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

H Share Stock Code : 1339

Interim Report **2019**

PICC
1949 - 2019

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Company Profile

The Company is the first nation-wide insurance company in the People's Republic of China (the "PRC"), established in October 1949, and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking the 121st in the List of Fortune Global 500 (2019) published by the Fortune magazine.

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

The Company's principal competitive strengths include:

- We are the first nation-wide insurance company of the PRC, the pioneer and trailblazer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry;
- We are an integrated insurance financial group with a focus on our core business and insist on the customer-oriented development strategy to achieve co-development of various business segments;
- We have diversified institutions and service network based in cities and towns spread over the country, as well as extensive and solid customer base, contributing to our ability to seize the tremendous opportunities on the potential market of medium-and small-sized cities and counties;
- We have an internationally first-class and Asia's leading P&C insurance company with obvious advantages in scale, cost and service as well as outstanding profitability;
- We have a life insurance company with a layout throughout the country, rapid growth, continuous profitability and sound operating platform as well as with great potentials in business transformation and value creation;
- We have the first nation-wide professional health insurance company to actively seize the development opportunity and create a featured healthy endowment ecosystem;
- We have an industry-leading asset management platform characterized by steady investment and proven performance;
- We serve for people's livelihood, safeguard the economy, fulfill social responsibilities, grasp policy opportunities and explore new business model with an overall plan;
- We have advanced applicable information technology to define a layout in technological finance area, and have outstanding ability and potential advantages in data mining, customer migration and value recreation;
- We have shareholders offering continuous and strong support, an experienced and insightful management team and a high-calibre professional staff team.

MISSON:

People's insurance serves the people

CORE VALUE:

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

VISION:

To make PICC a reliable and excellent brand

Contents

Definitions

PICC Group, Company	The People's Insurance Company (Group) of China Limited or, where the context so requires, its predecessor
PICC, Group	The People's Insurance Company (Group) of China Limited and all of its subsidiaries
PICC P&C	PICC Property and Casualty Company Limited
PICC Life	PICC Life Insurance Company Limited
PICC Health	PICC Health Insurance Company Limited
PICC Reinsurance	PICC Reinsurance Company Limited
PICC Pension	PICC Pension Company Limited
PICC Hong Kong	The People's Insurance Company of China (Hong Kong), Limited
PICC AMC	PICC Asset Management Company Limited
PICC Investment Holding	PICC Investment Holding Co., Ltd.
PICC Capital	PICC Capital Investment Management Company Limited
PICC AMHK	PICC Asset Management (Hong Kong) Company Limited
PICC Financial Services	PICC Financial Services Company Limited
Zhongsheng International	Zhongsheng International Insurance Brokers Co., Ltd.
MOF	the Ministry of Finance of the PRC
CBIRC	China Banking and Insurance Regulatory Commission
CIRC	China Insurance Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CBRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
CBRC	China Banking Regulatory Commission, which formed China Banking and Insurance Regulatory Commission together with CIRC in accordance with the Plan for Deepening Reform of Party and Government Institutions in March 2018
SSE	Shanghai Stock Exchange
NSSF	National Council for Social Security Fund of the PRC

Prospectus	the Prospectus of PICC for Initial Public Offering of Shares (A Shares) issued by the Company on the websites of the Shanghai Stock Exchange and the Company on 5 November 2018
SSE Listing Rules	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	the Articles of Association of The People's Insurance Company (Group) of China Limited, being the version considered and passed at the general meeting of the Company held on 21 June 2019
3411 Project	The 3411 Project is the main line of PICC's transformation into high-quality development in the new era. "3" means facilitating the transformation of three insurance subsidiaries, being PICC P&C, PICC Life and PICC Health; "4" means the implementation of four major strategies, being the innovation-driven development strategy, the digital development strategy, the integrated development strategy and the international development strategy; the first "1" means fighting well in "central city attacking battle" and "county market defending battle", and the second "1" means holding the bottom line that no systematic risk shall occur
China, PRC	the People's Republic of China, which, for the purposes of this report, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
RMB	Renminbi

Financial Highlights

Unit: millions, except for percentages

	30 June 2019	31 December 2018	(% of change)
Total assets	1,118,473	1,031,635	8.4
Total liabilities	886,564	825,334	7.4
Total equity	231,909	206,301	12.4
Net assets value per share (RMB)	3.90	3.46	12.7

Unit: millions, except for percentages

	For the six months ended 30 June		
	2019	2018	(% of change)
Gross written premiums	322,875	286,162	12.8
Net profit	21,622	14,348	50.7
Net profit attributable to equity holders of the Company	15,478	10,045	54.1
Earnings per share (RMB) – Basic and diluted	0.35	0.24	47.8
Weighted average return on equity (unannualized) (%)	9.5	7.1	Increase of 2.4 pt

Note: Unless otherwise specified, the currencies in this interim report are all in RMB.

Mr. Miao Jianmin
Chairman

Dear shareholders,

The passage of time witnesses the development of the PICC Group, a path went through by our staff in search of high quality business transformation. At this juncture in time, on behalf of the Company's board of directors, I would like to report the achievements of the Group during the first half of the year 2019.

THE GROUP MADE INITIAL PROGRESS ON HIGH-QUALITY DEVELOPMENT

During the first half of the year, the Company followed a course of seeking progress whilst maintaining stability, overcoming challenges, and striving to implement its "3411 Project" with an aim of transitioning to high-quality development. Despite an increasingly complex operating environment, the Company maintained a steady growth momentum. Its business development was stable in general and better than expected. Initial progress has been made in the areas of transformation, reform, innovation and risk prevention, creating a solid foundation for successfully accomplishing further tasks during the rest of the year.

Business development maintained good momentum and the premiums growth rate significantly increased. From January to June 2019, the Group recorded revenue from total written premiums ("TWPs") of RMB325.78 billion, representing a 12.8% increase compared to the corresponding period last year, and reversing the negative growth experienced in the first half of 2018. PICC P&C received written premiums of RMB235.33 billion, representing a 14.9% increase compared to the corresponding period last year, which has consolidated and improved its market position. PICC Health recorded TWPs of RMB15.86 billion, representing a 44.2% increase compared to the corresponding period last year; and PICC Life recorded TWPs of RMB74.51 billion, representing a 2.0% increase compared to the corresponding period last year. Both life and health insurance companies have recorded their highest growth rates of the last three years in terms of premium growth. Trust assets managed by China Credit Trust Company Limited amounted to RMB276.38 billion.

Continued optimisation of the business structure, and deeper transformation and development. From January to June 2019, PICC P&C recorded RMB108.55 billion of revenue from non-motor vehicle insurance, with the percentage of premiums increasing to 46.0%. The incremental gross written premiums made an 83.7% contribution, making it an important driving force for the Company's growth above the market. Initial progress has been made on its high-quality development. PICC Health continued its growth in commercial health insurance, with first-year regular premiums and new business value rising by 357.7% and 12.2% respectively compared to the corresponding period last year. PICC Life facilitated the successful transformation to value enhancement, with the percentage of regular premium payments (including renewals) rising by 8.8 percentage points to 60.3% and value of new business recording growth of 25.6% compared to the corresponding period last year. Its ability to create value continued to improve.

Profitability continued to rise, net profit substantially increased. From January to June 2019, the Group recorded a consolidated net profit of RMB21.62 billion, representing a 50.7% increase compared to the corresponding period last year. PICC P&C recorded a net profit of RMB16.82 billion, representing a 39.1% increase compared to the corresponding period last year, with a combined ratio of 97.6%, which is lower than market average. PICC Life and PICC Health recorded net profits of RMB3.08 billion and RMB260 million respectively, their highest level for the corresponding period since 2007. The Group's total investment assets on a consolidated basis amounted to RMB929.39 billion, representing a 5.4% annualised rate of return on investment.

Orderly implementation of the 3411 Project achieves positive results in reform and innovation. The Company continued to benchmark top-ranked industry players. The Company has drawn up a comprehensive benchmarking plan for its business models, including subjects, development objectives and implementation measures. This detailed plan will be vital in building a basis for our accelerated transformation and development. We continue to be customer-oriented and our front-line services strengthened. The Company implemented its four major strategies such as for digital and integrated development, as well as a range of pioneering and foundational projects such as IT structure reform, North Center construction, "T+1" commission settlement, counter resource sharing, and comprehensive team development. These projects have progressed as scheduled. The Group also launched its first centralised customer app. As of the end of June 2019, its total installation volume exceeded five million for the first time, with monthly active users totaling 700,000. Total number of "PICC e-Tong" users reached 423,000, with written premiums of RMB8.81 billion. The Group accelerated the adoption and empowerment of new technologies. For example, the Jiaanpei platform is now operated in 36 provincial and 362 city branches, while the "Chezhuhui" (車主惠) app has gained 128,000 monthly active users, all demonstrating the ability of a traditional enterprise to embrace technological change. The Group continued to focus on cities and consolidating presence in counties. Positive progress has been made in expanding its business activities in cities and maintaining its market share in counties. During the first half of 2019, PICC P&C's Chengdu, Harbin, Foshan and Dongguan branches regained their leading position in local markets, and the growth rate of its county motor vehicle insurance business was 0.8 percentage point higher than the industry average. PICC Life advanced its infrastructure construction and recorded a year-on-year increase in its effective workforce in central cities. PICC Health employed differentiated development in central cities to provide innovative products. Shenzhen branch recorded a year-on-year increase of 435.6% in internet health insurance products.

We served the real economy by creating a protective shelter for the society with our insurance function. The Company refocused on the essence of insurance and its protective nature by actively working out the functions of insurance to better serve the real economy and people's livelihood. We implemented the central government's poverty alleviation arrangements. The Company focused on severely poor areas and populations while vigorously carried out the "in-depth poverty alleviation" project. We made greater efforts in serving the strategy of rural vitalization.

In the first half of the year, the Group recorded RMB22.03 billion of written premiums for agricultural insurance, representing an 18.0% increase compared to the corresponding period last year and accounting for a near 50% market share. The Company's dominant position in the rural market has been consolidated. We strengthened insurance and financial services for private micro enterprises. We steadily promoted the pilot agriculture and micro enterprise financing support business, granting loans of RMB7.98 billion in aggregate to 170,000 farmers and micro enterprises in the first half of 2019. We supported the modern industrial system, regional development system and green development system. From January to June 2019, we recorded RMB15.64 billion in premium income for liability insurance and assumed risk liability in the amount of RMB67.2 trillion. We assumed risk liability for first unit (set) or first batch of equipment insurance in the amount of RMB60.5 billion and risk liability for environmental pollution in the amount of RMB7.2 billion. The Company advanced an international development strategy for the "Belt and Road Initiative". The Group's international business maintained a relatively fast pace of growth and recorded a premium income of RMB5.1 billion, representing a 35% increase compared to the corresponding period last year. It acted as lead insurer for major projects under the "Belt and Road Initiative" such as the SSPower power plant in Bangladesh and the Batangtoru hydropower station in Indonesia. The Company strengthened the linkage with society by focusing on improving people's livelihood. The Company has vigorously developed its critical illness insurance and social insurance businesses. The Group recorded a premium income of RMB41.03 billion, representing a 37.3% increase compared to the corresponding period last year from this business line. We undertook 1,259 insurance projects, covering 710 million people in 304 cities in 31 provinces, autonomous regions and municipalities in the PRC. We also actively participated in the development of "three pillars" of the pension system for elderly care. As of the end of June 2019, PICC Pension had participated in 22 bids for selection of occupational annuity trustees, and were selected as trustee or alternate institution for 20 projects and as occupational annuity investment manager for 15 projects.

Consolidating risk prevention fundamentals and firmly kept the bottom line on financial security. From the political perspective of maintaining financial security and implementing the decisions and arrangements of the Central Committee of the Party, we acquired an in-depth understanding of the new requirements for preventing financial risks and kept the bottom line that no systematic risk shall occur. We strictly implemented regulatory compliance requirements. In property insurance, we fully complied with "integration of implementation and execution" requirements for motor vehicle insurance and further improved the regulation of expenses payments. In life and health insurance, with carrying out an intensive special review of money laundering and illegal fund-raising prevention measures, the actively played a guiding role in the industry. The Company strengthened professional developments. For emerging businesses such as credit insurance, PICC P&C optimised its risk control model and improved its management mechanisms. PICC Life implemented an "Infrastructure Development Year" programme and acted to strengthen risk control and compliance. Applying modern technologies. For investment risk, we accelerated projects such as the Group's investment management and uniform credit rating management systems while also advancing the development of risk control information. For internal control and compliance risk, we strengthened control of IT systems, including business and financial systems.

ACCELERATING THE TRANSFORMATION TO HIGH-QUALITY DEVELOPMENT WITH AN EMPHASIS ON INSURANCE SUPPLY SIDE STRUCTURAL REFORM.

Financial supply side structural reform is a specific embodiment of "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" in the financial area and is a scientific arrangement for the combination of general law of financial development with the practice and exploration of financial reform in the PRC. It offers important theoretical and practical guidance for the reform and development of the PRC's financial and insurance industry, as well as for the PICC Group. Our proposed "3411 Project" for transformation to high-quality development is substantially a measure to consolidate its position. Beginning with the supply side, the project aims to strengthen both advantages and weak links and realise reforms of quality, efficiency and driving force. Starting with business model reform, the Company will deepen its insurance supply side structural reform and accelerate its transformation to high-quality development.

Ongoing digital transformation and strengthened insurance supply with technical power. The ability to apply technological strength to drive growth is at the core of insurance business model reform. We will accelerate digital development and the construction of a shared uniform IT operation and service platform within the Group, and digitally upgrade customer journeys and NPS customer management. We will leverage digital technologies to further optimise the insurance value chain and strengthen each link in our operation with the ultimate aim of transforming from "support with technologies" to "technology-driven and-leading growth" and optimising the supply-side operation.

We continued to optimise our "insurance + technology + services" model and improve core competitiveness through expansion of insurance services while strengthening technical research and development. We will accelerate the building of a new business model which begins with insurance, ends with high-quality services, and is supported by technology, with the aim of making our services our non-replicable core competitiveness. In property insurance, we developed differentiated service models targeting different customer groups. For individual customers, we built a service system for different scenes which cater to a range of customer needs. For legal person customers, we adopted the internet, Internet of Things and other technological means to incorporate insurance services into their management and production processes, and built a new model for risk mitigation and management. In health insurance, we built a service model with health management at the core and combined insurance products with health management services. This service model has effectively solved people's difficulties in medical treatment and health and reflects our professional advantage. In life insurance, we followed the "mainly light assets, supplemented by heavy assets" concept and built a service model with elderly care at the core.

We continued to develop direct sales channels and improve insurance supply efficiency through channel structure optimization. To realise its business model reform, the Group aims to further increase the contribution of direct sales while reducing reliance on intermediaries. Channel structure optimisation is the key to improving supply efficiency, and we will therefore accelerate the transition from mainly relying on intermediary channels to mainly relying on direct sales channels, from mainly relying on offline channels to a combination of offline and online channels, and from scattered sales by each unit to centralised sales by the Group.

We continued to strengthen management and control of underwriting and claims settlement to reduce insurance supply costs. We consider reducing cost as our current central task and will refine management of the underwriting and claim settlement stages. We maintained stringent management and control of underwriting and have disposed of businesses which had been recording substantial losses over a long period. We adhered to standard claim settlement process and strengthened process control for key claiming procedures. We continued to strengthen team-building and improve the quality and competence of our underwriting and claims settlement teams.

We continued to optimise insurance supply by enhancing the adaptability of our products and services. We focused on the needs of small-and medium-sized enterprises and technical and innovative enterprises and provided them with comprehensive services for customised risk protection, credit enhancement and direct financing. To meet the government's needs for social governance, we combined serving government with the Group's own development, and implemented an innovative product supply and service model while consolidating traditional agricultural insurance, critical illness and other policy-oriented business, integrated policy-oriented business with commercial business, strengthened resources allocated, assessment-driven development and business training to more comprehensively serve the needs of the government and the people. We catered to diversified customer needs, facilitated the innovation in customized development to meet customers' diversified needs in different scenes, provided customized services for various business groups and enhanced our influence among the younger customer groups.

SEEKING PROGRESS WHILE MAINTAINING STABILITY AND THE MOMENTUM OF HIGH-QUALITY DEVELOPMENT.

In the second half of the year, the Group will continue to face challenging tasks of reform and development. We will confidently and determinedly implement the decisions of the Central Committee of the Party, accelerate insurance supply side structural reform, and advocate further implementation of the "3411 Project".

We will strengthen benchmarking and improve our business model by strengthening less-cultivated and consolidating our advantages. By centering around "two integrations", we will continue to reduce reliance on intermediaries while lowering costs, improving services, strengthening customer loyalty, and facilitating implementation of PICC P&C's "Ten key tasks". We will continue to push forward comprehensive, in-depth reform in accordance with the requirements of "professionalism, efficiency, competency and flat structure", and strengthen the development of our commercial health insurance and health management businesses. We will focus on the "three changes", strengthen development of life insurance infrastructure, enhance the investment and research capability of our investment segment, and develop the wealth management business while consolidating our core business. We will advance our professional capability in emerging segments, strengthen the capability of PICC Financial Services with outstanding insurance technology content and comprising different modules within the Group, accelerate the development of a sustainable business model for PICC Reinsurance, establish a sound market-oriented operational mechanism for PICC Pension, and build PICC Hong Kong into a mid-sized boutique company.

