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PICC 中国人民财产保险股份有限公司
PICC Property and Casualty Company Limited

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

(Stock Code: 2328)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

The Board of Directors is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2015, with comparative figures for the corresponding period of last year, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<i>Notes</i>	Six months ended 30 June 2015 RMB million Unaudited	Six months ended 30 June 2014 RMB million Unaudited
GROSS WRITTEN PREMIUMS	4	<u>146,232</u>	<u>132,118</u>
Net earned premiums	4	115,740	99,646
Net claims incurred	5	(71,116)	(62,211)
Policy acquisition costs		(24,825)	(19,833)
Other underwriting expenses		(9,551)	(8,495)
Administrative expenses		<u>(4,057)</u>	<u>(3,520)</u>
UNDERWRITING PROFIT		<u>6,191</u>	<u>5,587</u>
Investment income	6	7,592	5,902
Net realised and unrealised gains/(losses) on investments	7	5,543	(448)
Investment related expenses		(445)	(105)
Exchange (losses)/gains, net		(19)	63
Sundry income		161	133
Sundry expenses		(75)	(64)
Finance costs		(788)	(921)
Share of profits of associates		<u>388</u>	<u>121</u>
PROFIT BEFORE TAX	8	18,548	10,268
Income tax expense	9	<u>(4,126)</u>	<u>(2,478)</u>
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>14,422</u>	<u>7,790</u>
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (in RMB)	11	<u>0.973</u>	<u>0.573</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015 RMB million Unaudited	Six months ended 30 June 2014 RMB million Unaudited
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	14,422	7,790
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	9,289	1,139
– Reclassification of (gains)/losses to profit or loss on disposals	(5,174)	67
– Impairment losses	–	495
Income tax effect	(1,029)	(425)
Share of other comprehensive income of associates	286	141
	<u>3,372</u>	<u>1,417</u>
Net gains on cash flow hedges	5	21
Income tax effect	(1)	(5)
Share of other comprehensive income of associates	(1)	–
	<u>3</u>	<u>16</u>
NET OTHER COMPREHENSIVE INCOME MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	3,375	1,433
Items that will not be reclassified to profit or loss:		
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	101	180
Income tax effect	(25)	(45)
	<u>76</u>	<u>135</u>
NET OTHER COMPREHENSIVE INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS	76	135
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	3,451	1,568
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	17,873	9,358

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

	<i>Notes</i>	30 June 2015 RMB million Unaudited	31 December 2014 RMB million Audited
ASSETS			
Cash and cash equivalents		25,444	24,157
Term deposits		98,992	88,236
Derivative financial assets		18	13
Debt securities		105,338	107,789
Equity securities and mutual funds		61,874	40,951
Insurance receivables, net	12	38,402	17,400
Reinsurance assets	13	26,292	25,681
Investments classified as loans and receivables		24,876	21,752
Prepayments and other assets		14,995	13,500
Investments in associates		8,085	4,750
Investment properties		4,763	4,684
Property, plant and equipment		13,695	13,786
Prepaid land premiums		3,351	3,431
Deferred tax assets		834	–
TOTAL ASSETS		426,959	366,130
LIABILITIES			
Payables to reinsurers	14	17,081	10,403
Accrued insurance protection fund		737	755
Securities sold under agreements to repurchase		28,991	14,241
Tax payable		3,451	818
Other liabilities and accruals		37,087	31,235
Insurance contract liabilities	13	221,937	198,137
Policyholders' deposits		1,781	1,786
Subordinated debts		16,250	22,449
Deferred tax liabilities		–	531
TOTAL LIABILITIES		327,315	280,355
EQUITY			
Issued capital		14,828	14,828
Reserves		84,811	70,942
Equity attributable to owners of the parent		99,639	85,770
Non-controlling interests		5	5
TOTAL EQUITY		99,644	85,775
TOTAL EQUITY AND LIABILITIES		426,959	366,130

Notes:

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the PRC.

The registered office of the Company is located at Tower 2, No.2 Jianguomenwai Avenue, Chaoyang District, Beijing 100022, the PRC.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in property and casualty insurance business. The details of the operating segments are set out in note 3.

In the opinion of the directors, the parent and the ultimate holding company of the Company is PICC Group, which is incorporated in the PRC.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with *Hong Kong Accounting Standard 34* (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

(b) Significant accounting policies

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

Except for the adoption of new amendments to standard effective on 1 January 2015 described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014. The Group has not early adopted any new standard, interpretation or amendment that has been issued but not yet effective.

Application of revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The following amendments to HKFRSs became effective for the current accounting period:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

None of the above amendments to HKFRSs, however, are expected to have a material impact on the financial position or performance of the Group for the six months ended 30 June 2015.

3. OPERATING SEGMENT INFORMATION

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

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

- (a) the motor vehicle segment provides insurance products covering motor vehicles;
- (b) the commercial property segment provides insurance products covering commercial properties;
- (c) the cargo segment provides insurance products covering vessels, crafts or conveyances;
- (d) the liability segment provides insurance products covering policyholders' liabilities;
- (e) the accidental injury and health segment provides insurance products covering accidental injuries and medical expenses;
- (f) the agriculture segment provides insurance products covering agriculture business;
- (g) the others segment mainly represents insurance products related to homeowners, special risks, marine hull, construction and credit; and
- (h) the corporate segment includes the income and expenses from investment activities, share of profits of associates, non-operating income and expenses, unallocated income and expenditures of the Group.

