



中国人民财产保险股份有限公司

PICC PROPERTY AND CASUALTY COMPANY LIMITED

Stock Code : 2328



Interim Report

2022

Company Profile

The Company, the largest property and casualty insurance company on the Chinese mainland, was established in July 2003 with PICC Group as its sole promoter. The Company became the first domestic financial enterprise listed overseas when the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 November 2003. The Company currently has a total share capital of 22,242,765,303 shares, of which 68.98% are held by PICC Group and 31.02% by H Shareholders.

PRINCIPAL ACTIVITIES

Motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, credit insurance, surety insurance, household property insurance, marine hull insurance and other insurance businesses, which are denominated in RMB and foreign currencies, and the related reinsurance businesses as well as investment and funds application business permitted under the relevant laws and regulations of the PRC.

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Financial Summary

RESULTS

	Six months ended 30 June		Change %
	2022 <i>RMB million</i>	2021 <i>RMB million</i>	
Gross written premiums	277,408	252,626	9.8
Underwriting profit	8,246	5,406	52.5
Investment income	10,497	9,746	7.7
Net realised and unrealised gains on investments	1,797	3,543	-49.3
Share of profits or losses of associates and joint ventures	1,937	1,877	3.2
Profit before income tax	22,516	19,716	14.2
Income tax expense	(3,475)	(3,219)	8.0
Net profit for the period	19,041	16,497	15.4

ASSETS AND LIABILITIES

	30 June 2022 <i>RMB million</i>	31 December 2021 <i>RMB million</i>	Change %
Total assets	766,461	682,622	12.3
Total liabilities	556,719	476,973	16.7
Total equity	209,742	205,649	2.0

Business Development Achieved Fast Growth

RMB **277,408** million **34.4%**
Gross written premiums Market share

Underwriting Profitability Improved Significantly

RMB **8,246** million **96.0%**
Underwriting profit Combined ratio

Total Investment Income Decreased Slightly

RMB **14,231** million **5.3%**
Total investment income Total investment yield
(annualised)

Overall Profitability Enhanced Quickly

RMB **22,516** million RMB **19,041** million
Profit before income tax Net profit
for the period

Size of Asset Increased Steadily

RMB **766,461** million RMB **209,742** million
Total assets Total equity

Solvency Margin Remained Adequate

208.3% **236.3%**
Core solvency margin ratio Comprehensive
solvency margin ratio

Discussion and Analysis of Operating Results and Financial Conditions

I. PERFORMANCE HIGHLIGHTS

In the first half of 2022, under the guidance of the PICC Group's "Excellent Insurance Strategy", the Company and its subsidiaries expanded the essence of the "Six Strategic Services" of rural revitalisation, smart transportation, health and elderly care, green environment, scientific and technological innovation and social governance, increased and upgraded insurance supplies; comprehensively promoted the reform of system and mechanism, integrated product development, channel marketing, underwriting and pricing, risk control service and other responsibilities to implement penetrating management and integrated operations. The Company and its subsidiaries strengthened overall risk management, enhanced prevention of business risks and control of claims, promoted transformation and upgrade of internal control, continuously reinforced the solid operation foundation, and enhanced the quality of development during the building of a new development model.

SEEKING PROGRESS WHILE MAINTAINING STABILITY IN BUSINESS DEVELOPMENT, ACHIEVING A FURTHER BALANCED BUSINESS STRUCTURE

In the first half of 2022, the Company and its subsidiaries consistently optimised business operation modes. While maintaining the established advantages, the Company and its subsidiaries promoted business integration and product innovation, and proactively controlled business of high risks, achieving gross written premiums of RMB277,408 million, representing a year-on-year increase of 9.8%. The market share accounted for 34.4% (Note) of the property insurance market in the PRC. Among which, the motor vehicle insurance achieved gross written premiums of RMB128,808 million, representing a year-on-year increase of 6.7%. The share of household motor vehicle insurance business accounted for 71.0%, representing a year-on-year increase of 2.3 percentage points, indicating the continuous optimisation of the business structure of motor vehicle insurance. Non-motor vehicle insurance business achieved gross written premiums of RMB148,600 million, representing a year-on-year increase of 12.7%; the share of non-motor vehicle insurance business accounted for 53.6%, representing a year-on-year increase of 1.4 percentage points, indicating a more balanced overall business structure.