We will deepen reform and take the opportunity of institutional reform and "three determinations" on government administration and management structure to facilitate market-oriented system reform. We will continue to combine institutional reform with organisational change, progress toward a "flattened and flexible" structure, optimise business processes, streamline the management hierarchy, and devote major resources to the market and front line. We will continue to combine institutional reform with mechanism change, establish a market-oriented and differentiated appraisal and incentive mechanism, provide remuneration which reflects differences in positions, capabilities and performance, and provide remuneration incentives favouring front-line employees. We will continue to combine institutional reform with team optimisation, optimise the management team structure and the training and selection of young managers, and select and train a large number of motivated and capable young managers at the district, city and county levels.

We will hold the bottom line and strengthen the prevention of key risks. We will maintain our growth rate within a reasonable range, avoid the adverse impact of downward pressure of the industry on the Group, accelerate our transformation to high-quality development, and regard failure to achieve this as our largest systematic risk. At the same time, we will monitor closely our staff and control costs, uphold the well-formulated management and operating systems to duly prevent and solve potential risks and hazards.

The goals are distant but can be reached, the tasks are challenging but can be accomplished. The year 2019 marks the 70th anniversary of the founding of the People's Republic of China and of the Company, it is also a critical year for PICC to comprehensively advance the 3411 Project for transformation to high-quality development. Our people at the PICC Group will maintain their hard-working, responsible and ambitious attitude, and will carefully implement the decisions of the Central Committee of the Party and the requirements of the Group's party committee. With supply side structural reform of the insurance industry as the main task, we will accelerate the Group's transformation to high-quality development, celebrate the 70th birthday of both People's Republic of China and PICC with excellent achievements in reform and development, and create better returns for our customers, shareholders and the society.

Miao Jianmin
Chairman
Beijing, PRC

23 August 2019

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments: 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 interests, respectively; 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 holds 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds 95.45% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment Holding, PICC Capital, and PICC AMHK, in which the Company holds 100%. The Company also holds 100% equity interest in PICC Financial Services, directly and indirectly holds 100% equity interest in PICC Reinsurance and holds 100% equity interest in PICC Pension.

I. KEY OPERATING INDICATORS

(1) Key Operating Data

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Original Premiums Income			
PICC P&C	**235,335**	204,781	14.9
PICC Life	**70,832**	69,888	1.4
PICC Health	**15,215**	10,583	43.8
Combined ratio of PICC P&C (%)	**97.6**	96.0	Increase of 1.6 pt
Value of half year's new business of PICC Life	**3,853**	3,068	25.6
Value of half year's new business of PICC Health	**341**	304	12.2
Total investment yield (annualized) (%)	**5.4**	5.1	Increase of 0.3 pt

Unit: RMB million

	30 June 2019	31 December 2018	(% of change)
Market share[1]			
PICC P&C (%)	**35.1**	33.0	Increase of 2.1 pt
PICC Life (%)	**3.8**	3.6	Increase of 0.2 pt
PICC Health (%)	**0.8**	0.6	Increase of 0.2 pt
Embedded Value of PICC Life	**82,573**	70,632	16.9
Embedded Value of PICC Health	**10,314**	8,689	18.7

	30 June 2019	31 December 2018	(% of change)
Comprehensive solvency margin ratio (%)			
PICC Group	**309**	309	–
PICC P&C	**286**	275	Increase of 11 pt
PICC Life	**245**	244	Increase of 1 pt
PICC Health	**242**	282	Decrease of 40 pt
Core solvency margin ratio (%)			
PICC Group	**249**	244	Increase of 5 pt
PICC P&C	**242**	229	Increase of 13 pt
PICC Life	**208**	201	Increase of 7 pt
PICC Health	**161**	182	Decrease of 21 pt

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

Since 2019, by adhering to the general principle of making progress amidst stability, PICC overcame difficulties, forged ahead and solidly promoted the implementation of the "3411 project" of the Group. Under the complicated and severe situation, PICC has maintained a good momentum of development, achieved better than expected business growth, and made phased progress in transformation and development, reform and innovation as well as risk prevention. As of 30 June 2019, the market share of PICC P&C in the P&C insurance market was 35.1%, the market share of PICC Life in the life and health insurance market was 3.8% and the market share of PICC Health in the life and health insurance market was 0.8%. In terms of the total written premiums, for the six months ended 30 June 2019, the total written premiums of PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB235,335 million, RMB74,511 million, RMB15,864 million and RMB71 million, respectively.

(2) Key Financial Indicators

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Gross written premiums	322,875	286,162	12.8
PICC P&C	236,036	205,041	15.1
PICC Life	70,833	69,891	1.3
PICC Health	15,215	10,583	43.8
Profit before tax	19,309	19,405	(0.5)
Net Profit	21,622	14,348	50.7
Net profit attributable to equity holders of the Company	15,478	10,045	54.1
Earnings per share (RMB)	0.35	0.24	47.8
Weighted average return on equity (unannualized) (%)	9.5	7.1	Increase of 2.4 pt

Unit: RMB million

	30 June 2019	31 December 2018	(% of change)
Total assets	1,118,473	1,031,635	8.4
Total liabilities	886,564	825,334	7.4
Total equity	231,909	206,301	12.4
Net assets per share (RMB)	3.90	3.46	12.7
Gearing ratio (1) (%)	79.3	80.0	Decrease of 0.7 pt

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

(3) Explanation for the differences between domestic and overseas accounting standards

Unit: RMB million

	Net profit attributable to equity holders of the Company		Equity attributable to equity holders of the Company	
	For the six months ended 30 June 2019	For the six months ended 30 June 2018	**30 June 2019**	31 December 2018
Under the China Accounting Standards for Business Enterprises	**15,517**	9,767	**171,911**	152,468
Items and amounts adjusted in accordance with the International Financial Reporting Standards:				
Catastrophic Risk Reserve of Agricultural Insurance	**(29)**	326	**981**	1,010
Impact of above adjustment on deferred income tax	**7**	(82)	**(244)**	(251)
Reclassification of insurance contract to investment contract	**(17)**	34	**(191)**	(174)
Under the International Financial Reporting Standards	**15,478**	10,045	**172,457**	153,053

Explanation for major adjustments:

1. According to the Cai Jin [2013] No.129 Document, PICC P&C made provision for catastrophic risk reserve of agricultural insurance based on a certain proportion of the retained premium of agricultural insurance; however, the provision for catastrophic risk reserve is not allowed under the International Financial Reporting Standards. Hence, there is a difference in the reserve between the two reporting standards.

2. At the end of 2014, PICC Life reviewed the test result of major insurance risks under the policies and reclassified contracts relating to certain risks from insurance contracts to investment contracts. However, under the International Financial Reporting Standards, once a contract is classified as an insurance contract, such classification shall remain so until the contract expires. This has led to difference in the measurement of the liabilities relating to such contracts under the two reporting standards.

II. BUSINESS ANALYSIS

(1) P&C INSURANCE BUSINESS

In the first half of 2019, the P&C insurance segment has adhered to the general principle of making progress amidst steady, earnestly implemented the supply-side structural reform requirements, actively aligned with the national governing policies, served the real economy and the people's livelihood, vigorously explored new insurance fields, continuously improved service quality and further optimized its business structure. The P&C insurance segment has changed its business model, established a high quality development indicator system, deepened the integrated development of the policy-based business and commercial business, improved claim handling quality and skills and further enhanced its internal quality; established a new goal of "Building a modern technology-based risk management company", accelerated the implementation of innovation-driven development strategy and digital strategy, empowered the transformation of operation and the change of business model, improved the level of operation and management and transformed the development momentum. It made steady progress in the organizational reform, strengthened its organizational structure to provide a strong base for its business transformation, fully implemented the new requirements for preventing financial risk, adhered to the bottom line of compliance risks and enhanced the risk prevention and control capabilities in key areas. The Company has made steady progress in the transformation towards quality enhancement.

1. PICC P&C

(1) Analysis by Product

The following table sets forth the gross written premiums ("GWP") by insurance type from PICC P&C for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Motor vehicle insurance	**127,487**	122,433	4.1
Accidental injury and health insurance	**40,937**	29,036	41.0
Agricultural insurance	**22,031**	18,672	18.0
Liability insurance	**15,645**	11,808	32.5
Credit insurance	**10,437**	4,847	115.3
Commercial property insurance	**9,388**	8,297	13.1
Cargo insurance	**2,140**	2,084	2.7
Other P&C insurance	**7,971**	7,864	1.4
Total	**236,036**	205,041	15.1

In the first half of 2019, PICC P&C has intensified reform and innovation efforts, continuously optimized its business structure, and its original premiums income increased steadily, achieving GWPs of RMB236,036 million, a 15.1% increase compared to the same period of last year.

GWPs for motor vehicle insurance increased by 4.1% to RMB127,487 million for the six months ended 30 June 2019 from RMB122,433 million for the same period in 2018. PICC P&C strengthened the integration of the transformation of business model and transformation of technology, continued to promote the upgrading of business model, and actively responded to challenges caused by the further decline in car sales and the continuous reform of premium rate for commercial motor vehicle insurance. In terms of incremental business, we gave full play to the advantages of existing pipelines, continued to promote resource management and channel cooperation, amplified resource utilization efficiency, and broadened the space for business development. In terms of existing business, we continued to improve service quality, strengthened professional marketing team building, and promoted transformation of e-commerce channels, strengthened the process of tracking and node management, explored the use of new technologies such as artificial intelligence, optimized the process of renewal and transfer, and continuously enhanced the ability to acquire high-quality existing business. All parties have worked together to promote the steady growth of the number of motor vehicle insurance and business scale.

GWPs for accidental injury and health insurance increased by 41.0% to RMB40,937 million for the six months ended 30 June 2019 from RMB29,036 million for the same period in 2018. Critical illness medical insurance for urban and rural residents and citizens and new rural cooperative medical insurance of PICC P&C developed rapidly, premiums of non-critical illness business such as poverty alleviation medical assistance insurance and long-term nursing care insurance exceeded RMB10 billion, forming a sound development trend of two-wheel drive for critical illness and non-critical illness health insurances. In addition, vehicle accident insurance, personal accident insurance and driver accident insurance of PICC P&C achieved rapid growth.

GWPs for agricultural insurance increased by 18.0% to RMB22,031 million for the six months ended 30 June 2019 from RMB18,672 million for the same period in 2018. PICC P&C responded positively to the central government's policy of continuing to increase support for agricultural insurance, further enhancing product innovation, and developing pig culling insurance, mutton weather index insurance, fur animal cost price insurance as well as silkworm and various kinds of aquatic products and other skits breeding insurance on the basis of traditional insurance, to increase the exploration of customer resources such as group customers and new agricultural entities, consolidate existing business and expand incremental business, continuously improve service breadth and depth, and achieve steady growth in business.

GWPs for liability insurance increased by 32.5% to RMB15,645 million for the six months ended 30 June 2019 from RMB11,808 million for the same period in 2018. PICC P&C continued to improve its policy liability insurance products, develop public security police law enforcement security, government anti-poverty assistance and pension service agency liability insurance, and support the further implementation of national policy of "simple administration, decentralization, optimization", to consolidate its leading position in social governance liability insurance; promote commercial liability insurance product innovation, develop robot products, automatic control systems, green building performance liability insurance, to further strengthen the ability to serve the real economy and consolidate the dominant position in group customers; to focus on emerging channels and scenario marketing, develop transaction delay losses compensation and e-commerce operating platform liability insurance to further promote the rapid development of decentralized liability insurance business.

GWPs for credit insurance increased by 115.3% to RMB10,437 million for the six months ended 30 June 2019 from RMB4,847 million for the same period in 2018. PICC P&C upgraded the supply of products and strengthened the construction of sales teams, as a result, the capacity of new franchises has been freed up, and personal credit guarantee insurance developed rapidly.

GWPs for commercial property insurance increased by 13.1% to RMB9,388 million for the six months ended 30 June 2019 from RMB8,297 million for the same period in 2018. In the first half of 2019, while strictly controlling high-risk businesses, PICC P&C vigorously developed high quality business, actively promoted the conversion of new product capacity, and formed new premium growth points. It established a source map to strengthen the renewal and transfer of insurance management, enhance the renewal rate, and promote the steady development of commercial property insurance.

GWPs for cargo insurance increased by 2.7% to RMB2,140 million for the six months ended 30 June 2019 from RMB2,084 million for the same period in 2018. PICC P&C responded to the adverse impact of the downward pressure on domestic and international macroeconomic situation and Sino-US trade frictions. It tapped the Internet and e-commerce sales channel and achieved rapid development in this decentralized business sector, driving the overall steady growth of the cargo insurance business.

GWPs attributable to other P&C insurance increased by 1.4% to RMB7,971 million for the six months ended 30 June 2019 from RMB7,864 million for the same period in 2018. The two-wheel drive of policy and commercial businesses of PICC P&C enabled continuous improvement in innovation and competitiveness, and the family property insurance business has achieved 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.

Unit: RMB million

	For the Six Months Ended 30 June				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Insurance agents	145,287	61.7	9.5	132,659	64.8
Among which:					
Individual insurance agents	67,937	28.8	3.9	65,366	32.0
Ancillary insurance agents	24,887	10.6	(2.4)	25,490	12.4
Professional insurance agents	52,463	22.3	25.5	41,803	20.4
Direct sales	70,966	30.2	25.5	56,559	27.6
Insurance brokerage	19,082	8.1	22.6	15,563	7.6
Total	235,335	100.0	14.9	204,781	100.0

In the first half of 2019, PICC P&C followed the changing trend of car consumption, focused on customer acquisition, improved channel layout, accelerated the construction of its own channels such as e-commerce network sales, "PICC V Alliance", direct sales team and agricultural network, strengthened the diversified allocation of resources, enhanced channel coordination and strived to build a low-cost business acquisition model. Among them, the original premiums income of the direct sales channel increased by 25.5% to RMB70,966 million for the six months ended 30 June 2019 from RMB56,559 million for the same period in 2018; the original premiums income of the insurance brokerage channel increased by 22.6% to RMB19,082 million for the six months ended 30 June 2019 from RMB15,563 million for the same period in 2018.

(3) *Analysis by Region*

The following table sets forth the original premiums income of PICC P&C in the top ten regions for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Guangdong Province	**24,189**	18,951	27.6
Jiangsu Province	**21,081**	18,949	11.3
Zhejiang Province	**15,272**	15,077	1.3
Shandong Province	**14,268**	12,632	13.0
Hebei Province	**13,859**	11,670	18.8
Hubei Province	**11,522**	9,327	23.5
Sichuan Province	**10,746**	7,860	36.7
Fujian Province	**9,319**	7,915	17.7
Hunan Province	**9,249**	8,010	15.5
Anhui Province	**9,092**	7,659	18.7
Other regions	**96,738**	86,731	11.5
Total	**235,335**	204,781	14.9

(4) *Business information on major insurances*

The following table sets forth the business information on major insurances of PICC P&C for the reporting period indicated:

Unit: RMB million

	For the six months ended 30 June 2019					
	Gross written premiums	Amount of insurance	Net claims	Liability balance of reserve	Underwriting profits	Combined ratio (%)
Motor vehicle insurance	127,487	35,545,374	71,511	189,875	2,257	98.1
Accidental injury and health insurance	40,937	405,822,471	16,896	37,319	(367)	101.5
Agricultural insurance	22,031	1,801,454	7,018	22,564	493	94.9
Liability insurance	15,645	67,227,117	4,737	22,613	421	95.6
Credit insurance	10,437	737,983	2,685	15,571	114	98.0
Commercial property insurance	9,388	19,788,051	2,145	14,445	760	83.4
Cargo insurance	2,140	6,692,601	753	2,502	274	80.6
Other P&C insurance	7,971	21,115,775	1,923	18,888	387	89.9
Total	236,036	558,730,826	107,668	323,777	4,339	97.6

(5) *Financial Analysis*

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

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Net earned premiums	**180,188**	168,834	6.7
Investment income	**7,931**	7,069	12.2
Other income	**773**	948	(18.5)
Total income	**194,671**	182,248	6.8
Net claims and policyholders' benefits	**116,654**	103,269	13.0
Handling charges and commissions	**27,602**	37,574	(26.5)
Finance costs	**991**	1,093	(9.3)
Other operating and administrative expenses	**37,982**	27,407	38.6
Total benefits, claims and expenses	**183,226**	169,255	8.3
Profit before tax	**15,169**	16,856	(10.0)
Less: Income tax expense	**(1,652)**	4,765	–
Net profit	**16,821**	12,091	39.1

Net earned premiums

Benefiting from the development in the businesses of accidental injury and health insurance, credit insurance, motor vehicle insurance, liability insurance and agricultural insurance, net earned premiums of PICC P&C increased by 6.7% to RMB180,188 million for the six months ended 30 June 2019 from RMB168,834 million for the same period in 2018.