The segment income statements for the six months ended 30 June 2015 and 2014 are as follows:

Six months ended 30 June 2015 (Unaudited)	Insurance							Corporate	Total
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	RMB million	RMB million
Gross Written Premiums	<u>98,807</u>	<u>8,205</u>	<u>1,795</u>	<u>6,119</u>	<u>12,179</u>	<u>12,588</u>	<u>6,539</u>	-	<u>146,232</u>
Net earned premiums	91,588	4,264	1,240	4,065	6,700	4,883	3,000	-	115,740
Net claims incurred	(56,550)	(2,011)	(452)	(2,223)	(5,547)	(2,880)	(1,453)	-	(71,116)
Policy acquisition costs	(21,794)	(1,042)	(322)	(1,040)	(530)	282	(379)	-	(24,825)
Other underwriting expenses	(6,706)	(545)	(157)	(339)	(405)	(958)	(441)	-	(9,551)
Administrative expenses	<u>(2,616)</u>	<u>(213)</u>	<u>(80)</u>	<u>(143)</u>	<u>(474)</u>	<u>(293)</u>	<u>(238)</u>	-	<u>(4,057)</u>
Underwriting profit/(loss)	<u>3,922</u>	<u>453</u>	<u>229</u>	<u>320</u>	<u>(256)</u>	<u>1,034</u>	<u>489</u>	-	<u>6,191</u>
Investment income	-	-	-	-	-	-	-	7,592	7,592
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	5,543	5,543
Investment related expenses	-	-	-	-	-	-	-	(445)	(445)
Exchange losses, net	-	-	-	-	-	-	-	(19)	(19)
Finance costs	-	-	-	-	-	-	-	(788)	(788)
Sundry income and expenses, net	-	-	-	-	-	-	-	86	86
Share of profits of associates	-	-	-	-	-	-	-	388	388
Profit/(loss) before tax	<u>3,922</u>	<u>453</u>	<u>229</u>	<u>320</u>	<u>(256)</u>	<u>1,034</u>	<u>489</u>	<u>12,357</u>	<u>18,548</u>
Income tax expense	-	-	-	-	-	-	-	(4,126)	(4,126)
Profit/(loss) attributable to owners of the parent – segment results	<u>3,922</u>	<u>453</u>	<u>229</u>	<u>320</u>	<u>(256)</u>	<u>1,034</u>	<u>489</u>	<u>8,231</u>	<u>14,422</u>

Six months ended 30 June 2014 (Unaudited)	Insurance						Corporate	Total	
	Motor vehicle RMB million	Commercial property RMB million	Cargo RMB million	Liability RMB million	Accidental injury and health RMB million	Agriculture RMB million	Others RMB million	RMB million	RMB million
Gross Written Premiums	90,775	8,174	2,013	5,443	8,731	10,943	6,039	-	132,118
Net earned premiums	78,906	4,135	1,338	3,526	4,649	4,747	2,345	-	99,646
Net claims incurred	(50,594)	(1,847)	(540)	(1,850)	(3,637)	(2,797)	(946)	-	(62,211)
Policy acquisition costs	(17,191)	(1,082)	(295)	(879)	(444)	219	(161)	-	(19,833)
Other underwriting expenses	(5,724)	(524)	(243)	(317)	(302)	(915)	(470)	-	(8,495)
Administrative expenses	(2,495)	(202)	(100)	(130)	(185)	(239)	(169)	-	(3,520)
Underwriting profit	2,902	480	160	350	81	1,015	599	-	5,587
Investment income	-	-	-	-	-	-	-	5,902	5,902
Net realised and unrealised losses on investments	-	-	-	-	-	-	-	(448)	(448)
Investment related expenses	-	-	-	-	-	-	-	(105)	(105)
Exchange gains, net	-	-	-	-	-	-	-	63	63
Finance costs	-	-	-	-	-	-	-	(921)	(921)
Sundry income and expenses, net	-	-	-	-	-	-	-	69	69
Share of profits of associates	-	-	-	-	-	-	-	121	121
Profit before tax	2,902	480	160	350	81	1,015	599	4,681	10,268
Income tax expense	-	-	-	-	-	-	-	(2,478)	(2,478)
Profit attributable to owners of the parent – segment results	2,902	480	160	350	81	1,015	599	2,203	7,790

The segment assets and liabilities of the Group as at 30 June 2015 and 31 December 2014 are as follows:

	Insurance							Corporate	Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Others		
30 June 2015 (Unaudited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	<u>13,258</u>	<u>10,450</u>	<u>1,719</u>	<u>5,454</u>	<u>9,293</u>	<u>13,341</u>	<u>14,351</u>	<u>359,093</u>	<u>426,959</u>
Segment liabilities	<u>165,495</u>	<u>17,029</u>	<u>3,302</u>	<u>13,812</u>	<u>14,820</u>	<u>17,845</u>	<u>19,796</u>	<u>75,216</u>	<u>327,315</u>
	Insurance							Corporate	Total
31 December 2014 (Audited)	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment assets	<u>12,258</u>	<u>8,719</u>	<u>1,341</u>	<u>3,931</u>	<u>3,929</u>	<u>4,798</u>	<u>11,202</u>	<u>319,952</u>	<u>366,130</u>
Segment liabilities	<u>157,665</u>	<u>14,452</u>	<u>3,037</u>	<u>11,756</u>	<u>9,548</u>	<u>10,128</u>	<u>16,918</u>	<u>56,851</u>	<u>280,355</u>

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

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2014 <i>RMB million</i> (Unaudited)
Gross Written Premiums		
Direct written premiums	145,926	131,836
Reinsurance premiums assumed	306	282
	<u>146,232</u>	<u>132,118</u>
Net earned premiums		
Gross Written Premiums	146,232	132,118
Less: Reinsurance premiums ceded	(15,917)	(16,861)
	<u>130,315</u>	<u>115,257</u>
Gross change in unearned premium reserves	(15,633)	(16,553)
Less: Reinsurer's share of change in unearned premium reserves	1,058	942
	<u>(14,575)</u>	<u>(15,611)</u>
Net earned premiums	<u>115,740</u>	<u>99,646</u>

5. NET CLAIMS INCURRED

	Six months ended 30 June 2015 <i>RMB million</i> (Unaudited)	Six months ended 30 June 2014 <i>RMB million</i> (Unaudited)
Gross claims paid	70,541	64,393
Less: Paid losses recoverable from reinsurers	(8,039)	(8,109)
	<u>62,502</u>	<u>56,284</u>
Gross change in loss and loss adjustment expense reserves	8,167	7,036
Less: Reinsurer's share of change in loss and loss adjustment expense reserves	447	(1,109)
	<u>8,614</u>	<u>5,927</u>
Net claims incurred	<u>71,116</u>	<u>62,211</u>

