June 2016: RMB1,608 million) from Level 2 to Level 1 as the Group is able to obtain quoted prices in active markets.

During the six months ended 30 June 2017 and the six months ended 30 June 2016, the Group did not have any assets transferred between fair value hierarchy Level 2 and Level 3.

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

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

	Fair value hierarchy as at 30 June 2017		
(Unaudited)	**Level 1**	**Level 2**	**Total**
Financial assets			
Held-to-maturity financial assets	**2,201**	**122,550**	**124,751**
Investments classified as loans and receivables	**–**	**200,918**	**200,918**
Financial liabilities			
Bonds payable	**–**	**47,970**	**47,970**

	Fair value hierarchy as at 31 December 2016		
(Audited)	Level 1	Level 2	Total
Financial assets			
Held-to-maturity financial assets	658	127,303	127,961
Investments classified as loans and receivables	–	177,052	177,052
Financial liabilities			
Bonds payable	–	49,328	49,328

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

Determination of fair value and the fair value hierarchy *(continued)*

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Unlisted available-for-sale financial assets		
Opening balance	**23,361**	17,722
Additions	**1,117**	1,456
Disposals	**(16)**	(1,695)
Transfer from Level 3 to equity accounting *(note)*	**(3,554)**	–
Unrealised gains recognised in other comprehensive income	**427**	425
Closing balance	**21,335**	17,908

Note: A financial asset of RMB3,554 million was transferred from equity investments to an investment in an associate when the Group was able to appoint a director.

In respect of a trust scheme of RMB7,250 million (six months ended 30 June 2016: RMB8,666 million), its fair value is measured by discounted cash flows that are estimated based on expected amounts and discounted at a rate that reflects the risk characteristics of the counterparty. A 50-basis point increase/decrease in the discount rate holding other variables constant will result in a decrease/increase in carrying amount by RMB27 million/RMB40 million (six months ended 30 June 2016: RMB70 million/RMB87 million).

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

As the fair values of all investment properties are categorised as Level 3, reconciliation of the fair value movements are presented in note 22 to these condensed consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

32. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or an outflow of resources embodying economic benefits is not probable.

(2) The Company underwent restructuring and reorganisation during the period from 1996 and 1998. As a result of the restructuring and reorganisation, the Company and another insurance company were spun off from the predecessor company, the People's Insurance Company of China, and each spun-off entity inherited certain assets and liabilities. During the process, the Company owed certain amounts to that insurance company and settled these debts by cash payments, assets or by certain offsetting arrangements. Due to the long history and turnover of staff, the Company is not able to reach an agreement with that insurance company regarding the balances of debts that have been repaid in the form of assets or receivables. Potentially, certain receivables or payables may exist among these entities. However, the Company's management is of the opinion that the debts have been fully repaid, and therefore any contingent indebtedness will not significantly impact these condensed consolidated financial statements.

(3) As at the report date, there were various title defects for certain investment properties, property and equipment, prepaid land premiums and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Due to historical reasons, the Group owned a large number of branches and subsidiaries. Although these branches or subsidiaries may have been closed or liquidated, the Group may still have exposures to any non-compliance committed by these branches or subsidiaries.

Other than the above, as at 30 June 2017, the Group had no significant contingencies to disclose.

(b) Capital commitments and operating leases

(1) Capital commitments

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	**1,777**	2,472

(Amounts in millions of Renminbi, unless otherwise stated)

32. CONTINGENCIES AND COMMITMENTS *(continued)*

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

(2) Operating leases

(i) As lessor

The Group leases its investment properties (note 22) under operating lease arrangements, with lease terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within one year	**298**	340
In the second to fifth years, inclusive	**559**	598
After five years	**154**	246
Total	**1,011**	1,184

(ii) As lessee

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

Future minimum lease payments under non-cancellable operating leases as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within one year	**475**	511
In the second to fifth years, inclusive	**1,258**	1,224
After five years	**543**	549
Total	**2,276**	2,284

(Amounts in millions of Renminbi, unless otherwise stated)

33. RELATED PARTY DISCLOSURES

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

(b) During the six months ended 30 June 2017 and 30 June 2016, the Group had the following significant related party transactions:

Transactions with associates	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Industrial Bank		
Gross written premiums	209	82
Interest income	331	128
Claims and policyholders' benefits	249	234
Handling charges and commissions	7	1
Finance costs	66	66
Dividend received – from common shares	1,634	1,634
Dividend received – from preference shares	26	26
Hua Xia Bank		
Gross written premiums	128	N/A
Interest income	215	N/A
Claims and policyholders' benefits	99	N/A
Finance costs	3	N/A

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

(Amounts in millions of Renminbi, unless otherwise stated)

33. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from associates	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Industrial Bank		
Cash and cash equivalents	**985**	42
Debt securities	**3,425**	2,915
Equity securities	**447**	447
Term deposits	**14,486**	10,927
Other assets	**390**	127
China Credit Trust		
A trust scheme	**7,250**	7,266
Hua Xia Bank		
Cash and cash equivalents	**32**	2
Term deposits	**6,500**	8,500
Investments classified as loans and receivables	**5,000**	–
Other assets	**200**	208
TOTAL	**38,715**	30,434

Receivables from a major shareholder	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Other assets		
MOF	**344**	344

Payables to associates	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Industrial Bank		
Bonds payable	**2,419**	2,416
Other liabilities	**35**	51
Hua Xia Bank		
Bonds payable	**103**	103
Other liabilities	**6**	2
TOTAL	**2,563**	2,572

33. RELATED PARTY DISCLOSURES *(continued)*

(d) Key management personnel

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

No transactions have been entered with the key management personnel during the six months ended 30 June 2017 other than the emoluments paid to them (being the key management personnel compensation).