Investment income

Investment income of the PICC P&C increased by 12.2% to RMB7,931 million for the six months ended 30 June 2019 from RMB7,069 million for the same period in 2018. This was primarily due to better utilization of investment opportunities in the equity market.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for PICC P&C increased by 13.0% to RMB116,654 million for the six months ended 30 June 2019 from RMB103,269 million for the same period in 2018, and the loss ratio increased by 3.5 percentage points to 64.7% for the six months ended 30 June 2019 from 61.2% for the same period of 2018. This was primarily due to an increase in claim payments as a result of the business growth and the increased loss ratio of agriculture insurance as a result of hailstorm, rainstorm and African swine fever.

Handling charges and commissions

The regulatory reforms in the P&C insurance have been further implemented, market rationality has been continuously increased and reforms in premium rate for commercial motor vehicle insurance have been continuously deepened. The handling charges and commissions of PICC P&C decreased by 26.5% to RMB27,602 million for the six months ended 30 June 2019 from RMB37,574 million for the same period in 2018.

Finance costs

Finance costs of PICC P&C decreased by 9.3% to RMB991 million for the six months ended 30 June 2019 from RMB1,093 million for the same period in 2018. The decrease was mainly due to the decrease in interest expenses relating to securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC P&C changed to RMB-1,652 million for the six months ended 30 June 2019 from RMB4,765 million for the same period in 2018, mainly due to written back of income tax expenses of RMB4,230 million due to the application of the new taxation rules on handling charges.

Net profit

As a result of the foregoing reasons, the net profit of the PICC P&C increased by 39.1% to RMB16,821 million for the six months ended 30 June 2019 from RMB12,091 million for the same period in 2018.

2. PICC Hong Kong

The Group mainly conducts overseas business through PICC Hong Kong. As of 30 June 2019, PICC Hong Kong's total assets amounted to RMB2,467 million, and net assets were RMB607 million. In the first half of 2019, the insurance income amounted to RMB496 million, the combined ratio was 104.1%, and the net profit amounted to RMB6 million.

(2) LIFE AND HEALTH INSURANCE

1. PICC Life

In the first half of 2019, PICC Life has fully implemented the "3411 project" of the Group, and it has been determined to "Mode Transformation, Structure Optimization and Growth Drivers Replacement", focused on valuable regular premiums, continuously consolidated the foundation for the transformation to high-quality development, and strictly adhered to the bottom line of avoiding systematic risks. For the six months ended 30 June 2019, first year Total Written Premiums ("TWPs") of PICC Life amounted to RMB14,803 million, the proportion of regular payment (including renewal) increased to 60.3%, representing an increase of 8.8 percentage points as compared to the same period of the previous year, first year TWPs with premium payable period of more than 10 years amounted to RMB3,446 million, representing an increase of 65.8% as compared to the same period of the previous year, renewal regular TWPs amounted to 30,134 million, representing an increase of 18.2% as compared to the same period of the previous year, the new business value realized RMB3,853 million, representing an increase of 25.6% as compared to the same period of the previous year. The value creation capability continued to improve.

(1) Analysis by Product

Income from various products of PICC Life for the purpose of original premiums income for reporting periods is as follows:

Unit: RMB million

	For the Six Months Ended 30 June			
	2019		2018	
	Amount	(% of total)	Amount	(% of total)
Life insurance	59,852	84.5	60,739	86.9
General life insurance	18,677	26.4	23,657	33.8
Participating life insurance	41,122	58.1	37,027	53.0
Universal life insurance	54	0.1	55	0.1
Health insurance	9,992	14.1	8,070	11.5
Accident insurance	988	1.4	1,079	1.6
Total	70,832	100.0	69,888	100.0

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

The original premiums income of life insurance decreased by 1.5% to RMB59,852 million for the six months ended 30 June 2019 from RMB60,739 million for the same period in 2018, mainly due to PICC Life's reduction of the scale of existing short and medium-term business and optimized the business structure in accordance with the strategy for transforming to high-quality development.

The original premiums income of health insurance increased by 23.8% to RMB9,992 million for the six months ended 30 June 2019 from RMB8,070 million for the same period in 2018, mainly due to PICC Life's active response to the call for insurance to focus more on protection, and promote the sales of critical illness insurance products. At the same time, it benefited from the increase of health care demand in the market and the growth of individual health insurance business.

The original premiums income of accident insurance decreased by 8.4% to RMB988 million for the six months ended 30 June 2019 from RMB1,079 million for the same period in 2018, mainly due to PPIC Life's optimization of the business structure and improved business efficiency so as to strengthen the management of business risk and the management of premiums receivable.

In terms of TWPs, for the six months ended 30 June 2019, the TWPs of general life insurance, participating life insurance and universal life insurance amounted to RMB18,677 million, RMB41,998 million and RMB2,854 million, respectively. TWPs of health insurance and accidental injury insurance amounted to RMB9,994 million and RMB988 million, respectively.

(2) *Analysis by Channel*

Income of PICC Life as categorized by distribution channel for the purpose of original premiums income for the reporting periods is as follows, which can be further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

Unit: RMB million

	For the Six Months Ended 30 June				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	36,189	51.1	(15.4)	42,759	61.2
First-year business of long-term insurance	25,999	36.7	(21.5)	33,109	47.4
Single premiums	20,158	28.5	(28.8)	28,330	40.5
First-year regular premiums	5,841	8.2	22.2	4,779	6.8
Renewal business	10,113	14.3	5.5	9,585	13.7
Short-term insurance	77	0.1	18.5	65	0.1
Individual Insurance	30,900	43.6	33.7	23,120	33.1
First-year business of long-term insurance	11,383	16.1	45.2	7,840	11.2
Single premiums	3,067	4.3	426.1	583	0.8
First-year regular premiums	8,316	11.7	14.6	7,257	10.4
Renewal business	19,119	27.0	27.8	14,963	21.4
Short-term insurance	398	0.6	25.6	317	0.5
Group Insurance	3,743	5.3	(6.6)	4,009	5.7
First-year business of long-term insurance	2,465	3.5	(12.7)	2,824	4.0
Single premiums	2,010	2.8	(27.9)	2,787	4.0
First-year regular premiums	455	0.6	1,129.7	37	0.1
Renewal business	204	0.3	10.9	184	0.3
Short-term insurance	1,074	1.5	7.3	1,001	1.4
Total	70,832		1.4	69,888	

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

The original premiums income of bancassurance decreased by 15.4% to RMB36,189 million for the six months ended 30 June 2019 from RMB42,759 million for the same period in 2018, mainly due to PICC Life's reduction of the scale of existing short and medium-term business and optimized the business structure in accordance with the strategy for transforming to high-quality development.

The original premiums income of individual insurance increased by 33.7% to RMB30,900 million for the six months ended 30 June 2019 from RMB23,120 million for the same period in 2018, mainly due to PICC Life's promotion of big individual life insurance strategy, strengthening the construction of sales force and improving the sales capacity.

The original premiums income of group insurance decreased by 6.6% to RMB3,743 million for the six months ended 30 June 2019 from RMB4,009 million for the same period in 2018, mainly due to PICC Life's suspension of the sales of group supplementary medical products.

In terms of TWPs, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB37,125 million, RMB32,734 million and RMB4,652 million, respectively, for the six months ended 30 June 2019. As of 30 June 2019, the number of insurance agents for PICC Life was 250,653. The first-year TWPs per capita from sales agent amounted to RMB3,802 and the number of new life insurance policies per capita was 1.21 per month.

(3) Persistency Ratios of Premiums

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

	For the Six Months Ended 30 June	
Item	**2019**	2018
13-month premium persistency ratio (1) (%)	**93.0**	94.4
25-month premium persistency ratio (2) (%)	**92.2**	91.3

(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) *Analysis by Region*

The following table sets forth the original premiums income of PICC Life in the top ten regions for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Zhejiang Province	6,156	3,421	79.9
Sichuan Province	5,131	5,087	0.9
Hunan Province	3,862	3,826	0.9
Jiangsu Province	3,764	3,896	(3.4)
Hebei Province	3,669	3,908	(6.1)
Henan Province	3,570	3,924	(9.0)
Hubei Province	3,224	3,345	(3.6)
Shaanxi Province	3,123	3,478	(10.2)
Shandong Province	3,055	3,026	1.0
Jiangxi Province	2,522	2,401	5.0
Other regions	32,756	33,576	(2.4)
Total	70,832	69,888	1.4

(5) *Top five products*

The following table sets forth the operating results of PICC Life's top five insurance products (in terms of original premiums income) for the reporting periods indicated:

Unit: RMB million

	For the six months ended 30 June 2019		
	Type of insurance	Sales channels	Original Premiums Income
PICC Life Xin An Endowment Insurance (Participating) (Type C)	Participating	Individual insurance/ Bancassurance	19,906
PICC Life Xing Fu Bao Annuity Insurance (Type B)	General	Individual insurance/ Bancassurance	8,680
PICC Life Ru Yi Bao Endowment Insurance (Participating)	Participating	Individual insurance/ Bancassurance	5,549
PICC Life Zun Ying Ren Sheng Annuity Insurance (Participating)	Participating	Individual insurance/ Bancassurance	4,808
PICC Life Le Xiang Sheng Huo Annuity Insurance	General	Individual insurance/ Bancassurance	4,517

(6) *Financial Analysis*

The following table sets forth certain selected key financial data of PICC Life for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Net earned premiums	**70,096**	69,503	0.9
Investment income	**7,750**	6,625	17.0
Other income	**341**	387	(11.9)
Total income	**78,436**	76,619	2.4
Net claims and policyholders' benefits	**66,055**	67,132	(1.6)
Handling charges and commissions	**6,245**	4,462	40.0
Finance costs	**1,392**	1,550	(10.2)
Other operating and administrative expenses	**4,098**	3,660	12.0
Total benefits, claims and expenses	**77,795**	76,764	1.3
Profit before tax	**2,425**	1,511	60.5
Less: Income tax expense	**(654)**	(19)	–
Net profit	**3,079**	1,530	101.2

Net earned premiums

Net earned premiums for PICC Life increased by 0.9% to RMB70,096 million for the six months ended 30 June 2019 from RMB69,503 million for the same period in 2018, mainly due to PICC Life's achievement of remarkable results in transformation to high-quality development, and as it has continuously optimized the business structure, its premium income has grown steadily with the scale increasing slightly.

Investment income

Investment income of PICC Life increased by 17.0% to RMB7,750 million for the six months ended 30 June 2019 from RMB6,625 million for the same period in 2018, mainly due to the investment opportunities seized by it in the equity market.

Other income

Other income of PICC Life decreased by 11.9% to RMB341 million for the six months ended 30 June 2019 from RMB387 million for the same period in 2018, mainly due to adjustments in product structure, resulting in lower initial fee income of the policies.

Net claims and policyholders' benefits

Net claims and policyholders' benefits for PICC Life decreased by 1.6% to RMB66,055 million for the six months ended 30 June 2019 from RMB67,132 million for the same period in 2018, mainly due to the adjustment in business structure and the decrease in maturity benefits.

Handling charges and commissions

Handling charges and commissions of PICC Life increased by 40.0% to RMB6,245 million for the six months ended 30 June 2019 from RMB4,462 million for the same period in 2018, mainly due to the transformation effect of PICC Life and a significant increase in the proportion of regular premium products.

Finance costs

Finance costs of PICC Life decreased by 10.2% to RMB1,392 million for the six months ended 30 June 2019 from RMB1,550 million for the same period in 2018, mainly due to the decrease in interest expense of securities sold under agreements to repurchase.

Income tax expense

The income tax expense of PICC Life changed to RMB-654 million for the six months ended 30 June 2019 from RMB-19 million for the same period in 2018, mainly due to the written back of income tax expenses of RMB475 million as a result of the application of the new taxation rules on handling charges.

Net profit

As a result of the foregoing reasons, the net profit of PICC Life increased by 101.2% to RMB3,079 million for the six months ended 30 June 2019 from RMB1,530 million for the same period in 2018.

2. ***PICC Health***

In the first half of 2019, PICC Health thoroughly implemented the "3411 Project", followed the guidance of "professional, capable, efficient and flattened", promoted comprehensive in-depth reforms, implemented flattened management to highlight the professionalism and reflect innovation with its own characteristics, actively served the "healthy China" strategy and the construction of the national multi-level medical security system, accelerated the transition to high-quality development, which demonstrated a good momentum of accelerating business development, optimizing business structure, improving profitability, enhancing professional capability and laying a solid foundation for development. First-year premiums income increased by 357.7% as compared to the same period of the previous year, and the value of new business increased by 12.2% as compared to the same period of the previous year, which indicated further improvement of value creation capabilities.

(1) Analysis by Product

Income from various products of PICC Health for the purpose of original premiums income for the reporting periods is as follows:

Unit: RMB million

	For the Six Months Ended 30 June			
	2019		2018	
	Amount	(% of total)	Amount	(% of total)
Nursing care insurance	917	6.0	916	8.7
Medical insurance	11,825	77.8	7,910	74.7
Illness insurance	807	5.3	707	6.7
Accidental injury insurance	355	2.3	403	3.8
Participating endowment insurance	1,246	8.2	583	5.5
Disability losses insurance	65	0.4	64	0.6
Total	15,215	100.0	10,583	100.0

The original premiums income of nursing care insurance increased by 0.1% to RMB917 million for the six months ended 30 June 2019 from RMB916 million for the same period in 2018.

The original premiums income of medical insurance increased by 49.5% to RMB11,825 million for the six months ended 30 June 2019 from RMB7,910 million for the same period in 2018, mainly due to the focus of PICC on the development of supplementary medical insurance business which is connected with basic medical insurance.

The original premiums income of illness insurance increased by 14.1% to RMB807 million for the six months ended 30 June 2019 from RMB707 million for the same period in 2018, mainly due to the promotion of products with outstanding protection attributes to make the industry protection-oriented of PICC Health.

The original premiums income of accidental injury insurance decreased by 11.9% to RMB355 million for the six months ended 30 June 2019 from RMB403 million for the same period in 2018, mainly due to the increase in the quality control of intermediary business of PICC Health and the decrease in premium income of intermediary businesses with higher risks.

The original premiums income of participating endowment insurance increased by 113.7% to RMB1,246 million for the six months ended 30 June 2019 from RMB583 million for the same period in 2018, mainly due to the continued development of the long-term regular premiums business in recent years, new policies and renewals.

The original premiums income of disability losses insurance increased by 1.6% to RMB65 million for the six months ended 30 June 2019 from RMB64 million for the same period in 2018.

In terms of TWPs, for the six months ended 30 June 2019, the TWPs of nursing care insurance, medical insurance, illness insurance, accidental injury insurance, participating endowment insurance and disability losses insurance amounted to RMB1,347 million, RMB12,044 million, RMB807 million, RMB355 million, RMB1,246 million and RMB65 million, respectively. In addition, PICC Health has also actively developed government commissioned processing business, and the basic medical insurance fund size under management was RMB28,197 million.

(2) Analysis by Channel

Income of PICC Health by distribution channel for the purpose of original premiums income for the reporting periods is as follows, which can further be divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

Unit: RMB million

	For the Six Months Ended 30 June				
	2019			2018	
	Amount	(% of total)	(% of change)	Amount	(% of total)
Bancassurance	729	4.8	74.4	418	3.9
First-year business of long-term insurance	486	3.2	99.2	244	2.3
Single premiums	285	1.9	179.4	102	1.0
First-year regular premiums	201	1.3	41.5	142	1.3
Renewal business	232	1.5	44.1	161	1.5
Short-term insurance	11	0.1	(15.4)	13	0.1
Individual Insurance	4,610	30.3	156.1	1,800	17.0
First-year business of long-term insurance	3,103	20.4	428.6	587	5.5
Single premiums	23	0.2	4.5	22	0.2
First-year regular premiums	3,080	20.2	445.1	565	5.3
Renewal business	1,199	7.9	52.2	788	7.4
Short-term insurance	308	2.0	(27.5)	425	4.0
Group Insurance	9,876	64.9	18.1	8,365	79.1
First-year business of long-term insurance	33	0.2	65.0	20	0.2
Single premiums	23	0.1	187.5	8	0.1
First-year regular premiums	10	0.1	(16.7)	12	0.1
Renewal business	13	0.1	62.5	8	0.1
Short-term insurance	9,830	64.6	17.9	8,337	78.8
Total	15,215	100.0	43.8	10,583	100.0

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

The original premiums income of bancassurance increased by 74.4% to RMB729 million for the six months ended 30 June 2019 from RMB418 million for the same period in 2018, mainly due to the strengthening of the professional capacity building of the sales team, enhancing the cooperation with the bank channel and promoting the steady development of the bancassurance business.

The original premiums income of individual insurance increased by 156.1% to RMB4,610 million for the six months ended 30 June 2019 from RMB1,800 million for the same period in 2018, mainly due to the continuous increase in the development of long-term regular premiums business, strengthening of the renewal business management, focusing on income and the actual active individual insurance agents of the marketing team to achieve faster business growth.