6. INVESTMENT INCOME

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Rental income from investment properties	134	107
Financial assets at fair value through profit or loss:		
– Held for trading		
Interest income	29	31
Dividend income	73	40
– Designated upon initial recognition		
Interest income	4	–
Available-for-sale financial assets:		
Interest income	1,595	1,431
Dividend income	1,226	647
Held-to-maturity investments:		
Interest income	1,047	1,015
Loans and receivables:		
Interest income	3,484	2,631
	<u>7,592</u>	<u>5,902</u>
Investment income from listed investments:		
Interest income	624	492
Dividend income	611	551
	<u>1,235</u>	<u>1,043</u>
Investment income from unlisted investments:		
Interest income	5,535	4,616
Dividend income	688	136
	<u>6,223</u>	<u>4,752</u>
Total	<u><u>7,458</u></u>	<u><u>5,795</u></u>

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

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Available-for-sale financial assets:		
Realised gains/(losses)	5,174	(67)
Impairment losses	–	(495)
Financial assets at fair value through profit or loss – held for trading:		
Realised gains	275	13
Unrealised gains	22	80
Fair value gains on investment properties	72	21
	<u>5,543</u>	<u>(448)</u>

8. PROFIT BEFORE TAX

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

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Employee expenses	14,657	12,046
Depreciation of property, plant and equipment	886	888
Amortisation of prepaid land premiums	72	66
Impairment losses on insurance receivables	546	102
Minimum lease payments under operating leases in respect of land and buildings	335	341
	<u>335</u>	<u>341</u>

9. INCOME TAX EXPENSE

The provision for PRC income tax is calculated based on the statutory rate of 25% (six months ended 30 June 2014: 25%) in accordance with the relevant PRC income tax rules and regulations.

	Six months ended 30 June 2015 RMB million (Unaudited)	Six months ended 30 June 2014 RMB million (Unaudited)
Current		
– Charge for the period	6,540	2,772
– Adjustment in respect of current tax of previous periods	6	–
Deferred	<u>(2,420)</u>	<u>(294)</u>
Total tax charge for the period	<u><u>4,126</u></u>	<u><u>2,478</u></u>

10. DIVIDEND

No interim dividend was proposed by the Board of Directors in respect of the interim period for the six months ended 30 June 2015.

Pursuant to the shareholders' approval at the general meeting on 26 June 2015, a final dividend of RMB0.27 per ordinary share totalling RMB4,004 million in respect of the year ended 31 December 2014 was declared.

Pursuant to the shareholders' approval at the general meeting on 27 June 2014, a final dividend of RMB0.221 per ordinary share totalling RMB3,007 million in respect of the year ended 31 December 2013 was declared.

11. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of basic earnings per share is based on the following:

	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
Earnings:		
Profit attributable to owners of the parent (RMB million)	<u><u>14,422</u></u>	<u><u>7,790</u></u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u><u>14,828</u></u>	<u><u>13,604</u></u>
Basic earnings per share (RMB)	<u><u>0.973</u></u>	<u><u>0.573</u></u>

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

Diluted earnings per share amounts for the six months ended 30 June 2015 and 2014 have not been disclosed as there were no potential ordinary shares outstanding during these periods.

12. INSURANCE RECEIVABLES, NET

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Premiums receivable and agents' balances	25,211	7,490
Receivables from reinsurers	<u>16,355</u>	<u>12,600</u>
	41,566	20,090
Less: Impairment provision on		
Premiums receivable and agents' balances	(2,932)	(2,450)
Receivables from reinsurers	<u>(232)</u>	<u>(240)</u>
	<u>38,402</u>	<u>17,400</u>

An aged analysis of the insurance receivables, based on the payment due date and net of provision, is as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Not yet due	17,214	13,599
Within 1 month	5,170	691
1 to 3 months	8,215	1,397
Over 3 months	<u>7,803</u>	<u>1,713</u>
	<u>38,402</u>	<u>17,400</u>

Included in the Group's insurance receivables is an amount due from a fellow subsidiary of RMB216 million (31 December 2014: RMB135 million).

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.

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, Moody's) or above except for state-owned reinsurance companies. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

13. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

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

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Unearned premium reserves	111,271	(10,650)	100,621	95,638	(9,592)	86,046
Loss and loss adjustment expense reserves	110,666	(15,642)	95,024	102,499	(16,089)	86,410
	<u>221,937</u>	<u>(26,292)</u>	<u>195,645</u>	<u>198,137</u>	<u>(25,681)</u>	<u>172,456</u>

14. PAYABLES TO REINSURERS

Payables to reinsurers are analysed as follows:

	30 June 2015 <i>RMB million</i> (Unaudited)	31 December 2014 <i>RMB million</i> (Audited)
Reinsurance payables	<u>17,081</u>	<u>10,403</u>

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

Included in the Group's reinsurance payables is an amount due to a fellow subsidiary of RMB259 million (31 December 2014: RMB150 million).

MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITIONS

OVERVIEW

In the first half of 2015, confronted with the complex and changing economic environment at home and abroad and the increasingly competitive market conditions, the Company adhered to the keynotes of “increasingly strengthening reform and innovation, continuously sustaining stable growth and further focusing on value creation”, accelerated the transformation on all fronts towards a customer-oriented business mode, timely adjusted its development strategy, committed to the enhancement of its operation and management level, and tightened its cost control. As a result, the Company witnessed significant improvement of its overall profitability and steady enhancement of its comprehensive strengths.