Note: Calculated based on the data of the PRC insurance industry published on the website of the CBIRC. Beginning from June 2021, the aggregate data of property insurance industry published by the CBIRC was exclusive of certain institutions undergoing settlement of risks in the insurance industry.

Gross written premiums
RMB277,408 million



Market share
34.4%

REMARKABLY ELEVATED OPERATION PROFITABILITY, CONTINUOUSLY ENHANCED COMPREHENSIVE STRENGTH

In the first half of 2022, the Company and its subsidiaries focused on quality improvement, cost reduction and efficiency enhancement, adhered to the development with profitability, and achieved underwriting profit of RMB8,246 million, representing a year-on-year increase of 52.5%. The combined ratio was 96.0%, representing a year-on-year decrease of 1.2 percentage points. The underwriting profit recorded fast growth. The profit before income tax was RMB22,516 million, representing a year-on-year increase of 14.2%; the net profit was RMB19,041 million, representing a year-on-year increase of 15.4%; the annualised return on equity was 18.3%, representing a year-on-year increase of 1.3 percentage points. The net cash flows generated from operating activities were RMB28,225 million, representing a year-on-year increase of 252.5% with a significant improvement in liquidity.

Net profit for the Period
RMB19,041 million



As at 30 June 2022, the total assets of the Company and its subsidiaries were RMB766,461 million, representing an increase of 12.3% as compared to the beginning of 2022; the net assets amounted to RMB209,742 million, representing an increase of 2.0% as compared to the beginning of 2022. The core solvency margin ratio was 208.3% and the comprehensive solvency margin ratio was 236.3%. Due to the Company's prominent industry position and continuous improvement in overall strengths, Moody's Investors Service continued to maintain the Company's insurance financial strength rating of A1, the highest rating on the Chinese mainland.

SERVING THE OVERALL ECONOMIC AND SOCIAL DEVELOPMENT, DEMONSTRATING CORPORATE RESPONSIBILITIES

The Company and its subsidiaries actively served the national overall development and provided great support for the real economy. In the first half of 2022, the Company undertook an aggregated insurance liability of more than RMB980 trillion, representing a year-on-year increase of 14.2%. The Company provided all-around supports for the successful hosting of Beijing 2022 Winter Olympic Games and Paralympic Games; underwrote as the leading insurer of major programs such as ChinaSat 6D and wind power by CNOOC Rongfeng Energy Co., Ltd., and iconic projects of “the Belt and Road” such as offshore wind power in Tỉnh Cà Mau, Vietnam developed by Power China. To serve the rural revitalisation, the Company proactively developed and promoted dedicated products such as the “Rural Insurance” and rural An Kang series products. In the first half of 2022, the “Rural Insurance” provided risk coverage of RMB20.9 trillion for 99.95 million rural households. To serve smart transportation, the Company vigorously promoted innovation in motor vehicle insurance products to meet new trends in transportation development, including new energy and intelligent network, and continuously refine the motor vehicle insurance. To serve health and elderly care, the Company has undertaken accumulatively 1,210 social medical insurance projects, covering 283 cities in 30 provinces and serving 780 million people. The Company has undertaken an aggregate of 158 commercial Huimin Insurance projects, serving a breakthrough of 75 million people with insured amount exceeding RMB15 trillion. To serve green environment, the Company innovated and developed green insurance, promoted the development of green industry, and actively explored the pilot carbon insurance. In the first half of 2022, the insured amount of the environmental pollution liability insurance increased by 17.2% year-on-year. To serve scientific and technological innovation, the Company continuously enhanced supplies of scientific and technological insurance, strengthened financing support for the scientific and technological enterprises, and met the package insurance demands from such enterprises. The Company entered into strategic cooperation agreements of intellectual property insurance with 14 provinces. To serve social governance, the Company improved comprehensive governance insurance products and accelerated the business development, which has basically covered the whole country.