The original premiums income of group insurance increased by 18.1% to RMB9,876 million for the six months ended 30 June 2019 from RMB8,365 million for the same period in 2018, mainly due to that PICC Health has focused on the market of core cities for commercial group insurance business, further strengthened the development of comprehensive welfare and security plan for employees, and promotion of the transformation of group insurance business to high-quality development, and continual exploration of diversified development pattern in the government-entrusted business, increase the fees for the renewal of major illness projects and active expansion of the long-term nursing care insurance and poverty alleviation insurance businesses.

In terms of TWPs, for the six months ended 30 June 2019, the TWPs from the bancassurance channel, individual insurance sales channel, and group insurance agent channel amounted to RMB755 million, RMB4,891 million and RMB10,218 million respectively. As of 30 June 2019, the number of sales agents for PICC Health was 21,197. The first-year TWPs of new insurance policies amounted to RMB3,264 per sales agent per month and new insurance policies were 1.02 per sales agent per month.

(3) *Persistency Ratios of Premiums*

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

	For the Six Months Ended 30 June	
Items	**2019**	2018
13-month premium persistency ratio (1) (%)	**86.1**	85.7
25-month premium persistency ratio (2) (%)	**81.9**	79.1

(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) Analysis by Region

The following table sets forth the original premiums income of PICC Health in the top ten regions for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Guangdong Province	4,294	1,113	285.8
Henan Province	1,387	1,624	(14.6)
Jiangxi Province	1,309	950	37.8
Liaoning Province	1,252	1,003	24.8
Yunnan Province	985	684	44.0
Anhui Province	739	734	0.7
Jiangsu Province	696	515	35.1
Shanxi Province	669	517	29.4
Shandong Province	648	559	15.9
Xinjiang Uygur Autonomous Region	509	485	4.9
Other regions	2,727	2,399	13.7
Total	15,215	10,583	43.8

(5) Top five products

The following table sets forth the operating results of PICC Health's top five insurance products in terms of premium income for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June 2019		
	Type of insurance	Sales channels	Original Premiums Income
Group critical illness medical insurance for urban and rural residents (Type A)	Medical insurance	Group Insurance channel	3,815
He Xie Sheng Shi large amount supplementary group medical insurance for urban employees	Medical insurance	Group Insurance channel	3,704
Jian Kang Jin Fu You Xiang Bao individual medical insurance (2018)	Medical insurance	Individual Insurance channel	2,545
Kang Li Ren Sheng Endowment Insurance (Participating)	Participating endowment insurance	Bancassurance channel, Individual Insurance channel	1,029
Social security supplementary group medical insurance for nursing care experts	Medical insurance	Group Insurance channel	595

(6) *Financial Analysis*

The following table sets forth certain selected key financial data of PICC Health for the reporting periods indicated:

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Net earned premiums	**9,589**	6,928	38.4
Investment income	**775**	606	27.9
Other income	**95**	55	72.7
Total income	**10,868**	7,578	43.4
Net claims and policyholders' benefits	**8,318**	6,037	37.8
Handling charges and commissions	**369**	343	7.6
Finance costs	**232**	243	(4.5)
Other operating and administrative expenses	**1,768**	940	88.1
Total benefits, claims and expenses	**10,686**	7,562	41.3
Profit before tax	**189**	22	759.1
Less: Income tax expense	**(75)**	–	–
Net profit	**264**	22	1,100.0

Net earned premiums

Net earned premiums of PICC Health increased by 38.4% to RMB9,589 million for the six months ended 30 June 2019 from RMB6,928 million for the same period in 2018, mainly due to the rapid growth of business year-on-year.

Investment income

Investment income of PICC Health increased by 27.9% to RMB775 million for the six months ended 30 June 2019 from RMB606 million for the same period in 2018, mainly due to better grasp of investment opportunities in the equity market.

Other income

Other income of PICC Health increased by 72.7% to RMB95 million for the six months ended 30 June 2019 from RMB55 million for the same period in 2018, mainly due to the increase in income from health management services and government commissioned processing business.

Net claims and policyholders' benefits

Net claims and policyholders' benefits of PICC Health increased by 37.8% to RMB8,318 million for the six months ended 30 June 2019 from RMB6,037 million for the same period in 2018, mainly due to the growth in scale of the short-term insurance business.

Handling charges and commissions

Handling charges and commissions of PICC Health increased by 7.6% to RMB369 million for the six months ended 30 June 2019 from RMB343 million for the same period in 2018, mainly due to the growth of business scale.

Finance costs

Finance costs of PICC Health decreased by 4.5% to RMB232 million for the six months ended 30 June 2019 from RMB243 million for the same period in 2018, mainly due to the decrease in interest expenses relating to financial assets sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of PICC Health increased by 1,100.0% to RMB264 million for the six months ended 30 June 2019 from RMB22 million for the same period in 2018.

(3) Asset management business

In the first half of 2019, the Group adopted the dynamic balanced strategy for the asset management segment, prudently captured the investment opportunities in the equity market, actively grasped the fixed-income allocation tempo and opportunities, focused on equity investment opportunities from the strategic perspective, and coordinated with the development of major insurance businesses. The insurance asset management products of the asset management segment had a registered scale of RMB14,450 million, ranked fourth in the industry. Among them, the registered scale of debt plan amounted to RMB14,450 million. As of 30 June 2019, the scale of third-party assets management products of the asset management segment amounted to RMB246,144 million.

The investment income of the asset management segment of the Group does not include 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 the asset management segment on behalf of other segments has 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 million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Investment income	**320**	251	27.5
Other income	**887**	792	12.0
Total income	**1,207**	1,043	15.7
Finance costs	**8**	4	100.0
Other operating and administrative expenses	**579**	568	1.9
Total expenses	**589**	570	3.3
Profit before tax	**615**	471	30.6
Less: Income tax expense	**133**	121	9.9
Net profit	**482**	350	37.7

Investment income

Investment income from the asset management segment increased by 27.5% to RMB320 million for the six months ended 30 June 2019 from RMB251 million for the same period in 2018, mainly due to the asset management projects achieved good dividend income.

Other income

Other income of the asset management segment increased by 12.0% to RMB887 million for the six months ended 30 June 2019 from RMB792 million for the same period in 2018, mainly due to an increase in assets entrusted by the third parties and entrusted assets raised publicly.

Finance costs

Finance costs for the asset management segment increased by 100.0% to RMB8 million for the six months ended 30 June 2019 from RMB4 million for the same period in 2018, primarily due to the increase in interest expenses relating to financial assets sold under agreements to repurchase.

Net profit

As a result of the foregoing reasons, the net profit of the asset management segment increased by 37.7% to RMB482 million for the six months ended 30 June 2019 from RMB350 million for the same period in 2018.

(4) Investment Portfolio and Investment Income

In the first half of 2019, the capital market grew significantly compared to that at the beginning of the year but fluctuated widely. The Group prudently carried out investments in the equity market, actively grasped the fixed-income allocation tempo and opportunities, and increased the allocation of long-term bonds and non-standard debt products to effectively prevent investment risks.

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 million

	30 June 2019		31 December 2018	
	Amount	**(% of total)**	Amount	(% of total)
Investment assets	**929,391**	**100.0**	895,462	100.0
By investment object				
Cash and cash equivalents	**79,392**	**8.5**	61,601	6.9
Fixed-income investments	**602,301**	**64.8**	594,890	66.4
Term deposits	**79,703**	**8.6**	98,653	11.0
Treasury bonds	**45,130**	**4.9**	29,191	3.3
Financial bonds	**116,865**	**12.6**	102,779	11.5
Corporate bonds	**159,066**	**17.1**	157,766	17.6
Long-term debt investment scheme	**104,933**	**11.3**	104,813	11.7
Other fixed-income investments (1)	**96,604**	**10.4**	101,688	11.4
Fund and equity securities investments at fair value	**100,051**	**10.8**	97,155	10.8
Fund	**60,220**	**6.5**	61,944	6.9
Equity securities	**37,351**	**4.0**	34,918	3.9
Perpetual bond	**2,480**	**0.3**	293	–
Other investments	**147,647**	**15.9**	141,816	15.8
Investment in associates and joint ventures	**110,785**	**11.9**	107,492	12.0
Others (2)	**36,862**	**4.0**	34,324	3.8
By the purpose for which it was held				
Financial assets at fair value through profit or loss	**16,875**	**1.8**	20,551	2.3
Held-to-maturity investments	**145,403**	**15.6**	128,177	14.3
Available-for-sale financial assets	**300,898**	**32.4**	284,363	31.8
Long-term equity investments	**110,785**	**11.9**	107,492	12.0
Loans and others (3)	**355,430**	**38.2**	354,879	39.6

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

(1) Other fixed-income investments primarily consist of Tier 2 capital instruments, wealth management products, capital guarantee deposits, policy loans, trust products and asset management products.

(2) Others primarily consist of investment properties, equity investment scheme, reinsurance arrangements classified as investment contracts, unlisted equity investments and derivative financial assets.

(3) Loans and others primarily consist of monetary funds, term deposits, financial assets purchased under resale agreements, policy loans, and capital guarantee deposits, investments classified as loans and receivables, and investment real estate.

1) Classified by investment object

In terms of fixed-income investments, the Group accelerated the allocation of non-standard assets and invested in scarce quality assets with high returns in the context that non-standard assets still have high allocation value. At the same time, it actively seized the opportunity of bond allocation and increased allocation in long-term bond when bond yield peaked in the year as well allocation in long-duration assets.

As of 30 June 2019, the bond investment accounted for 34.6%. The liabilities under corporate bonds and non-policy bank financial bonds or their issuers are rated at AA/A-1 and above, of which, those rated at AAA accounted for 97.5%. The industries associated with credit bond currently held by the Group are diversified, involving various fields such as bank, transportation, public utilities and non-bank finance. Relevant entity's ability to repay debt is generally strong and the credit risk is controllable as a whole. In the years of credit bond investment, the Group has always been paying close attention to the prevention and control of credit risks, strictly followed relevant regulatory requirements of the CBIRC, established investment management and risk control mechanisms in line with market practices and investment needs for insurance funds, and continued to optimize the same in practice. At the same time, the Group has strengthened the tracking, evaluation, research and identification of the stock credit products in investment portfolio, improved the comprehensiveness and accuracy of credit risk prevention and control with big data and artificial intelligence technology actively, improved relevant systems and operational procedures, handled the credit products that may be subject to risks in time, and controlled the credit risk dynamically on a forward-looking basis.

The overall credit risk of the Group's investment in non-standard financial asset is controllable, assets with credit rating of AAA account for 97.4%. At present, the non-standard assets cover most of the provincial administrative regions in the country. The industries cover transportation, municipal, energy, steel, environmental protection, commercial real estate and shantytown renovation. These industries played a positive role in developing and supporting the implementation of major national strategies. The Group have effective credit enhancement measures in place, such as guarantees, repurchase, shortfall compensation, asset mortgages/pledges and others; it has no arrangement for products assuring credit extension and the qualification of entities to repay debt meets the relevant credit exemption condition of CBIRC, which provides a sound guarantee for the repayment of the principal and investment income. Major counterparties of investment in wealth management products of commercial banks entrusted by the Group are large state-owned commercial banks or joint-stock commercial banks with financial strength and good credit qualifications. The trust plan invested by the Group mainly provides financing for large state-owned non-bank financial institutions and large state-owned enterprises.

In terms of equity investment, under the premise of keeping the proportion of equity assets basically stable, the Group actively grasped the opportunities of price fluctuations, and gradually reduced its equity position after the market surged sharply in the first quarter according to the partial rebalancing idea and optimized its position structure to leave room for capturing better market opportunities in future.

2) *Classified by investment purpose*

From the perspective of investment purposes, the Group's investment assets are mainly distributed in three categories, available-for-sale financial assets, held-to-maturity investments, loans and others. Financial assets at fair value through profit or loss decreased by 17.9% as compared with those as at the end of last year, mainly due to reduced investment in bonds held for trading. The held-to-maturity investment increased by 13.4% as compared with those as at the end of last year, mainly due to the increase in bond allocation at the beginning of the year when the interest rate reached its high level. Available-for-sale financial assets increased by 5.8% as compared with those as at the end of last year, mainly due to the Group's increased investment in configuration bonds.

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 million

	For the Six Months Ended 30 June	
Items	**2019**	2018
Cash and cash equivalents	**443**	542
Fixed-income investment	**14,923**	14,086
Interest income	**14,696**	14,101
Gains and losses from disposal of financial instruments	**235**	(15)
Gains and losses on fair value changes	**(8)**	–
Impairment	**–**	–
Fund and equity securities investments at fair value	**2,740**	600
Dividends and bonus income	**1,486**	1,711
Gains and losses from disposal of financial instruments	**1,801**	87
Gains and losses on fair value changes	**535**	(448)
Impairment	**(1,082)**	(750)
Other investments	**5,842**	6,287
Investment income from associates and joint ventures	**5,578**	5,812
Other profits and losses	**264**	475
Total investment income	**23,948**	21,515
Net investment income (1)	**22,501**	22,652
Total investment yield (annualized) (2) (%)	**5.4**	5.1
Net investment yield (annualized) (3) (%)	**5.1**	5.4

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

(2) Total investment yield (annualized) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(average total investment assets at the beginning and end of the period – average amount of financial assets sold under agreement to repurchase as of the beginning and end of the period) x 2

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

In the first half of 2019, the total investment income of the Group increased by 11.3% to RMB23,948 million for the six months ended 30 June 2019 from RMB21,515 million for the same period in 2018; the net investment income decreased by 0.7% to RMB22,501 million for the six months ended 30 June 2019 from RMB22,652 million for the same period in 2018; the annualized total investment yield of the Group increased by 0.3 percentage point to 5.4% for the six months ended 30 June 2019 from 5.1% for the same period in 2018; the annualized net investment yield of the Group decreased by 0.3 percentage point to 5.1% for the six months ended 30 June 2019 from 5.4% for the same period in 2018.

III. SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. Liquidity Analysis

The liquidity of the Group is mainly derived from premiums income, investment income, cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arises 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.

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

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

2. ***Statement of Cash Flows***

The Group has established a cash flow monitoring mechanism, regularly conducts cash flow rolling analysis and forecasting, and actively develops management plans and response measures to effectively prevent liquidity risks.

Unit: RMB million

	For the Six Months Ended 30 June		
	2019	2018	(% of change)
Net cash flows from operating activities	**11,246**	(24,799)	–
Net cash flows from investing activities	**12,093**	(10,432)	–
Net cash flows from financing activities	**(5,562)**	22,609	–

The Group's net cash flows from operating activities changed to a net inflow of RMB11,246 million for the six months ended 30 June 2019 from net outflow of RMB24,799 million for the same period in 2018, mainly due to the fact that: (1) the business transformation of the life and health insurance sector has achieved remarkable results with continuous improvement in business quality, which led to a sound development and significant decrease in the surrender payment and the maturity benefits; (2) in addition to its steady business growth, the P&C sector also strengthened credit policy management, optimized the capital income and expenditure strategy and strictly controlled the premiums receivable to effectively improve the cash flow of operating activities; and (3) the tax-related capital expenditure of the Group also significantly reduced as a result of the impact of favorable policies under the new taxation rules on handling charges.

The Group's net cash flows from investing activities changed to a net inflow of RMB12,093 million for the six months ended 30 June 2019 from net outflow of RMB10,432 million for the same period in 2018, mainly due to the expiration of time deposits.

The Group's net cash flows from financing activities changed to a net outflow of RMB5,562 million for the six months ended 30 June 2019 from net inflow of RMB22,609 million for the same period in 2018, mainly due to a decrease in securities sold under agreements to repurchase and the issuance of supplementary capital bonds in the same period.

(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 the relevant CBIRC requirements.

Unit: RMB million

	30 June 2019	31 December 2018	(% of change)
PICC Group			
Actual capital	322,275	292,677	10.1
Core capital	260,112	230,672	12.8
Minimum capital	104,438	94,616	10.4
Comprehensive solvency margin ratio (%)	309	309	–
Core solvency margin ratio (%)	249	244	Increase of 5 pt
PICC P&C			
Actual capital	181,211	162,860	11.3
Core capital	153,402	135,172	13.5
Minimum capital	63,418	59,136	7.2
Comprehensive solvency margin ratio (%)	286	275	Increase of 11 pt
Core solvency margin ratio (%)	242	229	Increase of 13 pt
PICC Life			
Actual capital	83,655	73,242	14.2
Core capital	70,963	60,577	17.1
Minimum capital	34,171	30,069	13.6
Comprehensive solvency margin ratio (%)	245	244	Increase of 1 pt
Core solvency margin ratio (%)	208	201	Increase of 7 pt
PICC Health			
Actual capital	10,984	10,355	6.1
Core capital	7,302	6,680	9.3
Minimum capital	4,533	3,678	23.2
Comprehensive solvency margin ratio (%)	242	282	Decrease of 40 pt
Core solvency margin ratio (%)	161	182	Decrease of 21 pt

As of 30 June 2019, the comprehensive solvency margin ratio of the Group was 309%, which was the same as at 31 December 2018, and its core solvency margin ratio was 249%, representing an increase of 5 percentage points as compared to that as at 31 December 2018.