- **Achieving a solid business growth and maintaining a stable market share.** In the first half of 2015, the gross written premiums of the Company and its subsidiaries reached RMB146,232 million, representing an increase of 10.7% compared to the same period of last year. The incremental premium income reached RMB14,090 million and retained its top position in the whole sector. In particular, the gross written premiums of the motor vehicle insurance segment amounted to RMB98,807 million, representing an increase of 8.8% compared to the same period of last year, and the gross written premiums of the non-motor insurance business amounted to RMB47,425 million, representing an increase of 14.7% compared to the same period of last year. The Company’s market share in the PRC property and casualty insurance market is 34.2% (*Note*), representing an increase of 0.7 percentage points compared to the end of 2014, further reinforcing its market position.

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

- **Significant improvement of the overall profitability with operating results hitting another record high.** In the first half of 2015, the Company and its subsidiaries achieved a combined ratio of 94.7%, outperforming the average level in the industry; underwriting profit was RMB6,191 million, representing an increase of 10.8% compared to the same period of last year; total investment income was RMB13,523 million, representing an increase of 142.6% compared to the same period of last year; profit attributable to owners of the parent was RMB14,422 million, representing an increase of 85.1% compared to the same period of last year, hitting another record high in operating results compared to the same periods of previous years.
- **Steady enhancement of the comprehensive strengths and more outstanding inherent quality.** As at 30 June 2015, the total assets of the Company and its subsidiaries reached RMB426,959 million, representing an increase of 16.6% compared to the end of 2014; the total equity reached RMB99,644 million, representing an increase of 16.2% compared to the end of 2014; the total amount of investment assets grew steadily, reaching RMB332,441 million, representing an increase of 12.6% compared to the end of 2014; the net cash flows from operating activities reached RMB11,092 million; and the solvency margin ratio was 226%, higher than the regulatory Solvency Adequacy level II (150%). Attributable to the outstanding industry position and comprehensive strengths of the

Company, in June 2015, Moody's Investors Service upgraded the insurance financial strength rating of the Company from A1 to Aa3 and awarded a rating outlook of stable. This is the highest rating achieved in China and is at the same level as China's sovereign rating.

UNDERWRITING RESULTS

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

	Six months ended 30 June			
	2015		2014	
	<i>RMB million</i>	%	<i>RMB million</i>	%
Net earned premiums	115,740	100.0	99,646	100.0
Net claims incurred	(71,116)	(61.5)	(62,211)	(62.4)
Total expenses	(38,433)	(33.2)	(31,848)	(32.0)
Underwriting profit	<u>6,191</u>	<u>5.3</u>	<u>5,587</u>	<u>5.6</u>

GROSS WRITTEN PREMIUMS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	98,807	90,775
Commercial property insurance	8,205	8,174
Liability insurance	6,119	5,443
Accidental injury and health insurance	12,179	8,731
Cargo insurance	1,795	2,013
Agriculture insurance	12,588	10,943
Other insurance	6,539	6,039
Total	<u>146,232</u>	<u>132,118</u>

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

	Six months ended 30 June				
	2015			2014	
	Amount <i>RMB</i> <i>million</i>	Percentage <i>%</i>	Increase/ (decrease) <i>%</i>	Amount <i>RMB</i> <i>million</i>	Percentage <i>%</i>
Insurance agents	77,961	53.4	12.1	69,565	52.8
Individual insurance agents	42,080	28.8	4.2	40,379	30.6
Ancillary insurance agents	25,306	17.4	27.2	19,898	15.1
Professional insurance agents	10,575	7.2	13.9	9,288	7.1
Direct sales	59,783	41.0	18.4	50,483	38.3
Insurance brokers	8,182	5.6	(30.6)	11,788	8.9
Total	145,926	100.0	10.7	131,836	100.0

Gross written premiums of the Company and its subsidiaries were RMB146,232 million in the first half of 2015, representing an increase of RMB14,114 million (or 10.7%) from RMB132,118 million in the first half of 2014. The steady growth of the overall business was largely driven by the business development of the motor vehicle insurance, accidental injury and health insurance, liability insurance, agriculture insurance, etc.

Gross written premiums of the motor vehicle insurance segment of the Company and its subsidiaries were RMB98,807 million in the first half of 2015, representing an increase of RMB8,032 million (or 8.8%) from RMB90,775 million in the first half of 2014. With an external environment of sluggish new car sales, the Company took a positive approach to the deregulation of premium rate of commercial motor vehicle insurance, formulated differentiated marketing strategies, promoted the transformation of marketing model from “product-driven” to “customer-driven”, tapped into the existing business resources, and focused on the policy renewal and regain of existing business. As a result, the renewal rate increased, and the growth rate of premium income from policy renewal and transferred-in policies was higher than that of the overall motor vehicle insurance business, effectively driving the steady growth of motor vehicle insurance business.

Gross written premiums of the commercial property insurance segment of the Company and its subsidiaries were RMB8,205 million in the first half of 2015, representing an increase of RMB31 million (or 0.4%) from RMB8,174 million in the first half of 2014. In the first half of 2015, the overall growth of the commercial property insurance industry slowed down due to the economic structural adjustment and weakened investment initiatives among enterprises. By diligently expanding its product sales channels and strengthening its marketing, the Company achieved a stable commercial property insurance business growth.

Gross written premiums of the liability insurance segment of the Company and its subsidiaries were RMB6,119 million in the first half of 2015, representing an increase of RMB676 million (or 12.4%) from RMB5,443 million in the first half of 2014. The relatively rapid growth of the liability insurance segment was mainly due to the Company's actively serving the overall situation of national economy and society, reinforcing differentiated resources allocation and strengthening business promotion and training, thereby achieving relatively rapid growth in the employer liability insurance, medical liability insurance, extended warranty and repair liability insurance, public liability insurance and product liability insurance business.

Gross written premiums of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB12,179 million in the first half of 2015, representing an increase of RMB3,448 million (or 39.5%) from RMB8,731 million in the first half of 2014. One of the reasons for the rapid development of the accidental injury and health insurance segment was the Company's promotion of the business of critical illness insurance and accidental insurance relating to people's livelihood by successfully seizing the opportunities arising from the "New Ten Rules" policy. Another reason was the Company's efforts in the implementation of differentiated development strategy which included further tapping into the resources of existing customers through integration of channels to accelerate the development of drivers' accidental injury insurance and micro accidental injury insurance in rural areas, and promoting professional business management through its support of key projects to accelerate the development of emerging business such as surgical accidental injury insurance and travel insurance.