RESPONDING TO MAJOR CHALLENGES, DELIVERING PEOPLE’S INSURANCE WITH WARMTH

The Company and its subsidiaries proactively coped with emergencies of China Eastern Airlines and Tibet Airlines, natural catastrophes such as earthquakes in Ya’an and Aba, Sichuan, rainstorms and Typhoon Chaba, launched emergency plans immediately, and sent claim settlement panel to the sites; actively cooperated with local governments to provide disaster relief; arranged green channels for claim settlement, delivered fast prepayment and quick settlements for catastrophes, spared no efforts to be the social “stabiliser” and guarantee the normal work and life of people. The Company and its subsidiaries made great efforts to support the overall fight against the Covid-19 pandemic, promoted work resumption, formulated and took measures regarding stabilising market participants, stabilising industrial chain and supply chain, stabilising foreign trade, boosting consumption and effective investments, securing food safety and price stability, and ensuring energy safety and basic livelihood. The Company and its subsidiaries strived to serve the implementation of central government’s policies and deliver people’s insurance with warmth.

II. PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

(I) INSURANCE BUSINESS

1. Business Overview

Underwriting results

In the first half of 2022, the Company and its subsidiaries achieved gross written premiums of RMB277,408 million, representing a year-on-year increase of RMB24,782 million (or 9.8%). The business growth was largely driven by the development of the accidental injury and health insurance, motor vehicle insurance, agriculture insurance, etc. The Company and its subsidiaries concentrated on quality improvement, cost reduction and efficiency enhancement, upgraded the actuarial pricing model, strengthened the control of high-risk business, continuously enhanced the level of refined claims management, aligned premiums with expenses, improved the efficiency of resource utilisation, and significantly boosted underwriting performance. The loss ratio was 71.5%, representing a year-on-year decrease of 0.2 percentage point; the expense ratio was 24.5%, representing a year-on-year decrease of 1.0 percentage point; the combined ratio was 96.0%, representing a year-on-year decrease of 1.2 percentage points; the underwriting profit amounted to RMB8,246 million, representing a year-on-year increase of 52.5%.

The following table sets forth the key operating results and selected financial indicators of the insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	277,408	252,626	9.8
Net earned premiums	203,876	189,774	7.4
Net claims incurred	(145,767)	(136,031)	7.2
Total expenses	(49,863)	(48,337)	3.2
Underwriting profit	8,246	5,406	52.5
Loss ratio (%)	(71.5)	(71.7)	Decreased by 0.2 pp
Expense ratio (%)	(24.5)	(25.5)	Decreased by 1.0 pp
Combined ratio (%)	(96.0)	(97.2)	Decreased by 1.2 pp

Distribution channels

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

	Six months ended 30 June					
	2022			2021		
	Amount <i>RMB million</i>	Percentage %	Change %	Amount <i>RMB million</i>	Percentage %	
Insurance agents	146,027	52.8	7.2	136,180	54.1	
Among which:						
Individual insurance agents	82,468	29.8	11.9	73,683	29.3	
Ancillary insurance agents	15,976	5.8	-14.6	18,702	7.4	
Professional insurance agents	47,583	17.2	8.6	43,795	17.4	
Direct sales	107,107	38.7	11.5	96,046	38.1	
Insurance brokers	23,537	8.5	20.1	19,599	7.8	
Total	276,671	100.0	9.9	251,825	100.0	

Geographical segments

The following table sets forth the direct written premiums of the Company and its subsidiaries by top ten regions for the relevant periods:

	Six months ended 30 June		
	2022 <i>RMB million</i>	2021 <i>RMB million</i>	Change %
Guangdong Province	26,864	23,812	12.8
Jiangsu Province	26,706	23,985	11.3
Zhejiang Province	20,958	18,337	14.3
Shandong Province	18,281	16,427	11.3
Hebei Province	14,662	13,713	6.9
Hunan Province	13,385	12,044	11.1
Hubei Province	13,287	11,566	14.9
Sichuan Province	12,587	12,202	3.2
Anhui Province	12,156	10,433	16.5
Fujian Province	11,231	10,510	6.9
Other regions	106,554	98,796	7.9
Total	276,671	251,825	9.9