As of 30 June 2019, the comprehensive solvency margin ratio of PICC P&C was 286%, representing an increase of 11 percentage points as compared to that as of 31 December 2018, and its core solvency margin ratio was 242%, representing an increase of 13 percentage points as compared to that as of 31 December 2018; the comprehensive solvency margin ratio of PICC Life was 245%, representing an increase of 1 percentage point as compared to that as of 31 December 2018, and its core solvency margin ratio was 208%, representing an increase of 7 percentage points as compared to that as of 31 December 2018; the comprehensive solvency margin ratio of PICC Health was 242%, representing a decrease of 40 percentage points as compared to that as of 31 December 2018, and its core solvency margin ratio was 161%, representing a decrease of 21 percentage points as compared to that as of 31 December 2018.

PROSPECTS

Since this year, China's economy has been running smoothly in general, the pace of replacing old drivers of growth with new ones accelerated, and economic growth remained resilient. Looking forward to the second half of the year, the implementation of "Six Stabilization" policy will be sped up, and China's economy will pay more attention to the enhancement of the quality of development and optimization of structure. China will emphasize on employment and residents' income growth, and the economic fundamentals will remain stable and positive.

China's insurance industry still faces a complex business environment, and opportunities and challenges coexist. The CBIRC will regulate the order of the market and strictly implement the "integration of implementation and execution", which will create a good ecological environment for the development of motor vehicle insurance. The fiscal policy remains proactive, the strategy of rural revitalization is making extensive progress, and the modernization of state governance is accelerating, which will promote the rapid development of non-motor vehicle insurance. The increase in disposable income will accelerate life insurance business, especially protection life insurance. As the health awareness of residents is strengthened and the reform of medical and health system is continuously deepened, the commercial health insurance business will have new development opportunities. The wide application of modern technology will continuously promote the optimization and transformation of insurance business model. At the same time, the auto market has entered into a period of slackened growth while the reform in premium rate for commercial motor vehicle insurance is implemented extensively. This will bring dual pressure on the development and profitability of motor vehicle insurance. The development of the insurance industry is facing various uncertainties such as great uncertainties in the Sino-US trade friction and prominent supply-side structural conflicts. Cross-sector competition is increasingly intensified which will bring impact on the traditional business model of the insurance market.

With firm confidence, the Group will stay focused, take serving the real economy and people's lives as the basis, speed up the insurance supply-side structural reform, push forward the implementation of the "3411 Project" of the Group, and accelerate the transition to high-quality development. In the second half of the year, we will focus on the following tasks: Firstly, we will improve benchmarking of our business models, address shortcomings and weaknesses and expand advantages. With "two integrations" at the center, we will insist on "dis-intermediary, lower costs, improve services and strengthen customer stickiness" and accelerate the implementation of "ten key points work" of PICC P&C. We will persist on advancing the comprehensive and deepening reform of PICC Health. In accordance with the requirements of "professional, capable, efficient and flattened", we will put more efforts in developing the business of commercial health insurance and health management services. Focusing on "three changes", we will emphasize on strengthening infrastructure of PICC Life. The investment segment will strengthen investment and research capability, and actively develop wealth management business while providing good services to its principal business. The emerging segments will strengthen the building up of professional capability and create boutique companies. Secondly, we will deepen reform. Taking organizational reform as the opportunity, we will establish a market-oriented organization, incentive and personnel selection mechanism. Thirdly, we will stick to the bottom line, properly prevent key risks and properly handle the relationship between stabilising growth, adjusting structure and preventing risk.

BANK BORROWINGS

As at 30 June 2019, besides the subordinated debts and capital supplementary bonds issued by the Group and the repurchase business disposed of in the investment business, the Group had no bank borrowings. Details of the subordinated debts and capital supplementary bonds are set out in Note 26 to the condensed consolidated financial statements.

NO MATERIAL CHANGES

Save as disclosed in this interim report, from 1 January 2019 to 30 June 2019, 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 Listing Rules of the Stock Exchange.

Our consolidated financial statements set forth in our interim report are prepared in accordance with the relevant accounting standards. 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 the relevant accounting standards, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

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

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2019, 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 2019, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the 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, which reflect the impact of different assumptions on these values. Moreover, the values 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.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC LIFE

PICC Life Insurance Company Limited ("PICC Life") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 30 June 2019. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

Scope of Work

Our scope of work covers:

- Review the methodology of the embedded value and value of half year's new business as at 30 June 2019;
- Review the assumptions of the embedded value and value of half year's new business as at 30 June 2019;
- Review the various embedded value results as at 30 June 2019, 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;
- Review the breakdown of value of half year's new business as at 30 June 2019 by distribution channels.

Basis of Opinion, Reliance and Limitation

We carried out our review 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 review 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 review work, the opinions we have formed, or for any statements set forth in this report.

Opinion

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by CAA in November 2016.This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Life have taken into account the current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions used by PICC Life have been taken into account the past experience and the expectation of future experience; and

- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

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

Paul Sheng
FSA

30 JUNE 2019 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 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.

1.2 Methodology

In 2016, the China Risk Oriented Solvency System ("C-ROSS") became effective. Meanwhile, original CIRC terminated the use of "Guidance on Life Insurance Embedded Value Report Preparation" (CIRC [2005] No. 83). China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Life has determined 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".

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

2. Results Summary

In this section PICC Life has 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%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 30 June 2019 and 31 December 2018 *(Unit: RMB Million)*

	30 June 2019	31 December 2018
Risk Discount Rate	10.0%	10.0%
Adjusted Net Worth	51,086	44,257
Value of In-Force Business before CoC	40,099	33,394
Cost of Required Capital	(8,612)	(7,019)
Value of In-Force Business after CoC	31,487	26,375
Embedded Value	82,573	70,632

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

Table 2.1.2 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2019 and 30 June 2018 *(Unit: RMB Million)*

	30 June 2019	30 June 2018
Risk Discount Rate	10.0%	10.0%
Value of Half year's New Business before CoC	5,280	4,030
Cost of Required Capital	(1,427)	(962)
Value of Half year's New Business after CoC	3,853	3,068

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

2.2 *Results by Distribution Channels*

PICC Life split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2019 and 30 June 2018 are summarised in the table below.

Table 2.2.1 Value of Half year's New Business of PICC Life for the 6 months up to 30 June 2019 and 30 June 2018 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 (2019)	105	3,393	355	–	3,853
Value of Half year's New Business after CoC (2018)	397	2,545	125	0	3,068

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

The expense assumptions used by PICC Life represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. As PICC Life is still enhancing fundamental developments and increasing strategic budgets, the expense breakeven is only able to be achieved in future years. The expense overrun is the expenses over breakeven level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CAA. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2019.

3.1 *Risk Discount Rate*

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

3.2 *Rate of Investment Return*

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

3.3 *Policy Dividend*

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

3.4 *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.

3.5 *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 43% to 84% of gross premium depending on the lines of business.

3.6 *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.

3.7 *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.

3.8 *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.

4. Sensitivity Tests

PICC Life has conducted sensitivity tests on the value of in-force business and value of half year's new business. 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 summarised in Table 4.1.

Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Life as at 30 June 2019 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	31,487	3,853
Risk Discount Rate at 9%	36,007	4,620
Risk Discount Rate at 11%	27,709	3,195
Rate of investment return increased by 50 bps	39,903	5,248
Rate of investment return decreased by 50 bps	23,272	2,456
Expenses increased by 10%	30,611	3,671
Expenses decreased by 10%	32,363	4,035
Lapse rate increased by 10%	31,100	3,772
Lapse rate decreased by 10%	31,888	3,935
Mortality increased by 10%	31,139	3,789
Mortality reduced by 10%	31,839	3,918
Morbidity increased by 10%	30,697	3,664
Morbidity reduced by 10%	32,285	4,045
Short-term business claim ratio increased by 10%	31,425	3,776
Short-term business claim ratio decreased by 10%	31,549	3,930
Participating Ratio (80/20)	30,282	3,826

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

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE OF PICC HEALTH

PICC Health Insurance Company Limited ("PICC Health") has retained Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch to review its embedded value as at 30 June 2019. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Co., Ltd. Beijing Branch ("Deloitte Actuarial" or "we").

Scope of Work

Our scope of work covers:

- Review the methodology of the embedded value and value of half year's new business as at 30 June 2019;
- Review the assumptions of the embedded value and value of half year's new business as at 30 June 2019;
- Review the various embedded value results as at 30 June 2019, 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;
- Review the breakdown of value of half year's new business as at 30 June 2019 by distribution channels.

Basis of Opinion, Reliance and Limitation

We carried out our review 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 review 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 review work, the opinions we have formed, or for any statements set forth in this report.

Opinion

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" issued by CAA in November 2016.This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Health have taken into account the current investment market conditions and the investment strategy of PICC Health;

- The operating assumptions used by PICC Health have been taken into account the past experience and the expectation of future experience; and

- The various embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

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

Paul Sheng
FSA

30 JUNE 2019 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 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.

1.2 Methodology

In 2016, the China Risk Oriented Solvency System ("C-ROSS") became effective. Meanwhile, original CIRC terminated the use of "Guidance on Life Insurance Embedded Value Report Preparation" (CIRC [2005] No. 83). China Association of Actuaries ("CAA") issued "Guidance on Actuarial Practice: Valuation of Embedded Value for Life and Health Insurance" in November 2016. PICC Health has determined 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".

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

2. Results Summary

In this section PICC Health has 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%.

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Health as at 30 June 2019 and 31 December 2018 *(Unit: RMB Million)*

	30 June 2019	31 December 2018
Risk Discount Rate	**10.0%**	10.0%
Adjusted Net Worth	**5,497**	4,968
Value of In-Force Business before CoC	**5,398**	4,231
Cost of Required Capital	**(582)**	(510)
Value of In-Force Business after CoC	**4,817**	3,722
Embedded Value	**10,314**	8,689

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

Table 2.1.2 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2019 and 30 June 2018 *(Unit: RMB Million)*

	30 June 2019	30 June 2018
Risk Discount Rate	**10.0%**	10.0%
Value of Half year's New Business before CoC	**597**	358
Cost of Required Capital	**(256)**	(54)
Value of Half year's New Business after CoC	**341**	304

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

2.2 *Results by Distribution Channels*

PICC Health split the value of half year's new business by distribution channel. The results of the value of half year's new business by distribution channel as at 30 June 2019 and 30 June 2018 are summarised in the table below.

Table 2.2.1 Value of Half year's New Business of PICC Health for the 6 months up to 30 June 2019 and 30 June 2018 by Distribution Channel *(Unit: RMB Million)*

Risk Discount Rate	**10.0%**				
Distribution Channel	**Bancassurance**	**Individual insurance agent**	**Group sales**	**Reinsurance**	**Total**
Value of Half year's New Business after CoC (2019)	14	290	38	–	341
Value of Half year's New Business after CoC (2018)	20	266	18	–	304

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

The expense assumptions used by PICC Health represent the expected long-term expense level in the future in the calculation of the value of in-force business and value of half year's new business. During the reporting period of year 2019, PICC Health has achieved the expected long-term expense level. The maintenance expense overrun will no longer be calculated in accordance with the guidelines of CAA.

3. Assumptions

The assumptions below are used for the valuation of the embedded value and value of half year's new business as at 30 June 2019.

3.1 *Risk Discount Rate*

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

3.2 *Rate of Investment Return*

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

3.3 Policy Dividend

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

3.4 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.

3.5 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 40% to 93.5% of gross premium depending on the lines of business.

3.6 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 life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 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.

3.8 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.

4. Sensitivity Tests

PICC Health has conducted sensitivity tests on the value of in-force business and value of half year's new business. 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 summarised in Table 4.1.

Table 4.1 Value of In-Force Business and Value of Half year's New Business of PICC Health as at 30 June 2019 under Alternative Assumptions *(Unit: RMB Million)*

Scenarios	Value of In-Force Business after CoC	Value of Half year's New Business after CoC
Base Scenario	4,817	341
Risk Discount Rate at 9%	5,152	442
Risk Discount Rate at 11%	4,520	248
Rate of investment return increased by 50 bps	5,262	435
Rate of investment return decreased by 50 bps	4,373	247
Expenses increased by 10%	4,619	192
Expenses decreased by 10%	5,013	489
Lapse rate increased by 10%	4,884	370
Lapse rate decreased by 10%	4,738	307
Mortality increased by 10%	4,798	339
Mortality reduced by 10%	4,834	342
Morbidity increased by 5%	4,431	148
Morbidity reduced by 5%	5,201	533
Short-term business claim ratio increased by 5%	4,185	120
Short-term business claim ratio decreased by 5%	5,447	562
Participating Ratio (80/20)	4,788	332

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

I. CORPORATE GOVERNANCE

(1) CORPORATE GOVERNANCE

The Company always abides by the relevant laws such as the Company Law of the People's Republic of China, the Insurance Law of the People's Republic of China, earnestly performs the relevant legal requirements issued by the regulatory authorities and the Articles of Association, insists on keeping good corporate governance principles, strives for enhancing the corporate governance standard continuously to ensure the stable development of the Company and to enhance shareholders' value.

In the first half of 2019, the Company has complied with the relevant provisions of the Shanghai Stock Exchange on corporate governance for listed companies and the Corporate Governance Code in Appendix 14 of the Listing Rules of the Stock Exchange, and continued to improve its corporate governance structure. The shareholders' general meeting, the Board, Board of Supervisors and senior management independently performed their respective rights and obligations pursuant to the Articles of Association, in compliance with laws and regulatory requirements.

During the reporting period, the Company convened one shareholders' general meetings, the Board of Directors held four meetings, and the Board of Supervisors held four meetings. In accordance with regulatory requirements, the announcements concerning the resolutions adopted at the above meetings were published on the website of the SSE, the HKExnews website of Hong Kong Exchanges and relevant information disclosure media.

There are four committees under the Board, namely the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Investment Committee and the Risk Management Committee. Each committee provides advices and suggestions to the Board with respect to the matters within their scopes of responsibilities. The duties and operation process are explicitly stipulated in the terms of reference of each committee. During the reporting period, the Audit Committee of the Board held three meetings, the Nomination and Remuneration Committee of the Board held three meetings, the Strategy and Investment Committee of the Board held three meetings, and the Risk Management Committee of the Board held two meetings.

The Board of Supervisors of the Company established the Duty Performance and Due Diligence Supervision Committee, and the Financial and Internal Control Supervision Committee. During the reporting period, the Duty Performance and Due Diligence Supervision Committee convened four meetings, the Financial and Internal Control Supervision Committee convened three meetings.

(2) SHAREHOLDERS' GENERAL MEETING

On 21 June 2019, the 2018 Annual General Meeting of the Company held in Beijing. The conference adopted the voting mode of combination of on-site voting and online voting, which was considered and reviewed nine resolutions including: the "Proposal in relation to the Report of the Board of Directors for the year 2018", the "Proposal in relation to the Report of the Board of Supervisors for the year 2018", the "Proposal in relation to the Final financial accounts for the year 2018", the "Proposal in relation to the profit distribution for the year 2018"; the "Proposal in relation to the budget of fixed asset investment for the year 2019", the "Proposal in relation to the engagement of auditor for 2019 financial statements", the "Proposal in relation to the work report of the independent directors for the year 2018 and the appraisal of performance", the "Proposal in relation to the amendments to the Articles of Association of The People's Insurance Company (Group) of China Limited"; the "Proposal in relation to the grant of a general mandate to the Board to issue Shares", and was reviewed three resolutions including the performance report of the Directors for the year 2018, the report on related party transactions and the implementation of its management system and the evaluation of internal transactions for the year 2018 and the report on the solvency-related condition for the year 2018.

Session of the meeting	Date of the meeting	Index for websites on which resolutions were published	Date of publication of resolution
2018 Annual General Meeting	21 June 2019	http://www.sse.com.cn http://www.hkexnews.hk http://www.picc.com.cn/	22 June 2019

(3) IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN

The Company will not declare any dividend of ordinary shares for the Reporting Period.

According to the Profit Distribution Plan of the Company for the Year 2018 approved at the 2018 Annual General Meeting held on 21 June 2019, with the appropriation to its statutory surplus reserve fund of RMB282.5 million (10% of the net profit for the year 2018 under the financial statements of parent company), based on a total of 44,223,990,583 shares in issue, the Company has distributed a cash dividend of RMB0.457 per 10 share (inclusive of tax) to all holders of the Company, totaling approximately RMB 2,021 million. On 12 August 2019, the Company issued the announcement on Resolutions of Annual General Meeting of 2018 and announced the implementation of the above profit distribution plan for 2018.

II MATERIAL LAWSUITS AND ARBITRATION

The Company had no material lawsuits or arbitration during the reporting period.

III MAJOR CONNECTED TRANSACTIONS

During the reporting period, the Company had not conducted any connected transactions or continuing connected transactions which need to comply with the reporting, announcement and independent shareholders' approval requirements as set out in Chapter 14A "Connected Transactions" of the Listing Rules.