Gross written premiums of the cargo insurance segment of the Company and its subsidiaries were RMB1,795 million in the first half of 2015, representing a decrease of RMB218 million (or -10.8%) from RMB2,013 million in the first half of 2014. Affected by the macroeconomic situation and changes in the market environment, insurance customer resources for cargo insurance shrank with decreased premium rate and insured amount.

Gross written premiums of the agriculture insurance segment of the Company and its subsidiaries were RMB12,588 million in the first half of 2015, representing an increase of RMB1,645 million (or 15.0%) from RMB10,943 million in the first half of 2014. In the first half of 2015, the Company achieved relatively rapid growth in traditional agriculture insurance business by reinforcing its traditional direct sales channels and implementing the existing marketing strategy; at the same time, by technological innovation and tapping into the market potentials, the Company expanded the market space for forest insurance and animal breeding insurance, thereby driving the rapid growth of the new business.

Gross written premiums of other insurance segment of the Company and its subsidiaries were RMB6,539 million in the first half of 2015, representing an increase of RMB500 million (or 8.3%) from RMB6,039 million in the first half of 2014. The growth of gross written premiums of other insurance segment was mainly attributable to the Company's active innovation of products and sales model and diligent market expansion, resulting in the growth of credit and surety insurance, homeowners insurance and construction insurance business.

NET EARNED PREMIUMS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Motor vehicle insurance	91,588	78,906
Commercial property insurance	4,264	4,135
Liability insurance	4,065	3,526
Accidental injury and health insurance	6,700	4,649
Cargo insurance	1,240	1,338
Agriculture insurance	4,883	4,747
Other insurance	3,000	2,345
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Total	115,740	99,646
	<hr/> <hr/>	<hr/> <hr/>

Net earned premiums of the Company and its subsidiaries were RMB115,740 million in the first half of 2015, representing an increase of RMB16,094 million (or 16.2%) from RMB99,646 million in the first half of 2014.

NET CLAIMS INCURRED

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

	Six months ended 30 June			
	2015		2014	
	Net claims incurred	Loss ratio	Net claims incurred	Loss ratio
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
Motor vehicle insurance	(56,550)	(61.7)	(50,594)	(64.1)
Commercial property insurance	(2,011)	(47.2)	(1,847)	(44.7)
Liability insurance	(2,223)	(54.7)	(1,850)	(52.5)
Accidental injury and health insurance	(5,547)	(82.8)	(3,637)	(78.2)
Cargo insurance	(452)	(36.5)	(540)	(40.4)
Agriculture insurance	(2,880)	(59.0)	(2,797)	(58.9)
Other insurance	(1,453)	(48.4)	(946)	(40.3)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	(71,116)	(61.5)	(62,211)	(62.4)
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Net claims incurred of the Company and its subsidiaries in the first half of 2015 were RMB71,116 million, representing an increase of RMB8,905 million (or 14.3%) from RMB62,211 million in the first half of 2014. The loss ratio was 61.5%, representing a decrease of 0.9 percentage points compared with the same period of last year.

Net claims incurred of the motor vehicle insurance segment of the Company and its subsidiaries were RMB56,550 million in the first half of 2015, representing an increase of RMB5,956 million (or 11.8%) from RMB50,594 million in the first half of 2014. The loss ratio decreased by 2.4 percentage points from 64.1% in the first half of 2014 to 61.7% in the first half of 2015. The Company strengthened the underwriting risk control and optimised the business structure, thereby increasing the quality of the underwriting business. Meanwhile, as a result of the multi-faceted reinforcement of cost control in relation to settlement of claims such as by consistent strengthening of spare parts and man hours management and improvement in the building-up of a recommended repair workshops network, the loss ratio of the motor vehicle insurance segment decreased compared to the same period of last year.

Net claims incurred of the commercial property insurance segment of the Company and its subsidiaries were RMB2,011 million in the first half of 2015, representing an increase of RMB164 million (or 8.9%) from RMB1,847 million in the first half of 2014. The loss ratio increased by 2.5 percentage points from 44.7% in the first half of 2014 to 47.2% in the first half of 2015. Both the net claims incurred and loss ratio of the commercial property insurance segment increased due to the negative impact of large-amount claim cases and certain regional natural catastrophes.

Net claims incurred of the liability insurance segment of the Company and its subsidiaries were RMB2,223 million in the first half of 2015, representing an increase of RMB373 million (or 20.2%) from RMB1,850 million in the first half of 2014. The loss ratio increased by 2.2 percentage points from 52.5% in the first half of 2014 to 54.7% in the first half of 2015. As a result of an increase in both the number of claim cases and average claims incurred per case in relation to major insurance products such as employer liability insurance, logistics liability insurance and product liability insurance, both the net claims incurred and loss ratio of the liability insurance segment increased.

Net claims incurred of the accidental injury and health insurance segment of the Company and its subsidiaries were RMB5,547 million in the first half of 2015, representing an increase of RMB1,910 million (or 52.5%) from RMB3,637 million in the first half of 2014. The loss ratio increased by 4.6 percentage points from 78.2% in the first half of 2014 to 82.8% in the first half of 2015. In the first half of 2015, the critical illness insurance business saw rapid development with broader coverage and higher protection, resulting in an increase in the loss ratio of the accidental injury and health insurance segment.

Net claims incurred of the cargo insurance segment of the Company and its subsidiaries were RMB452 million in the first half of 2015, representing a decrease of RMB88 million (or -16.3%) from RMB540 million in the first half of 2014. The loss ratio decreased by 3.9 percentage points from 40.4% in the first half of 2014 to 36.5% in the first half of 2015. The decrease in both the net claims incurred and loss ratio of cargo insurance segment was due to the reduced number of large-amount claim cases.