2. Operating results by insurance segments

(1) Motor vehicle insurance

The following table sets forth the key operating results and selected financial indicators of the motor vehicle insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	128,808	120,755	6.7
Net earned premiums	124,616	119,073	4.7
Net claims incurred	(86,893)	(83,788)	3.7
Total expenses	(32,037)	(31,360)	2.2
Underwriting profit	5,686	3,925	44.9
Loss ratio (%)	(69.7)	(70.4)	Decreased by 0.7 pp
Expense ratio (%)	(25.7)	(26.3)	Decreased by 0.6 pp
Combined ratio (%)	(95.4)	(96.7)	Decreased by 1.3 pp

In the first half of 2022, the Company and its subsidiaries actively coped with the impact from the Covid-19 pandemic and the decline in production and sales of new motor vehicles, dug out the market potentials, continuously enhanced service quality and capability of precise pricing, and strengthened building of distribution channels, increasing customers' loyalty with greater comprehensive strength. The renewal rate of auto insurance increased by 1.7 percentage points year-on-year, and the number of insured autos increased by 4.7% year-on-year. The gross written premiums of the motor vehicle insurance achieved RMB128,808 million, which increased by RMB8,053 million (or 6.7%) year-on-year.

The Company and its subsidiaries continued to optimise business quality and structure, enhanced the accuracy of risk pricing, strengthened alignment of premiums with expenses and process control, and highlighted refined management. Loss reduction measures such as subrogation and technological claims effectively offset unfavorable factors such as increase in auto parts prices and labor cost as well as the rise in personal injury standards. The loss ratio of motor vehicle insurance was 69.7%, representing a year-on-year decrease of 0.7 percentage point. In the meantime, the Company and its subsidiaries increased the efficiency of allocation of resources for distribution channels, and continued to promote cost reduction and efficiency enhancement. The expense ratio of motor vehicle insurance was 25.7%, representing a year-on-year decrease of 0.6 percentage point; the combined ratio was 95.4%, representing a year-on-year decrease of 1.3 percentage points; and the underwriting profit amounted to RMB5,686 million, representing a year-on-year increase of RMB1,761 million (or 44.9%).

(2) *Accidental injury and health insurance*

The following table sets forth the key operating results and selected financial indicators of the accidental injury and health insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	68,882	60,036	14.7
Net earned premiums	39,807	35,055	13.6
Net claims incurred	(32,918)	(29,750)	10.6
Total expenses	(7,192)	(5,837)	23.2
Underwriting loss	(303)	(532)	—
Loss ratio (%)	(82.7)	(84.9)	Decreased by 2.2 pp
Expense ratio (%)	(18.1)	(16.7)	Increased by 1.4 pp
Combined ratio (%)	(100.8)	(101.6)	Decreased by 0.8 pp

In the first half of 2022, the Company and its subsidiaries strategically expanded accidental injury and health insurance business, concentrated on the strategy of “Healthy China”, continuously consolidated the established advantages of social medical insurance, promoted the integrated development of social medical insurance and commercial medical insurance, and proactively facilitated development of “Huimin Insurance”. The penetration rate of accidental insurance of household motor vehicle customers increased continuously. Social medical insurance and individual health insurance as well as accidental insurance for drivers and passengers achieved remarkable growth. The gross written premiums of accidental injury and health insurance amounted to RMB68,882 million, representing a year-on-year increase of RMB8,846 million (or 14.7%).

The Company and its subsidiaries strengthened risk control of high loss-making business, and vigorously developed individual diversified accidental injury and health insurance business. The loss ratio of accidental injury and health insurance was 82.7%, representing a year-on-year decrease of 2.2 percentage points; the expense ratio was 18.1%, representing a year-on-year increase of 1.4 percentage points; the combined ratio was 100.8%, which decreased by 0.8 percentage point year-on-year; and the underwriting loss was RMB303 million, as compared to an underwriting loss of RMB532 million for the corresponding period of previous year.