In accordance with the SSE Listing Rules and other regulatory requirements, the NSSF constitutes a related party of the Company under the regulatory rules of the Shanghai Stock Exchange. Since 2017, the NSSF has entrusted PICC AMC to manage part of its assets. As of 30 June 2019, the assets under the management of PICC AMC were RMB6.117 billion. During the reporting period the provision made by PICC AMC for assets management fee income was RMB4.785 million, including the balance of assets management fees which has been received RMB2.3221 million and the balance of assets management fees receivable was RMB2.4629 million. The above-mentioned transactions have not yet reached the standard of major connected transactions, which will be disclosed as the daily related party transactions.

IV COMMITMENTS OF THE COMPANY, SHAREHOLDERS, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OR OTHER RELATED PARTIES DURING OR CONTINUED IN THE REPORTING PERIOD

Background	Commitment types	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
Commitment related to the initial public offering of A Shares	Restriction on sale of A Shares	MOF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
		NSSF	Restrictions on the stock circulation and shareholders' voluntary lock-up commitment to the shares held by them in the Company's prospectus.	16 November 2018 to 15 November 2019	Yes	Yes
		China Life Insurance Company Limited, Taiping Life Insurance Co., Ltd., New China Life Insurance Company Ltd., China Merchants Fund Management Company Limited (招商基金管理有限公司), E Fund Management Co., Limited, China Southern Asset Management Company Limited and China Universal Asset Management Company	The shares will not be transferred in any form within 12 months from the date of the listing of the shares in issue, nor will any other rights such as pledge, mortgage and others be created on the shares.	16 November 2018 to 15 November 2019	Yes	Yes
	Others	MOF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
		NSSF	Shareholders' intention to hold shares and commitments in relation to reducing their holdings in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company and related directors and senior management	Measures for stabilizing stock prices after listing in the Company's prospectus.	16 November 2018 to 15 November 2021	Yes	Yes
	Dividend	The Company	The dividend commitment in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes

Background	Commitment types	Commitment party	Commitment	Time and term of commitment	Performance term or no	Performed in time and strictly or not
	Others	The Company	Commitment to take remedial measures for the dilution impact on immediate return in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
		Directors and senior management	Commitment to take remedial measures for the dilution impact on immediate return in the Company's prospectus.	Effective from 16 November 2018	Yes	Yes
	Others	The Company	Commitment in relation to the contents of the prospectus in the Company's prospectus.	Effective from 5 November 2018	Yes	Yes
		Directors, Supervisors and senior management	Commitment in relation to the contents of the prospectus in the Company's prospectus.	Effective from 5 November 2018	Yes	Yes

V PENALTIES AND RECTIFICATIONS OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the reporting period, the Company and its Directors, Supervisors, senior management and controlling shareholders have not been investigated by relevant authority, and the judicial body or discipline inspection departments have not taken coercive measures on them, nor were they transferred to the judicial body or pursued criminal responsibility and filed by the CSRC to investigate or impose administrative punishment, banned to enter the market, identified as an inappropriate candidate, given major administrative penalties by other administrative departments such as environmental protection, safety supervision, taxation, and been publicly condemned by the stock exchange.

The current Directors, Supervisors and senior management of the Company and those who resigned during the reporting period have not been punished by the securities regulatory authorities during the reporting period.

VI EXPLANATION OF THE INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER DURING THE REPORTING PERIOD

During the reporting period, the Company and its controlling shareholder did not report any failure to perform the effective judgment of the court, or to pay outstanding debts with a large amount when due.

VII 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 2019.

VIII OTHER MATERIAL CONTRACTS

During the reporting period, the Company neither acted as trustee, contractor or lessee of other companies' assets, nor entrusted, contracted or leased its assets to other companies, the profit or loss from which accounted for 10% or more of the Company's profits for the reporting period, nor were there any such matters occur or those that occurred in previous periods but subsisted during the reporting period, and there were no other material contracts.

IX EXTERNAL GUARANTEES AND MATERIAL GUARANTEES

During the reporting period, the Company and its subsidiaries did not have external guarantees.

X. COMPLIANCE WITH LAWS AND REGULATIONS

The Company had complied with relevant laws and regulations which had significant impact on the businesses and operations of the Company in all material aspects.

XI. REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has, in the presence of the external auditor, reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

XII. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities that are applicable to Directors, Supervisors and all employees. The terms of the Securities Transactions Guidelines are no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules on the Stock Exchange. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code during the first half of 2019.

I MOVEMENTS IN OR SHARE CAPITAL

During the Reporting Period, there was no change in the total number of shares and the share capital of the Company.

II. SHAREHOLDERS AND DE FACTO CONTROLLER

(1) Total Number of Shareholders and Information on Shareholders

Total Number of Shareholders:

Total number of ordinary shareholders as at the end of the reporting period (Shareholder)	A Shares: 239,435, H Shares: 5,948

Shareholdings of the Top Ten Shareholders and Top Ten Shareholders not Subject to Selling Restrictions as at the end of the Reporting Period

Shareholdings of the Top Ten Shareholders

Unit: Share

Name of shareholder	Increase/ decrease (+/-) during the reporting period	Number of shares held as at the end of the reporting period	Proportion (%)	The number of shares held subject to selling restrictions	Pledged or frozen shares		Class of Shareholde
					Status of the share	Number of shares	
MOF	–	29,896,189,564	67.60	29,896,189,564	–	–	The State
HKSCC NOMINEES LIMITED	-444,339	8,704,590,648	19.68	–	–	–	Foreign legal person
NSSF	–	3,801,567,019	8.60	3,801,567,019	–	–	The State
China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	–	294,750,000	0.67	294,750,000	–	–	State-owned legal person
New China Life Insurance Company Ltd. – Dividend-Personal dividend-018L-FH002 SH	–	89,820,000	0.20	89,820,000	–	–	State-owned legal person
Taiping Life Insurance Co., Ltd. – Traditional-Ordinary insurance products-022L-CT001 SH	–	89,820,000	0.20	89,820,000	–	–	State-owned legal person
Bank of China Limited – China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	–	89,820,000	0.20	89,820,000	–	–	Others
China Construction Bank Corporation – E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	–	74,850,000	0.17	74,850,000	–	–	Others
Industrial and Commercial Bank of China Limited – China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	–	74,850,000	0.17	74,850,000	–	–	Others
Industrial and Commercial Bank of China Limited – China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	–	74,850,000	0.17	74,850,000	–	–	Others

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Unit: Share

Name of shareholder	Number of shares held not subject to selling restrictions	Class and number of shares: Class	Number
HKSCC NOMINEES LIMITED	8,704,590,648	H Share	8,704,590,648
Hong Kong Securities Clearing Company Limited	10,740,866	A Share	10,740,866
Donghai Securities Co., Ltd.	3,319,704	A Share	3,319,704
Li Qian	3,300,000	A Share	3,300,000
Industrial and Commercial Bank of China-Shanghai 50 Transactional Open Index Securities Investment Fund	3,114,600	A Share	3,114,600
Industrial and Commercial Bank of China Limited-Huatai Berry Shanghai-Shenzhen 300 Trading Open Index Securities Investment Fund	3,102,300	A Share	3,102,300
Qiao Jianfang	2,798,280	A Share	2,798,280
China Construction Bank Corporationg-Shanghai 180 Transactional Open Index Securities Investment Fund	2,467,400	A Share	2,467,400
Lu Zhengyi	2,360,000	A Share	2,360,000
Zhejiang Huacheng Holding Group Co., Ltd.	2,336,400	A Share	2,336,400
Details of the above shareholders who are connected to each other or acting in concert	The Company is not aware of any connected relationship among the above shareholders or any parties acting in concert as defined by the "Measures for the Administration of the Takeover of Listed Companies".		

Notes:

1. The Company received a notice from the MOF on 26 December 2018. The MOF decided to transfer 10% of the equity interests held by it to the NSSF, and the number of shares transferred was 2,989,618,956 shares (approximately 6.76% of the Company's total share capital). It was approved by the CBIRC in April 2019 and is currently undergoing procedures for registration of changes in shareholdings. After the transfer, the shareholding percentage of the MOF is 60.84%, and the shareholding percentage of the NSSF is 15.36%.

2. In addition to the 3,801,567,019 A Shares of the Company held by it, the NSSF holds 524,279,000 H shares as a beneficial owner and 143,000 H Shares through overseas manager.

3. HKSCC Nominees Limited holds shares on behalf of securities firm customers in Hong Kong and other CCASS participant. Relevant regulations of The Stock Exchange of Hong Kong Limited do not require such persons to declare whether their shareholdings are pledged or frozen. Hence, HKSCC Nominees Limited is unable to calculate or provide the number of shares that are pledged or frozen.

4. Hong Kong Securities Clearing Company Limited is a company that holds shares on behalf of the clients of the Shanghai-Hong Kong Stock Connect.

Number of Shares Held by Top Ten Shareholders Subject to Selling Restrictions and Selling Restrictions

Unit: Share

No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading: Time available for listing and trading	Shares subject to selling restrictions available for listing and trading: Number of additional shares available for listing and trading	Selling restrictions
1	MOF	29,896,189,564	16 November 2021	–	Within 36 months from the listing date of the Company's A Shares
2	NSSF	3,801,567,019	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
3	China Life Insurance Company Limited-Traditional-Ordinary insurance products-005L-CT001 SH	294,750,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
4	New China Life Insurance Company Ltd.-Dividend-Personal dividend-018L-FH002 SH	89,820,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
5	Taiping Life Insurance Co., Ltd.-Traditional-Ordinary insurance products-022L-CT001 SH	89,820,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
6	Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	89,820,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
7	China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
8	Industrial and Commercial Bank of China Limited-China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
9	Industrial and Commercial Bank of China Limited-China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	74,850,000	18 November 2019	–	Within 12 months from the listing date of the Company's A Shares
Details of the above shareholders who are connected to each other or acting in concert		The Company is not aware of any connected relationship among the top ten shareholders or any parties acting in concert as defined by the "Measures for the Administration of the Takeover of Listed Companies".			

Strategic Investors or General Legal Persons who Become the Top Ten Shareholders due to the Placement of New Shares

Name of strategic investors or general legal person	Agreed shareholding start date	Agreed shareholding end date
China Life Insurance Company Limited-Traditional -Ordinary insurance products-005L-CT001 SH	16 November 2018	–
New China Life Insurance Company Ltd.-Dividend -Personal dividend-018L-FH002 SH	16 November 2018	–
Taiping Life Insurance Co., Ltd.-Traditional-Ordinary insurance products-022L-CT001 SH	16 November 2018	–
Bank of China Limited-China Merchants 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
China Construction Bank Corporation-E Fund 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
Industrial and Commercial Bank of China Limited -China Universal 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–
Industrial and Commercial Bank of China Limited -China Southern 3-year Closed Operation Mixed Securities Investment Fund with Strategic Placement and Flexible Allocation (LOF)	16 November 2018	–

(II) Change in the Controlling Shareholder and De Facto Controller

During the reporting period, there was no change in the controlling shareholder and the de facto controller of the Company.

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

As far as the Company are aware, as at 30 June 2019, the following persons (other than the Directors, Supervisors 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 Securities and Futures Ordinance (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 A Shares	Nature of interests	Percentage of total issued A Shares	Percentage of total issued shares
MOF	Beneficial owner	29,896,189,564	Long position	84.22%	67.60% *(Note 1)*
NSSF	Beneficial owner	3,801,567,019	Long position	10.71%	8.60% *(Note 1)*

Name of shareholder	Capacity	Number of H Shares	Nature of interests	Percentage of total issued H Shares	Percentage of total issued shares
The Capital Group Companies, Inc.	Beneficial owner	786,302,215	Long position	9.01%	1.78%
BlackRock,Inc. (BlackRock)	Beneficial owner	613,091,032	Long position	7.03%	1.39%
		2,453,000	Short position	0.03%	0.01%
NSSF *(Note 2)*	Beneficial owner	524,422,000	Long position	6.01%	1.19%

Notes:

1. The Company received a notice from the MOF on 26 December 2018. The MOF decided to transfer 10% of the equity interests held by it to the NSSF, and the number of shares transferred was 2,989,618,956 shares (approximately 6.76% of the Company's total share capital). It was approved by the CBIRC in April 2019 and is currently undergoing procedures for registration of changes in shareholdings. After the transfer, the shareholding percentage of the MOF is 60.84%, and the shareholding percentage of the NSSF is 15.36%.

2. NSSF, as the beneficial owner, holds 524,279,000 H Shares. In addition, NSSF holds 143,000 H Shares via the overseas manager. Accordingly, NSSF is deemed to be interested in the aforementioned H Shares.

Save as disclosed above, as of 30 June 2019, 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.

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in the Directors and Supervisors of the Company. The changes in senior management are as follows:

New senior management members appointed in the first half of 2019

Name	Position	Change and cause
Tang Zhigang	Secretary to the Board	Appointed due to adjustment of work division
Xiao Jianyou	Vice President	Appointed due to adjustment of work arrangement
Lin Zhiyong	Business Director	Appointed due to adjustment of work arrangement

Senior management members resigned in the first half of 2019

Name	Position	Change and cause
Sheng Hetai	Vice President	Resigned due to adjustment of work arrangement

II. CHANGES IN DIRECTORS' AND SUPERVISORS' INFORMATION

During the period from 1 January 2019 to the date of this report, the information of the Directors and Supervisors of the Company is not subject to changes as required to be disclosed under Rule 13.51B(1) of the Listing Rules of the Stock Exchange.

III. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the reporting period, there were no changes in shareholdings of the Directors, Supervisors and senior management of the Company. As at 30 June 2019, Mr. Wang Dajun, a Supervisor of the Company, held 50,000 H shares of the Company. Save as disclosed above, no other Directors, Supervisors and senior management had any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (as defined in 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, to be notified to the Company and the Hong Kong Stock Exchange.

Report on Review of Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 108, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2019

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Gross written premiums	4	322,875	286,162
Less: premiums ceded to reinsurers	4	(20,232)	(15,459)
Net written premiums	4	302,643	270,703
Change in unearned premium reserves		(40,091)	(23,143)
Net earned premiums		262,552	247,560
Reinsurance commission income		5,626	4,703
Investment income	5	18,370	15,703
Other income	6	1,530	1,707
TOTAL INCOME		288,078	269,673
Life insurance death and other benefits paid		53,085	77,326
Claims incurred		132,324	116,399
Changes in long-term life insurance contract liabilities		13,896	(11,023)
Policyholder dividends		1,396	1,253
Claims and policyholders' benefits	7	200,701	183,955
Less: claims and policyholders' benefits ceded to reinsurers	7	(8,266)	(6,161)
Net claims and policyholders' benefits	7	192,435	177,794
Handling charges and commissions		33,715	41,897
Finance costs	8	3,143	3,378
Exchange gains		–	(153)
Other operating and administrative expenses	9	45,054	33,164
TOTAL BENEFITS, CLAIMS AND EXPENSES		274,347	256,080
Share of profits or losses of associates and joint ventures		5,578	5,812
PROFIT BEFORE TAX	10	19,309	19,405
Income tax credit/(expense)	11	2,313	(5,057)
PROFIT FOR THE PERIOD		21,622	14,348
Attributable to:			
Owners of the Company		15,478	10,045
Non-controlling interests		6,144	4,303
		21,622	14,348
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic (in RMB Yuan)	13	0.35	0.24

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
PROFIT FOR THE PERIOD		**21,622**	14,348
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		**12,706**	(1,975)
– Reclassification of (gains)/losses to profit or loss on disposals		**(2,013)**	312
– Impairment losses	5	**1,082**	750
Income tax effect		**(2,409)**	115
		9,366	(798)
Share of other comprehensive income of associates and joint ventures		**525**	116
Exchange differences on translating foreign operations		**8**	10
NET OTHER COMPREHENSIVE INCOME /(EXPENSE) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**9,899**	(672)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and right-of-use assets/ prepaid land premiums upon transfer to investment properties	21	**102**	301
Income tax effect		**(26)**	(75)
		76	226
Actuarial losses on pension benefit obligation		**(11)**	(115)
Share of other comprehensive (expense)/income of associates and joint ventures		**(7)**	15
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**58**	126
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		**9,957**	(546)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**31,579**	13,802
Attributable to:			
– Owners of the Company		**22,874**	9,529
– Non-controlling interests		**8,705**	4,273
		31,579	13,802