Net claims incurred of the agriculture insurance segment of the Company and its subsidiaries were RMB2,880 million in the first half of 2015, representing an increase of RMB83 million (or 3.0%) from RMB2,797 million in the first half of 2014. The loss ratio increased by 0.1 percentage point from 58.9% in the first half of 2014 to 59.0% in the first half of 2015, remaining relatively stable compared to the same period of last year.

Net claims incurred of other insurance segment of the Company and its subsidiaries were RMB1,453 million in the first half of 2015, representing an increase of RMB507 million (or 53.6%) from RMB946 million in the first half of 2014. The loss ratio increased by 8.1 percentage points from 40.3% in the first half of 2014 to 48.4% in the first half of 2015, in particular, the loss ratio of credit insurance recorded a significant increase.

TOTAL EXPENSES

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

	Six months ended 30 June			
	2015		2014	
	Total expenses <i>RMB million</i>	Expense ratio %	Total expenses <i>RMB million</i>	Expense ratio %
Motor vehicle insurance	(31,116)	(34.0)	(25,410)	(32.2)
Commercial property insurance	(1,800)	(42.2)	(1,808)	(43.7)
Liability insurance	(1,522)	(37.4)	(1,326)	(37.6)
Accidental injury and health insurance	(1,409)	(21.0)	(931)	(20.0)
Cargo insurance	(559)	(45.1)	(638)	(47.7)
Agriculture insurance	(969)	(19.8)	(935)	(19.7)
Other insurance	(1,058)	(35.3)	(800)	(34.1)
Total	(38,433)	(33.2)	(31,848)	(32.0)

Total expenses of the Company and its subsidiaries were RMB38,433 million in the first half of 2015, representing an increase of RMB6,585 million (or 20.7%) from RMB31,848 million in the first half of 2014. The expense ratio increased by 1.2 percentage points from 32.0% in the first half of 2014 to 33.2% in the first half of 2015. The Company actively promoted the company-wide construction of thriftiness-oriented administrative organisations, adopted a cost-leading strategy, introduced management tools such as standard cost pool and project preferential mechanism and strictly controlled the operating costs, resulting in an administrative expense ratio of 3.5%, basically staying at the same level compared to the same period of last year. At the same time, the Company deepened the implementation of the strategic adjustment of the business structure, increased resources input to business with high quality, consistently promoted the building-up of the sales network and reinforced the construction of business

outlet infrastructures at the basic network level. As a result, the underwriting expense ratio was 29.7%, representing an increase of 1.2 percentage points compared to that of the same period of last year, which remained at a relatively low level as compared with those in the market.

UNDERWRITING PROFIT

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

	Six months ended 30 June			
	2015	Underwriting		2014
	Underwriting	profit/(loss)	Underwriting	Underwriting
	profit/(loss)	ratio	profit	profit ratio
	<i>RMB million</i>	%	<i>RMB million</i>	%
Motor vehicle insurance	3,922	4.3	2,902	3.7
Commercial property insurance	453	10.6	480	11.6
Liability insurance	320	7.9	350	9.9
Accidental injury and health insurance	(256)	(3.8)	81	1.8
Cargo insurance	229	18.4	160	11.9
Agriculture insurance	1,034	21.2	1,015	21.4
Other insurance	489	16.3	599	25.6
	<hr/>	<hr/>	<hr/>	<hr/>
Total	6,191	5.3	5,587	5.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company and its subsidiaries recorded an underwriting profit of RMB6,191 million in the first half of 2015, representing an increase of RMB604 million (or 10.8%) from RMB5,587 million in the first half of 2014; and the underwriting profit ratio was 5.3%, representing a decrease of 0.3 percentage points from 5.6% in the first half of 2014.

INVESTMENT RESULTS

Composition of Investment Assets

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

	30 June 2015		31 December 2014	
	Balance <i>RMB million</i>	Percentage %	Balance <i>RMB million</i>	Percentage %
By category:				
Cash and cash equivalents	25,444	7.7	24,157	8.2
Term deposits	98,992	29.8	88,236	29.9
Debt securities	105,338	31.7	107,789	36.5
Equity securities and mutual funds	61,874	18.6	40,951	13.9
Investments classified as loans and receivables	24,876	7.5	21,752	7.4
Investment properties	4,763	1.4	4,684	1.6
Investments in associates	8,085	2.4	4,750	1.6
Other investment assets (<i>Note</i>)	3,069	0.9	2,809	0.9
Total investment assets	<u>332,441</u>	<u>100.0</u>	<u>295,128</u>	<u>100.0</u>

Note: Other investment assets mainly include derivative financial assets and deposits for capital security fund.

In the first half of 2015, the Company maintained a steady growth in the underwriting business, which provided a stable cash flow support for the investment business of the Company. The Company strengthened the existing fund management model, which provided rapid and effective fund supply channels for investment business while assuring sufficient working capital for daily operation of the Company. As a result, the amount of the investment assets of the Company at the end of the reporting period increased by RMB37,313 million (or 12.6%) compared to the end of 2014. While enlarging the overall size of the investment assets, the Company timely adjusted the composition of investment assets with reference to the circumstances of the capital market and its own risk preferences and improved the quality of the investment portfolio so as to achieve a balance between profit earning and risk taking.

In the first half of 2015, the Company actively seized the operating opportunities in the capital market and adjusted the relative percentage of equity securities held by the Company at appropriate time. In the meantime, premised on strict risk control and ensuring the safe return of principals and interests, the Company increased the investments in energy, infrastructure and real estate-related debt investment schemes and prudently purchased corporate bonds with high credit ratings and high quality, with a view to expanding the channels for fund utilisation and increasing the investment yield.

Investment Income

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Rental income from investment properties	134	107
Interest income	6,159	5,108
Dividend income	1,299	687
	<hr/>	<hr/>
Total	7,592	5,902
	<hr/> <hr/>	<hr/> <hr/>

Investment income of the Company and its subsidiaries was RMB7,592 million in the first half of 2015, representing an increase of RMB1,690 million (or 28.6%) from RMB5,902 million in the first half of 2014, mainly due to the Company's continuous adoption of prudent and sound investment strategies and an increase in investments in negotiated deposits and debt investment schemes with stable income, which led to an increase in interest income by RMB1,051 million (or 20.6%) compared to the same period of last year.