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

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

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

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

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

34. EVENT AFTER THE REPORTING PERIOD

According to the Company's financial statements prepared in accordance with IFRS, the retained earnings of the Company as at 30 June 2017 amounted to RMB11,764 million (31 December 2016: RMB11,429 million). As at 30 June 2017, there was no difference between the retained earnings of the Company in the financial statements prepared in accordance with IFRS and those prepared in accordance with China Accounting Standards.

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board of Directors of the Company on 25 August 2017.

Other Information

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of 30 June 2017, Mr. Wang Dajun, the Supervisors of the Company, held 50,000 H shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management of the Company held any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and Hong Kong Stock Exchange.

CHANGE IN THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

Save as disclosed in the 2016 annual report, as of the date of this report *(Note)*, the changes in the Directors of the Company were as follows:

On 23 June 2017, the Company held the 2016 annual general meeting of the Company for the purpose of selecting Mr. Miao Jianmin as the Executive Director for the second session of the Board and Mr. Wang Qingjian as the Non-executive Director for the second session of the Board.

On 13 July 2017, the qualification of Mr. Miao Jianmin and Mr. Wang Qingjian as the Directors of the Company were approved by CIRC, and at the same date, Mr. Yao Zhiqiang resigned as the Non-executive Director of the Company due to age with immediate effect.

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

Mr. Wu Yan *(Chairman of the Board and Executive Director)*
Mr. Miao Jianmin *(Vice Chairman of the Board and Executive Director)*
Mr. Wang Qingjian *(Non-executive Director)*
Mr. Wang Qiao *(Non-executive Director)*
Ms. Hua Rixin *(Non-executive Director)*
Ms. Cheng Yuqin *(Non-executive Director)*
Mr. Wang Zhibin *(Non-executive Director)*
Mr. Lau Hon Chuen *(Independent Non-executive Director)*
Mr. Xu Dingbo *(Independent Non-executive Director)*
Mr. Luk Kin Yu, Peter *(Independent Non-executive Director)*
Mr. Lin Yixiang *(Independent Non-executive Director)*
Mr. Chen Wuzhao *(Independent Non-executive Director)*

Save as disclosed in the 2016 annual report, as of the date of this report, the changes in the Supervisors of the Company were as follows:

On 7 July 2017, Mr. Ji Haibo was elected as an employee representative supervisor at the tenth meeting of the second session of the general meeting of Employee Representative of the Company. The qualification of Mr. Ji Haibo will come into effect on the date of approval by the CIRC.

On 17 July 2017, Ms. Yao Bo resigned as the employee representative supervisor of the Company due to the change of job with immediate effect.

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

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

Note: As at the date of approval of the interim report by the Board of Directors on August 25, 2017, the same as follows.

CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

There were no changes in the information of the Directors and Supervisors of the Company that needs to be disclosed under Rule 13.51B (1) of the Listing Rules from 1 January 2017 to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company or its subsidiaries during the first half of 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on the purchase and sale of the Company's securities that apply to Directors, Supervisors and all employees, and the terms of the guidelines are not less exacting than the Model Code. Following enquiries made by the Company, all the Directors and Supervisors confirmed that they have complied with the standards set out in the Model Code and the aforementioned guidelines during the first half of 2017.

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

As far as the Directors of the Company are aware, as at 30 June 2017, the following persons (other than the Directors, Supervisors of the Company and senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the SFO, or is required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total issued domestic shares *(Note 2)*	Percentage of total issued shares *(Note 3)*
Ministry of Finance of the People's Republic of China ("MOF")	Beneficial owner	29,896,189,564	Long position	88.72%	70.47%
National Council for Social Security Fund ("NSSF")	Beneficial owner	3,801,567,019	Long position	11.28%	8.96%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total issued H shares *(Note 4)*	Percentage of total issued shares *(Note 3)*
American International Group, Inc.	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
NSSF *(Note 1)*	Beneficial owner	616,436,000	Long position	7.06%	1.45%

Notes:

1. NSSF, as the beneficial owner, holds 602,279,000 H shares. In addition, it holds 14,157,000 H shares as asset manager and nominee via State Street Global Advisors. Accordingly, NSSF is deemed to be interested in the aforementioned H shares.

2. As at 30 June 2017, the total issued domestic shares of the Company was 33,697,756,583 shares.

3. As at 30 June 2017, the total issued shares of the Company was 42,423,990,583 shares.

4. As at 30 June 2017, the total issued H shares of the Company was 8,726,234,000 shares.

Save as disclosed above, as of 30 June 2017, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company that is required to be entered into the register under Section 336 of the SFO.

CORPORATE GOVERNANCE

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

INTERIM PROFIT DISTRIBUTION

The Board proposed that based on the accumulated retained profit balance as of 30 June 2017, RMB10 billion will be appropriated to the discretionary surplus reserve. The proposal is subject to the approval of the shareholders at the general meeting. In respect of the 2017 interim profit distribution, the Company will not distribute dividend to the shareholders. The Company believes that this profit distribution is conducive to enhancing the Company's capital strength, and creating more value for our shareholders.

REVIEW OF INTERIM RESULTS

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

Corporate Information

REGISTERED NAME

Chinese Name: 中國人民保險集團股份有限公司

Abbreviation of Chinese name: 中國人保集團

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

Abbreviation of English name: PICC Group

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District, Beijing 100052, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

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

WEBSITE

http://www.picc.com

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

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Domestic Auditors:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Limited Beijing Branch

LEGAL ADVISORS

as to Hong Kong law:
Davis Polk & Wardwell

as to PRC law:
King & Wood Mallesons

PICC

中国人民保险集团股份有限公司

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