As at 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
Cash and cash equivalents	14	79,392	61,601
Debt securities	15	338,852	316,394
Equity securities, mutual funds and trust schemes	16	124,324	116,697
Insurance receivables, net	17	84,562	44,218
Reinsurance assets	18, 27	30,908	27,025
Term deposits		79,703	98,653
Restricted statutory deposits		13,794	13,794
Investments classified as loans and receivables	19	165,948	164,512
Investments in associates and joint ventures	20	110,785	107,492
Investment properties	21	12,589	12,782
Property and equipment	22	25,412	25,778
Right-of-use assets	23	6,939	–
Intangible assets		2,167	2,329
Prepaid land premiums		–	3,414
Deferred tax assets		10,939	8,662
Other assets	24	32,159	28,284
TOTAL ASSETS		1,118,473	1,031,635
LIABILITIES			
Securities sold under agreements to repurchase		52,599	54,889
Payables to reinsurers	25	21,642	15,551
Income tax payable		2,666	3,185
Bonds payable	26	57,833	57,732
Insurance contract liabilities	27	626,738	559,217
Investment contract liabilities for policyholders	28	38,437	41,808
Policyholder dividends payable		4,585	3,970
Pension benefit obligation		2,913	2,967
Lease liabilities		3,301	–
Deferred tax liabilities		1,176	1,021
Other liabilities	29	74,674	84,994
TOTAL LIABILITIES		886,564	825,334
EQUITY			
Issued capital	30	44,224	44,224
Reserves		128,233	108,829
Equity attributable to owners of the Company		172,457	153,053
Non-controlling interests		59,452	53,248
TOTAL EQUITY		231,909	206,301
TOTAL EQUITY AND LIABILITIES		1,118,473	1,031,635

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to owners of the Company														
	Issued capital (note 30)	Share premium account **	Available-for-sale financial asset revaluation reserve **	General risk reserve **	Agriculture catastrophic loss reserve **	Asset revaluation reserve **	Share of other comprehensive (expense)/income of associates and joint ventures **	Foreign currency translation reserve **	Surplus reserve * **	Other reserves **	Actuarial losses on pension benefit obligation **	Retained profits **	Subtotal	Non-controlling interests	Total
Balance at 31 December 2018 (Audited)	44,224	23,973	(1,832)	9,874	1,705	2,892	(5)	(8)	12,041	(15,153)	(1,071)	76,413	153,053	53,248	206,301
Impact of change in accounting policy in associates (note 20)	-	-	-	-	-	-	120	-	-	-	-	(1,483)	(1,363)	(560)	(1,923)
Balance at 1 January 2019(Restated)	44,224	23,973	(1,832)	9,874	1,705	2,892	115	(8)	12,041	(15,153)	(1,071)	74,930	151,690	52,688	204,378
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	15,478	15,478	6,144	21,622
Other comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	-	7,396	2,561	9,957
Total comprehensive income/(expense)	-	-	6,961	-	-	52	388	6	-	-	(11)	15,478	22,874	8,705	31,579
Dividends paid to shareholders (note 12)	-	-	-	-	-	-	-	-	-	-	-	(2,021)	(2,021)	-	(2,021)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,923)	(1,923)
Others	-	-	-	-	-	-	(86)	-	-	-	-	-	(86)	(18)	(104)
Balance at 30 June 2019 (Unaudited)	44,224	23,973	5,129	9,874	1,705	2,944	417	(2)	12,041	(15,153)	(1,082)	88,387	172,457	59,452	231,909

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB128,233 million in the condensed consolidated statement of financial position as at 30 June 2019 comprise these reserve accounts.

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

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

* This reserve contains both statutory and discretionary surplus reserves.

** Consolidated reserves of RMB102,966 million in the condensed consolidated statement of financial position as at 30 June 2018 comprise these reserve accounts.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2019 (Unaudited)**	Six months ended 30 June 2018 (Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		**11,246**	(24,799)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Capital expenditures		**(2,472)**	(1,358)
Proceeds from disposals of investment properties, property and equipment, intangible assets and right-of-use assets/prepaid land premiums		**150**	138
Purchases of investments, associates and joint ventures		**(130,399)**	(121,830)
Proceeds from disposals of investments		**107,611**	105,552
Interests received		**14,897**	14,032
Dividends received		**3,583**	4,239
Rentals received		**255**	251
Decrease/(increase) in term deposits, net		**18,943**	(10,866)
Others		**(475)**	(590)
		12,093	(10,432)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
(Decrease)/increase in securities sold under agreements to repurchase, net		**(2,290)**	11,581
Issue of bonds payable		**-**	30,000
Proceeds from bank borrowings		**-**	600
Repayment of bonds payable		**-**	(16,000)
Interests paid		**(2,484)**	(1,900)
Dividends paid		**(46)**	(1,672)
Repayments of lease liabilities		**(623)**	-
Others		**(119)**	-
		(5,562)	22,609
Net increase/(decrease) in cash and cash equivalents		**17,777**	(12,622)
Cash and cash equivalents at beginning of the period		**61,601**	72,819
Effects of exchange rate changes on cash and cash equivalents		**14**	132
Cash and cash equivalents at end of the period		**79,392**	60,329
Analysis of balances of cash and cash equivalents			
Securities purchased under resale agreements with original maturity of no more than three months	14	**27,211**	22,036
Demand deposits, deposits with banks with original maturity of no more than three months and cash	14	**52,181**	38,293
Cash and cash equivalents at end of the period	14	**79,392**	60,329

(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 1-13/F, No. 88, West Chang'an Street, Xicheng District, Beijing 100031, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The Company is listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. The ultimate controlling party of the Company is the Ministry of Finance ("MOF") of the PRC.

The Company is an investment holding company. During the six months ended 30 June 2019, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

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

2.1 BASIS OF PREPARATION

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES

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

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

Application of new and amendments to IFRSs

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

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Except as described below, the application of these new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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

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

Key changes in accounting policies resulting from application of IFRS 16

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

Definition of a lease

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

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

As a lessee

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Key changes in accounting policies resulting from application of IFRS 16 (continued)

As a lessee (continued)

Leasehold land and building

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

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

Lease liabilities

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

As a lessor

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

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

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

As a lessee

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

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

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

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

The Group recognised right-of-use assets of RMB6,920 million and lease liabilities of RMB3,374 million at 1 January 2019. Prepaid rent of RMB132 million and prepaid land premiums of RMB3,414 million were included in the right-of-use assets on 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the group entities ranged from 3.82% to 4.65% for different lease terms.

As a lessor

The application of IFRS 16 has had no material impact on the Group's condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

- The asset management segment offers asset management services;

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

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

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2019:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
Net earned premiums	180,466	70,096	9,589	–	–	2,416	(15)	262,552
Reinsurance commission income	5,718	249	409	–	–	118	(868)	5,626
Investment income	8,717	7,750	775	320	5,035	308	(4,535)	18,370
Other income	773	341	95	887	39	378	(983)	1,530
TOTAL INCOME – SEGMENT INCOME	195,674	78,436	10,868	1,207	5,074	3,220	(6,401)	288,078
– External income	197,021	78,356	10,839	851	409	602	–	288,078
– Inter-segment income	(1,347)	80	29	356	4,665	2,618	(6,401)	–
Net claims and policyholders' benefits	116,764	66,055	8,318	–	–	1,661	(363)	192,435
Handling charges and commissions	27,614	6,245	369	–	–	–	(513)	33,715
Finance costs	993	1,392	232	8	511	18	(11)	3,143
Exchange (gains)/losses	(1)	5	(1)	2	(2)	(3)	–	–
Other operating and administrative expenses	38,037	4,098	1,768	579	385	1,591	(1,404)	45,054
TOTAL BENEFITS, CLAIMS AND EXPENSES	183,407	77,795	10,686	589	894	3,267	(2,291)	274,347
Share of profits or losses of associates and joint ventures	3,725	1,784	7	(3)	370	(30)	(275)	5,578
PROFIT/(LOSS) BEFORE TAX	15,992	2,425	189	615	4,550	(77)	(4,385)	19,309
Income tax credit/(expense)	1,642	654	75	(133)	164	(10)	(79)	2,313
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	17,634	3,079	264	482	4,714	(87)	(4,464)	21,622

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets and liabilities as at 30 June 2019 and 31 December 2018 are as follows:

	Non-life insurance	Life insurance	Health insurance	Asset management	Head quarters	Others	Eliminations	Total
30 June 2019 (Unaudited)								
Segment assets	**611,014**	**420,541**	**42,178**	**11,572**	**123,783**	**18,135**	**(108,750)**	**1,118,473**
Segment liabilities	**444,985**	**382,410**	**35,962**	**2,620**	**25,146**	**10,505**	**(15,064)**	**886,564**
31 December 2018 (Audited)								
Segment assets	559,314	391,661	35,086	10,887	118,646	14,882	(98,841)	1,031,635
Segment liabilities	408,433	360,767	29,528	2,323	22,744	7,257	(5,718)	825,334

The headquarters, non-life and life segments hold equity interests of 0.85%, 5.91%, and 6.14% (31 December 2018: 0.85%, 5.91%, and 6.14%), respectively, in the Industrial Bank Co., Ltd. ("Industrial Bank"), an associate of the Group. These interests are accounted for as available-for-sale financial assets in headquarters and non-life segments, while accounted for as investment in associate in life segment. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

4. GROSS AND NET WRITTEN PREMIUMS

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Gross written premiums		
Long-term life insurance premiums	**74,353**	70,119
Short-term health insurance premiums	**11,697**	10,355
Non-life insurance premiums	**236,825**	205,688
TOTAL	**322,875**	286,162
Premiums ceded to reinsurers		
Long-term life insurance premiums	**(1,828)**	(266)
Short-term health insurance premiums	**(206)**	(443)
Non-life insurance premiums	**(18,198)**	(14,750)
TOTAL	**(20,232)**	(15,459)
Net written premiums	**302,643**	270,703

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Dividend, interest and rental income (a)	16,923	16,868
Realised gains (b)	2,036	72
Fair value gains/(losses) (c)	493	(487)
Impairment losses of available-for-sale financial assets	(1,082)	(750)
TOTAL	18,370	15,703

(a) Dividend, interest and rental income

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Dividend income		
Equity securities, mutual funds and trust schemes		
– Available-for-sale	1,360	1,763
– At fair value through profit or loss	127	118
Subtotal	1,487	1,881
Interest income		
Current and term deposits	2,653	2,312
Debt securities		
– Held-to-maturity	3,137	2,948
– Available-for-sale	4,181	4,091
– At fair value through profit or loss	148	155
Loans and receivables	5,062	5,230
Subtotal	15,181	14,736
Operating lease income from investment properties	255	251
TOTAL	16,923	16,868

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(b) Realised gains/(losses)

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Debt securities		
– Available-for-sale	220	(26)
– At fair value through profit or loss	15	10
Equity securities, mutual funds and trust schemes		
– Available-for-sale	1,797	18
– At fair value through profit or loss	4	70
TOTAL	2,036	72

(c) Fair value gains/(losses)

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Debt securities		
– At fair value through profit or loss	(8)	–
Equity securities, mutual funds and trust schemes		
– At fair value through profit or loss	535	(476)
Investment properties *(note 21)*	(34)	(11)
TOTAL	493	(487)

6. OTHER INCOME

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Commission income arising from the collection of motor vehicles and vessels taxes due to the relevant authorities	307	538
Management fee	414	371
Government grants	224	142
Management fee charged to policyholders	117	140
Disposal gains from property and equipment *(note 22)*	8	29
Others	460	487
TOTAL	1,530	1,707

(Amounts in millions of Renminbi, unless otherwise stated)

7. CLAIMS AND POLICYHOLDERS' BENEFITS

(Unaudited)	Six months ended 30 June 2019 Gross	Ceded	Net
Life insurance death and other benefits paid	53,085	138	52,947
Claims incurred	132,324	7,642	124,682
– Short-term health insurance	7,121	500	6,621
– Non-life insurance	125,203	7,142	118,061
Changes in long-term life insurance contract liabilities	13,896	486	13,410
Policyholder dividends	1,396	–	1,396
TOTAL	200,701	8,266	192,435

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

8. FINANCE COSTS

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Interest expenses		
Bonds payable	1,473	1,428
Interest credited to policyholders *(note 28)*	758	842
Securities sold under agreements to repurchase	668	918
Interest on lease liabilities	82	–
Pension benefit obligation unwound	50	56
Others	112	134
TOTAL	3,143	3,378

(Amounts in millions of Renminbi, unless otherwise stated)

9. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Employee costs	21,474	16,923
Publicity and entertainment expense	8,713	3,821
Contributions to China Insurance Security Fund *(note)*	1,817	1,995
Depreciation and amortisation	1,768	1,258
Taxes and surcharges	1,071	1,129
Recognition of impairment losses *(note 10)*	511	145
Others	9,700	7,893
TOTAL	45,054	33,164

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

10. PROFIT BEFORE TAX

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Employee costs *(note)*	24,654	19,791
Depreciation of property and equipment *(note)*	1,170	1,042
Depreciation of right-of-use assets *(note)*	534	–
Amortisation of intangible assets *(note)*	209	132
Minimum lease payments under operating leases in respect of land and buildings	–	470
Amortisation of prepaid land premiums	–	100
Recognition of impairment losses on insurance receivables *(note 17)*	541	135
(Reversal)/recognition of impairment losses on other assets	(30)	10

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

(Amounts in millions of Renminbi, unless otherwise stated)

11. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Current tax	**6,932**	7,953
Adjustments in respect of prior years	**(4,690)**	5
Deferred tax	**(4,555)**	(2,901)
TOTAL	**(2,313)**	5,057

In accordance with the relevant PRC 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 2018: 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.

In May 2019, Ministry of Finance and State Taxation Administration issued the "Announcement on the Tax Deduction Policy for Commission Expenses of Insurance Enterprises" (Announcement of MOF and State Taxation Administration [2019] No. 72, the "New Policy"). According to the New Policy, the commission expenses paid by an insurance enterprise are deductible to the extent of 18% of its gross written premium, and the excess, if any, can be carried forward to the subsequent years. The New Policy is also applicable to 2018 annual income tax filing. The Group recognised the impact on income tax expense of RMB4,705 million for the year ended 31 December 2018 arising from the New Policy in current interim period, and therefore resulting in a tax credit for the current interim period.

12. DIVIDENDS

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2017 Final – RMB 3.94 cents per share	**–**	1,672
Year 2018 Final – RMB 4.57 cents per share	**2,021**	–

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

(Amounts in millions of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2019 and the six months ended 30 June 2018 is based on the profit attributable to owners of the Company and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Profit attributable to owners of the Company for the period	**15,478**	10,045
Weighted average number of ordinary shares in issue (in million shares)	**44,224**	42,424
Basic earnings per share (in RMB Yuan)	**0.35**	0.24

On 16 November 2018, the Company completed its A shares offering on the Shanghai Stock Exchange and issued 1,800 million A shares.

No diluted earnings per share has been presented for the six months ended 30 June 2019 and 2018 as the Group had no potential ordinary shares in issue during the periods.

14. CASH AND CASH EQUIVALENTS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Cash	**4**	–
Money at call and short notice	**51,047**	37,336
Deposits with banks with original maturity of no more than three months	**1,130**	1,212
Securities purchased under resale agreements with original maturity of no more than three months	**27,211**	23,053
TOTAL	**79,392**	61,601
Classification of cash and cash equivalents:		
Loans and receivables	**79,392**	61,601

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

(Amounts in millions of Renminbi, unless otherwise stated)

15. DEBT SECURITIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Classification of debt securities		
At fair value through profit or loss, at fair value	8,128	8,253
Available-for-sale, at fair value	185,321	179,964
Held-to-maturity, at amortised cost	145,403	128,177
TOTAL	338,852	316,394

16. EQUITY SECURITIES, MUTUAL FUNDS AND TRUST SCHEMES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Investments, at fair value		
Mutual funds	60,221	61,944
Shares	37,350	35,161
Equity schemes and others	26,638	19,277
Subtotal	124,209	116,382
Investments, at cost less impairment *(note)*		
Shares	115	115
Total equity securities and mutual funds	124,324	116,497
Trust scheme, at fair value	–	200
TOTAL	124,324	116,697

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Classification of equity securities and mutual funds		
At fair value through profit or loss, at fair value	8,747	12,298
Available-for-sale, at fair value	115,462	104,084
Available-for-sale, at cost less impairment	115	115
Subtotal	124,324	116,497
Classification of trust scheme		
Available-for-sale, at fair value	–	200
TOTAL	124,324	116,697

For the six months ended 30 June 2019, an impairment loss of RMB1,082 million was provided by the Group on equity securities, mutual funds and trust schemes (six months ended 30 June 2018: RMB750 million).

17. INSURANCE RECEIVABLES, NET

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Premiums receivable and agents' balances	73,518	33,117
Receivables from reinsurers	14,790	14,309
Subtotal	88,308	47,426
Less: impairment provision on		
– Premiums receivable and agents' balances	(3,542)	(3,009)
– Receivables from reinsurers	(204)	(199)
TOTAL	84,562	44,218

(Amounts in millions of Renminbi, unless otherwise stated)

17. INSURANCE RECEIVABLES, NET *(continued)*

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
At the beginning of the period	3,208	3,602
Recognition of impairment losses *(note 10)*	541	135
Amount written off as uncollectible	(3)	(4)
At the end of the period	3,746	3,733

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Not yet due and within 3 months	70,877	37,008
3 to 6 months	9,518	3,004
6 to 12 months	2,779	3,592
1 to 2 years	1,258	511
Over 2 years	130	103
TOTAL	84,562	44,218

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

(Amounts in millions of Renminbi, unless otherwise stated)

18. REINSURANCE ASSETS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Reinsurers' share of		
Unearned premium reserves	13,426	9,872
Claim reserves	16,540	16,697
Long-term life insurance reserves	942	456
TOTAL	30,908	27,025

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

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Long-term debt investment schemes	104,933	104,813
Trust schemes	46,781	42,768
Asset management products	13,734	14,431
Reinsurance arrangement classified as investment contract	–	2,000
Subordinated debts held	500	500
TOTAL	165,948	164,512

On 31 December, 2018, the balance of the reinsurance arrangement classified as an investment contract is to invest in a reinsurance arrangement that has not transferred a significant insurance risk. The Group and the reinsurer have the right to terminate the reinsurance contract five years after the effective date of the reinsurance contract or in subsequent years. On 28 February, 2019, the above reinsurance contract reached the end of the five years term, and both parties agreed to terminate the contract.