Net Realised and Unrealised Gains/(Losses) on Investments

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Realised gains/(losses) on investments	5,449	(54)
Unrealised gains on investments	22	80
Impairment losses	–	(495)
Fair value gains on investment properties	72	21
	<hr/>	<hr/>
Total	5,543	(448)
	<hr/> <hr/>	<hr/> <hr/>

Net realised and unrealised gains on investments of the Company and its subsidiaries were RMB5,543 million in the first half of 2015, representing an increase of RMB5,991 million compared to the net realised and unrealised losses on investments of RMB448 million in the first half of 2014. The increase was mainly due to the further optimisation of the Company's equity securities investment composition by actively seizing the operating opportunities arising from the capital market, achieving an increase of realised gains on investments by RMB5,503 million to RMB5,449 million in the first half of this year from a loss of RMB54 million in the first half of 2014.

OVERALL RESULTS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	18,548	10,268
Income tax expense	(4,126)	(2,478)
Profit attributable to owners of the parent	14,422	7,790
Total assets (<i>Note</i>)	426,959	366,130

Note: Based on the data as at 30 June 2015 and 31 December 2014.

PROFIT BEFORE TAX

As a result of the foregoing, profit before tax of the Company and its subsidiaries was RMB18,548 million in the first half of 2015, representing an increase of RMB8,280 million (or 80.6%) from RMB10,268 million in the first half of 2014.

INCOME TAX EXPENSE

Income tax expense of the Company and its subsidiaries was RMB4,126 million in the first half of 2015, representing an increase of RMB1,648 million from RMB2,478 million in the first half of 2014. The increase in the income tax expense of the Company and its subsidiaries was primarily due to an increase in the profit before tax in the first half of 2015.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of the foregoing, profit attributable to owners of the parent increased by RMB6,632 million from RMB7,790 million in the first half of 2014 to RMB14,422 million in the first half of 2015. Basic earnings per share attributable to owners of the parent in the first half of 2015 was RMB0.973.

CASH FLOWS

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

	Six months ended 30 June	
	2015	2014
	<i>RMB million</i>	<i>RMB million</i>
Net cash flows from operating activities	11,092	17,491
Net cash flows used in investing activities	(17,607)	(15,042)
Net cash flows from financing activities	7,802	2,563
Net increase in cash and cash equivalents	1,287	5,012

In the first half of 2015, the net cash flows from operating activities of the Company and its subsidiaries were RMB11,092 million, representing a decrease of RMB6,399 million (or -36.6%) from RMB17,491 million in the first half of 2014. On one hand, due to the intensifying market competition and other reasons, the amount of cash expenditure such as underwriting expenses, taxes and duties increased to some extent. On the other hand, the government finance-backed business of the Company such as critical illness insurance and agriculture insurance developed rapidly and the proportion of their business in the Company increased. As the government funding for such business had not yet been received, the premiums receivable for the first half of 2015 increased relatively faster, impacting the cash in-flow.

In the first half of 2015, the net cash flows used in investing activities of the Company and its subsidiaries increased by RMB2,565 million compared to the first half of 2014, mainly due to the Company's actively seizing the operating opportunities arising from the capital market and increasing the stock and fund investments.

In the first half of 2015, the net cash flows from financing activities of the Company and its subsidiaries increased by RMB5,239 million compared to the first half of 2014, mainly from the securities sold under agreements to repurchase.

As at 30 June 2015, the cash and cash equivalents of the Company and its subsidiaries were RMB25,444 million.

LIQUIDITY

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

In October 2014, June 2011 and December 2006, the Company issued fixed-rate subordinated term debts of RMB8 billion, RMB5 billion and RMB3 billion, respectively, each with a term of 10 years, to institutional investors in the PRC for the primary purpose of increasing the Company's solvency margin.

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

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

CAPITAL EXPENDITURE

The capital expenditure of the Company and its subsidiaries primarily includes expenditure for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information systems. Capital expenditure of the Company and its subsidiaries was RMB861 million in the first half of 2015.

SOLVENCY MARGIN REQUIREMENT

The Company is subject to a number of laws and regulations regarding financial operations of the Company, including the regulatory requirements for maintaining a stipulated solvency margin and providing for certain funds and reserves. In accordance with the insurance laws and regulations of the PRC, the Company was required to maintain a minimum solvency margin of RMB35,496 million on 30 June 2015. The Company's actual solvency margin calculated pursuant to the regulations of the CIRC was RMB80,062 million and the solvency margin ratio was 226% (*Note*) on 30 June 2015.

Note: In calculating the solvency margin, the assessment standards for liability reserves as promulgated by the CIRC shall continue to apply to insurance contract liabilities while PRC Accounting Standards for Business Enterprises shall apply to non-insurance contract liabilities.

GEARING RATIO

As at 30 June 2015, the gearing ratio (*Note*) of the Company and its subsidiaries was 72.9%, representing an increase of 2.5 percentage points from 70.4% as at 31 December 2014.

Note: Gearing ratio is represented by total liabilities (excluding subordinated term debts) divided by total assets under accounting principles generally accepted in Hong Kong.

CONTINGENT EVENT

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

There were certain pending legal proceedings for the Company and its subsidiaries as at 30 June 2015. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not cause significant losses to the Company and its subsidiaries.

CREDIT RISK

Credit risk is the risk of economic loss incurred by the Company and its subsidiaries resulting from the inability of debtors of the Company and its subsidiaries to make any principal or interest payments when due. The assets of the Company and its subsidiaries which are subject to credit risk are substantially insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

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

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

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

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

EXCHANGE RATE RISK

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

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

INTEREST RATE RISK

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

INTEREST RATE SWAPS

The Company's financial assets which bear interests at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties. As at 30 June 2015, the interest rate swap contracts held by the Company had an aggregate notional amount of RMB1,250 million.

DEVELOPMENT OF NEW PRODUCTS

In the first half of 2015, the Company closely tracked the market focus and customer demands and submitted a total of 174 insurance provisions and premium rate to the insurance regulatory authorities for approval and filing, consisting of 94 national provisions and premium rate, 80 regional provisions and premium rate, 77 main insurance provisions and premium rate and 97 rider provisions and premium rate.

As at 30 June 2015, the Company had 6,852 insurance provisions in operation and use, of which 4,532 are national provisions and 2,320 are regional provisions.

EMPLOYEES

As at 30 June 2015, the Company had 163,718 employees. In the first half of 2015, the Company and its subsidiaries paid a total remuneration of RMB14,657 million to their employees, which mainly included basic salaries, performance-related bonus, and various insurances and benefits contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the employees' performance and work efficiency by providing various career development paths, strengthening personnel training, implementing performance appraisal and several other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

LOOKING FORWARD

In 2015, the progressive implementation of the Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry, the establishment of Asian Infrastructure Investment Bank and the implementation of the "One Belt and One Road" strategy brought historic new business opportunities and more room for development of the insurance industry in China. However, the Company faces greater challenges in the course of its development due to factors such as intensifying market competition and accelerated facilitation of deregulation of commercial motor vehicle insurance premium rate. Faced with the complex and volatile external conditions, the Company will, by adhering to the basic principle of assuring "sustainability, value, quality and profitability", take the initiative to grasp business opportunities and meet challenges by focusing on the following four areas to ensure satisfactory completion of its targets for this year:

- Seize the trends arising from the development of the auto market and changes in the motor vehicle insurance market competition, proactively respond to and deal with the reform of commercial motor vehicle insurance and enhance the development capacity of motor vehicle insurance;
- Seize the trends arising from the development of the non-motor insurance market and demands for insurance services under the "new normal" economy, speed up the expansion of the potential market and enhance the development capacity of the non-motor insurance;
- Seize the trends arising from changes in consumer behavior and development of the insurance industry in the internet era, speed up the layout of the internet insurance business and promote full transformation towards a customer-oriented business mode;
- Continuously strengthen cost control, optimise the business and cost structures and insist on development with profitability.

INTERIM DIVIDEND

The Board of Directors does not propose any interim dividend for the six months ended 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities in the first half of 2015.

CORPORATE GOVERNANCE

Save for the deviation from code provision A.4.2 of the Corporate Governance Code, the Company complied with all the code provisions of the Corporate Governance Code in the first half of 2015.

According to code provision A.4.2 of the Corporate Governance Code, every director shall be subject to retirement by rotation at least once every three years. The terms of office of Mr. Luk Kin Yu, Peter and Mr. Ding Ningning, former Independent Non-executive Directors, should have expired on 28 April 2011 and 17 January 2012 respectively, and the terms of all the other Directors should have expired on 16 January 2014. However, in accordance with the provisions of the Company Law, where a director has not been re-elected upon the expiry of his/her term of office or due to the resignation of a director, the number of directors is less than the statutory minimum number, the existing director shall continue to serve as a director until the newly elected director commences his/her term of office. Therefore, although the terms of office of Mr. Luk Kin Yu, Peter, Mr. Ding Ningning and all the other Directors had expired, they continued to serve as Directors until the newly elected directors commenced their terms of office. Afterwards, Mr. Luk Kin Yu, Peter resigned as an Independent Non-executive Director on 12 January 2015 and Mr. Zhou Shurui resigned as a Non-executive Director on 20 March 2015. At the annual general meeting of the Company held on 26 June 2015, Directors of the fourth session of the Board were elected for a term of three years with effect from 26 June 2015. On the same day, Mr. Ding Ningning retired as an Independent Non-executive Director. As a result, the Company was not in compliance with the requirement of the Corporate Governance Code with respect to retirement of every director by rotation during the period from 29 April 2011 to 25 June 2015.

According to the requirement of Rule 3.10A of the Listing Rules, an issuer must appoint independent non-executive directors representing at least one-third of the board. Following the resignation of Mr. Luk Kin Yu, Peter as an Independent Non-executive Director on 12 January 2015, the Board of Directors comprised ten members, including three Executive Directors, four Non-executive Directors and three Independent Non-executive Directors, which was not in compliance with the requirement of Rule 3.10A of the Listing Rules. Following the resignation of Mr. Zhou Shurui as a Non-executive Director on 20 March 2015, the Board of Directors comprised nine members and the number of Independent Non-executive Directors represented one-third of the total number of members of the Board, therefore the Company re-complied with Rule 3.10A of the Listing Rules. Following the election of Directors of the fourth session of the Board at the annual general meeting of the Company held on 26 June 2015, the Board comprises thirteen members, including four Executive Directors, four Non-executive Directors and five Independent Non-executive Directors, and the Company continues to comply with the requirement of Rule 3.10A of the Listing Rules.

REVIEW OF INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's auditor, and the Audit Committee of the Company have reviewed the condensed consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2015.

DEFINITIONS

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

“Board” or “Board of Directors”	the board of directors of the Company
“CIRC”	China Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Company Law”	the Company Law of the People’s Republic of China
“Corporate Governance Code”	the corporate governance code section contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PICC Group”	The People’s Insurance Company (Group) of China Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board

Wu Yan

Chairman

Beijing, the PRC
28 August 2015

As at the date of this announcement, the Chairman of the Board is Mr. Wu Yan (executive director), the Vice Chairman is Mr. Guo Shengchen (executive director), the non-executive directors are Mr. Wang Yincheng, Ms. Yu Xiaoping, Mr. Li Tao and Mr. David Xianglin Li, Mr. Wang He and Mr. Lin Zhiyong are executive directors and the independent non-executive directors are Mr. Liao Li, Mr. Lin Hanchuan, Mr. Lo Chung Hing, Mr. Na Guoyi and Mr. Ma Yusheng.