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

(Amounts in millions of Renminbi, unless otherwise stated)

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investments in the associates and joint ventures as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Associates		
Cost of investment in associates	67,744	66,160
Share of post-acquisition profits and other comprehensive income *(note)*	39,913	38,226
Subtotal	107,657	104,386
Joint ventures		
Cost of investment in joint ventures	3,086	3,086
Share of post-acquisition profits and other comprehensive income	42	20
Subtotal	3,128	3,106
TOTAL	110,785	107,492

Note: The Group's material associates, Industrial Bank and Hua Xia Bank Co., Limited (the "Hua Xia Bank") applied PRC new financial instrument accounting standards (which is equivalent to IFRS 9 Financial Instruments) retrospectively from 1 January 2019, with the practical expedients permitted under the standard. Comparatives of Industrial Bank and Hua Xia Bank for 2018 were not restated. This adoption has decreased the carrying amount of investments in associates and joint ventures by RMB1,923 million on 1 January 2019. Adjustment to equity is as follows:

	1 January 2019 (unaudited)
Share of other comprehensive income of associates and joint ventures	167
Retained profit	(2,090)
Total equity	(1,923)

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

As permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", for the six months ended 30 June 2019, the Group accounts for the share of profit of Industrial Bank, an associate of the Group, from 1 October 2018 to 31 March 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

21. INVESTMENT PROPERTIES

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Beginning of the period	**12,782**	12,155
Additions	**9**	–
Transfer from property and equipment	**7**	982
Transfer from right-of-use assets/prepaid land premiums	**24**	75
Gains on revaluation of properties upon transfer from property and equipment	**15**	240
Gains on revaluation of properties upon transfer from right-of-use assets/prepaid land premiums	**87**	61
Decrease in fair value of investment properties *(note 5(c))*	**(34)**	(11)
Transfer to property and equipment	**(294)**	(471)
Disposals	**(7)**	(26)
End of the period	**12,589**	13,005

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

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

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

22. PROPERTY AND EQUIPMENT

During current interim period, the Group acquired assets with a cost of RMB672 million (six months ended 30 June 2018: RMB1,084 million).

Assets with a net book value of RMB155 million were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB70 million), resulting in a net disposal gain of RMB8 million (six months ended 30 June 2018: gain of RMB29 million).

During the six months ended 30 June 2019, construction in progress with an aggregate amount of RMB100 million (six months ended 30 June 2018: RMB29 million) was transferred to buildings.

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

23. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into some new lease agreements for the use of office building and vehicles for 1-10 years. The Group is required to make fixed payments periodically from the respective lease commencement dates. On the commencement date or effective date of modification of the respective leases, the Group recognised RMB637 million of right-of-use asset and RMB478 million lease liability relating to these new or modified leases.

As at 30 June 2019, the carrying amounts of right-to-use assets included RMB3,307 million of prepaid land premiums.

24. OTHER ASSETS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interest receivables	**10,845**	10,561
Deductible input value-added tax	**4,426**	3,778
Policy loans (a)	**4,004**	3,537
Prepayments for assets and expenses	**2,505**	631
Co-insurance receivables	**1,878**	1,951
Prepaid insurance underwriting commission	**1,144**	1,808
Other receivables	**1,026**	1,001
Commission receivables arising from collection of motor vehicles and vessels taxes	**756**	604
Dividends receivables	**521**	255
Others	**6,606**	5,732
TOTAL	**33,711**	29,858
Less: impairment provision on other assets	**(1,552)**	(1,574)
NET VALUE	**32,159**	28,284

(Amounts in millions of Renminbi, unless otherwise stated)

24. OTHER ASSETS *(continued)*

(a) Policy loans are secured by cash values of the relevant insurance policies and carry interest rates at 5.22%-6.45% (31 December 2018: 5.22%-6.45%) per annum as at 30 June 2019.

25. PAYABLES TO REINSURERS

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

26. BONDS PAYABLE

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

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Subordinated debts		
Carrying amount repayable in		
– No more than one year	**802**	807
– More than five years	**8,328**	8,297
Subtotal	**9,130**	9,104
Capital supplementary bonds		
Carrying amount repayable in		
– More than five years	**48,703**	48,628
TOTAL	**57,833**	57,732

Original terms of these subordinated debts and capital supplementary bonds are ten years. With proper notice to the counterparties, the Group has an option to redeem the subordinated debts and the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rates of the Group's subordinated debts are 4.38%-5.75% in the first five years (2018: 4.38%-5.75%) and 6.88%-7.75% in the second five years (2018: 6.88%-7.75%). The interest rates of the Group's capital supplementary bonds are 3.65%-5.05% in the first five years (2018: 3.65%-5.05%) and 4.65%-6.05% in the second five years (2018: 4.65%-6.05%).

(Amounts in millions of Renminbi, unless otherwise stated)

27. INSURANCE CONTRACT LIABILITIES

(Unaudited)	30 June 2019 Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	288,388	942	287,446
Short-term health insurance contracts			
– Claim reserves	6,304	189	6,115
– Unearned premium reserves	6,291	92	6,199
Non-life insurance contracts			
– Claim reserves	145,644	16,351	129,293
– Unearned premium reserves	180,111	13,334	166,777
Total insurance contract liabilities	626,738	30,908	595,830

(Audited)	31 December 2018 Insurance contract liabilities	Reinsurers' share	Net
Long-term life and health insurance contracts	274,493	456	274,037
Short-term health insurance contracts			
– Claim reserves	5,574	226	5,348
– Unearned premium reserves	1,886	17	1,869
Non-life insurance contracts			
– Claim reserves	136,394	16,471	119,923
– Unearned premium reserves	140,870	9,855	131,015
Total insurance contract liabilities	559,217	27,025	532,192

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

As at 30 June 2019, 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, and the impact of change in assumptions was charged to profit or loss. The changes of these assumptions in aggregate decreased long-term life insurance contract liabilities by RMB8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: increased by RMB128 million) and increased profit before tax by RMB8 million for the six months ended 30 June 2019 (six months ended 30 June 2018: decreased by RMB128 million).

(Amounts in millions of Renminbi, unless otherwise stated)

28. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Interest-bearing deposits	36,751	40,118
Non-interest-bearing deposits	1,686	1,690
TOTAL	38,437	41,808

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

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Beginning of the period	41,808	45,880
Deposits received after deducting fees	4,415	3,988
Deposits withdrawn	(8,544)	(7,307)
Interest credited *(note 8)*	758	842
End of the period	38,437	43,403

29. OTHER LIABILITIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Premiums received in advance	15,276	28,249
Salaries and welfare payable	13,379	14,339
Claims payable	9,735	10,994
Handling charges and commission payable	9,152	7,700
Net value added tax and other taxes payable	7,734	7,661
Dividend payable	3,898	–
Insurance security fund	1,045	1,034
Interests payable	1,019	1,345
Others	13,436	13,672
TOTAL	74,674	84,994

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

(Amounts in millions of Renminbi, unless otherwise stated)

30. ISSUED CAPITAL

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Issued and fully paid ordinary shares of RMB 1 each (in million shares)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224
Issued capital (in RMB million)		
A shares	35,498	35,498
H shares	8,726	8,726
	44,224	44,224

31. RISK MANAGEMENT

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

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

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

32. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and the fair value hierarchy

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

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

	Carrying amount		Fair value	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Financial Assets				
Cash and cash equivalents	79,392	61,601	79,392	61,601
At fair value through profit or loss				
– Equity securities, mutual funds and trust schemes	8,747	12,298	8,747	12,298
– Debt securities	8,128	8,253	8,128	8,253
Available-for-sale				
– Equity securities, mutual funds and trust schemes	115,462	104,284	115,462	104,284
– Debt securities	185,321	179,964	185,321	179,964
Held-to-maturity investment				
– Debt securities	145,403	128,177	147,937	131,711
Loans and receivables				
– Insurance receivables, net	84,562	44,218	84,562	44,218
– Term deposits	79,703	98,653	79,703	98,653
– Restricted statutory deposits	13,794	13,794	13,794	13,794
– Investments classified as loans and receivables	165,948	164,512	174,825	170,623
– Other financial assets	24,061	22,204	24,061	22,204
Total financial assets	910,521	837,958	921,932	847,603
Financial liabilities				
Other financial liabilities measured at amortised cost				
– Securities sold under agreements to repurchase	52,599	54,889	52,599	54,889
– Payables to reinsurers	21,642	15,551	21,642	15,551
– Bonds payable	57,833	57,732	60,242	59,681
– Investment contract liabilities for policyholders	38,437	41,808	38,437	41,808
– Policyholder dividends payable	4,585	3,970	4,585	3,970
– Other financial liabilities	53,561	49,081	53,561	49,081
Total financial liabilities	228,657	223,031	231,066	224,980

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

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

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

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

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

(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 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).

(Amounts in millions of Renminbi, unless otherwise stated)

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

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

Items	Fair value 30 June 2019 (Unaudited)	Fair value 31 December 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
At fair value through profit or loss debt securities	3,687	2,839	Level 1	Quoted bid prices in an active market.
At fair value through profit or loss debt securities	4,441	5,414	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	19,032	18,358	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	166,289	161,606	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
At fair value through profit or loss equity securities and mutual funds	8,747	12,298	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	74,359	70,246	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities, mutual funds and trust schemes	15,407	12,988	Level 2	Discounted cash flow with future cash flows that are estimated based on expected amounts and dividend yields, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale equity securities and mutual funds	13,850	13,389	Level 3	The fair value is determined with reference to the latest private transaction price or net assets value.
Available-for-sale equity securities and mutual funds	5,386	3,790	Level 3	Relative value that are assessed based on average price-to-earnings ratio from comparable companies and earnings per share of target company.
Available-for-sale equity securities and mutual funds	6,460	3,871	Level 3	Fair value of the investments is based on the use of internal valuation models.

During the six months ended 30 June 2019, the Group transferred certain available-for-sale debt securities with a carrying amount of RMB4,682 million (six months ended 30 June 2018: RMB6,085 million) from Level 1 to Level 2 as the Group could not obtain quoted prices in active markets. The Group transferred debt securities with a carrying amount of RMB3,741 million (six months ended 30 June 2018: RMB3,297 million) from Level 2 to Level 1 during the current interim period as the Group is able to obtain quoted prices in active markets.

During the six months ended 30 June 2019 and the six months ended 30 June 2018, the Group did not have any assets transferred between fair value hierarchy Level 2 and Level 3.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(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 follows:

	Fair value hierarchy at 30 June 2019			
(Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity financial assets	2,448	145,489	–	147,937
Investments classified as loans and receivables	–	174,825	–	174,825
Financial liabilities				
Bonds payable	–	60,242	–	60,242

	Fair value hierarchy at 31 December 2018			
(Audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Held-to-maturity financial assets	518	131,193	–	131,711
Investments classified as loans and receivables	–	170,623	–	170,623
Financial liabilities				
Bonds payable	–	59,681	–	59,681

The fair values of the debt instruments reported as financial assets and financial liabilities and included in the Level 2 category 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 input being the discount rate that reflects the credit risk of counterparties obtained from China Bond Yield Curves published by China Central Depository & Clearing Co., Ltd.

(Amounts in millions of Renminbi, unless otherwise stated)

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

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Unlisted available-for-sale financial assets		
Beginning of the period	**21,050**	22,221
Unrealised gains recognised in other comprehensive income	**370**	2,013
Transfer out *(note)*	**–**	(1,152)
Additions	**4,276**	1,578
Disposals	**–**	(6,723)
End of the period	**25,696**	17,937

Note: During the six months ended 30 June 2018, the lock-up period of shares of a listed equity investment had expired, and consequently the Group transferred the listed equity investment with a carrying amount of RMB1,152 million from Level 3 to Level 1.

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

33. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

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

(b) Capital commitments

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	**1,357**	2,067

(Amounts in millions of Renminbi, unless otherwise stated)

34. 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 2019 and 30 June 2018, the Group had the following significant related party transactions:

Transactions with associates	Six months ended 30 June 2019 (Unaudited)	Six months ended 30 June 2018 (Unaudited)
Industrial Bank		
Gross written premiums	218	134
Investment income	567	326
Claims and policyholders' benefits	358	210
Handling charges and commissions	49	17
Finance costs	20	128
Hua Xia Bank		
Gross written premiums	101	115
Investment income	199	192
Claims and policyholders' benefits	270	139
Handling charges and commissions	1	1
Finance costs	3	3
Other associates		
Gross written premiums	14	24
Investment income	58	57
Other income	–	9
Claims and policyholders' benefits	171	10
Other operating and administrative expenses	–	2

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)

34. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from associates	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Industrial Bank		
Cash and cash equivalents	3,250	1,802
Debt securities	2,845	2,915
Equity securities, mutual funds and trust schemes	728	704
Term deposits	20,104	20,104
Restricted statutory deposits	1,779	1,779
Other assets	667	312
Hua Xia Bank		
Cash and cash equivalents	147	68
Debt securities	600	1,500
Term deposits	6,000	6,550
Restricted statutory deposits	100	100
Other assets	199	31
Other associates		
Debt securities	2,337	2,337
Other assets	30	96

Payables to associates	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Industrial Bank		
Bonds payable	619	618
Other liabilities	27	9
Hua Xia Bank		
Bonds payable	100	101
Other liabilities	6	2
Other associates		
Other liabilities	7	12

34. 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 2019 and the six months ended 30 June 2018 other than the emoluments paid to them (being the key management personnel compensation).

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

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

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

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

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

35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9

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

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

(Amounts in millions of Renminbi, unless otherwise stated)

35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

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

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

(i) Fair value of financial assets

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

	Fair value as at 30 June 2019 RMB million	Fair value changes for the six months ended 30 June 2019 RMB million
Held for trading financial assets (A)	16,735	307
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	140	–
Financial assets other than A and B		
– Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") (C)	460,681	1,431
– Financial assets with contractual terms that do not meet SPPI terms (D)	163,238	9,640
Total	640,794	11,378

The fair value of the financial assets classified in Category A, B, C and D above under IFRS 9 as at 31 December 2018 are RMB20,551million, nil, RMB428,068 million and RMB159,062 million respectively. Fair value losses for Category A and D for the year ended 31 December 2018 are RMB693 million and RMB5,674 million respectively, and fair value gain for Category C for the year ended 31 December 2018 is RMB19,414 million.

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

(Amounts in millions of Renminbi, unless otherwise stated)

35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure

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

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

	Carrying amount as at 30 June 2019 *(Note 1)* RMB million	Carrying amount as at 31 December 2018 RMB million
AAA	354,501	344,766
AA+	7,120	8,886
AA	701	2,761
AA-	–	754
A+	–	272
A or below	2,422	1,825
Not rated*	81,251	59,330
Total	445,995	418,594

* Included in the not rated category, there is an aggregate carrying amount of RMB75,797 million (31 December 2018 RMB 55,513 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and without any credit rating.

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

Credit rating of overseas bonds that meet SPPI criterion

	Carrying amount as at 30 June 2019 *(Note 1)* RMB million	Carrying amount as at 31 December 2018 RMB million
Aa (include Aa1, Aa2 and Aa3)	216	648
A (include A1, A2 and A3)	377	129
Baa (include Baa1, Baa2 and Baa3)	647	493
Total	1,240	1,270

For the six months ended 30 June 2019
(Amounts in millions of Renminbi, unless otherwise stated)

35. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM IFRS 9 *(continued)*

(ii) Credit risk exposure *(continued)*

	As at 30 June 2019	
	Carrying amount RMB million	Fair value RMB million
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) *(Note 2)*	**15,697**	**16,249**

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

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

36. COMPARATIVE FIGURES

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

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

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DESIGNATED NEWSPAPERS FOR THE COMPANY'S ANNOUNCEMENT (A SHARES):

China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

DESIGNATED WEBSITE FOR THE COMPANY'S A SHARE ANNOUNCEMENT:

http://www.sse.com.cn

Place for listing of A Shares: Shanghai Securities Exchange
Short form for A Share: PICC
A Share stock code: 601319
Place for listing of H Shares: The Stock Exchange of Hong Kong Limited
Short form for H Share: PICC Group
H Share stock code: 01339

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Domestic Auditors:
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PICC

中国人民保险集团股份有限公司

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