(3) Agriculture Insurance

The following table sets forth the key operating results and selected financial indicators of the agriculture insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	36,721	29,673	23.8
Net earned premiums	14,865	11,743	26.6
Net claims incurred	(11,527)	(8,906)	29.4
Total expenses	(1,758)	(2,480)	-29.1
Underwriting profit	1,580	357	342.6
Loss ratio (%)	(77.5)	(75.8)	Increased by 1.7 pp
Expense ratio (%)	(11.8)	(21.1)	Decreased by 9.3 pp
Combined ratio (%)	(89.3)	(96.9)	Decreased by 7.6 pp

In the first half of 2022, the Company and its subsidiaries comprehensively promoted rural revitalisation and modernisation of agriculture and rural areas, thoroughly implemented the central government's pilot of the policy-oriented full cost and income insurance for three major crops, promoted product innovation, and enriched and optimised product supply. The gross written premiums of the agriculture insurance reached RMB36,721 million, representing a year-on-year increase of RMB7,048 million (or 23.8%).

Due to the impact of natural disasters such as windstorms and rainstorms as well as diseases, the loss ratio of agriculture insurance was 77.5%, which increased by 1.7 percentage points year-on-year. The Company and its subsidiaries strengthened expense control and effectively reduced costs, resulting in an expense ratio of 11.8%, which decreased by 9.3 percentage points year-on-year. The combined ratio was 89.3%, representing a year-on-year decrease of 7.6 percentage points, and the underwriting profit reached RMB1,580 million, representing a year-on-year increase of RMB1,223 million (or 342.6%).

(4) Liability Insurance

The following table sets forth the key operating results and selected financial indicators of the liability insurance business of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	19,265	18,876	2.1
Net earned premiums	12,210	10,874	12.3
Net claims incurred	(8,668)	(6,866)	26.2
Total expenses	(4,195)	(3,841)	9.2
Underwriting (loss) /profit	(653)	167	—
Loss ratio (%)	(71.0)	(63.1)	Increased by 7.9 pp
Expense ratio (%)	(34.4)	(35.3)	Decreased by 0.9 pp
Combined ratio (%)	(105.4)	(98.4)	Increased by 7.0 pp

In the first half of 2022, the Company and its subsidiaries continued to promote the integrated development of liability insurance business, proactively responded to the changing trend of market demands and promptly adjusted product marketing strategies; enhanced underwriting risk control and management, optimised business structure, proactively reduced the scale of high-risk business, and initiatively promoted businesses regarding work safety, government assistance, product liability, etc. The liability insurance achieved gross written premiums of RMB19,265 million, representing a year-on-year increase of RMB389 million (or 2.1%).

The Company and its subsidiaries implemented differentiated dynamic management of expenses, and optimised allocation of expense resources with a expense ratio of liability insurance of 34.4%, representing a year-on-year decrease of 0.9 percentage point. Due to the increase of claim liability of personal injury-involved insurance, the loss ratio of the liability insurance was 71.0%, representing a year-on-year increase of 7.9 percentage points; the combined ratio was 105.4%, representing a year-on-year increase of 7.0 percentage points; and the underwriting loss was RMB653 million, as compared to an underwriting profit of RMB167 million in the corresponding period of previous year.

(5) Commercial property insurance

The following table sets forth the key operating results and selected financial indicators of the commercial property insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	10,252	10,121	1.3
Net earned premiums	4,565	4,525	0.9
Net claims incurred	(2,528)	(2,604)	-2.9
Total expenses	(1,744)	(1,826)	-4.5
Underwriting profit	293	95	208.4
Loss ratio (%)	(55.4)	(57.5)	Decreased by 2.1 pp
Expense ratio (%)	(38.2)	(40.4)	Decreased by 2.2 pp
Combined ratio (%)	(93.6)	(97.9)	Decreased by 4.3 pp

In the first half of 2022, the Company and its subsidiaries leveraged the trend of recovery in domestic economy and release of insurance demands of enterprises, served the risk control demand of enterprises, vigorously boosted development of high-quality business and strengthened control over high-risk business. The commercial property insurance reached gross written premiums of RMB10,252 million, representing a year-on-year increase of RMB131 million (or 1.3%).

The Company and its subsidiaries adopted a refined underwriting policy and took measures in relation to risk control and management, strengthened the building of independent underwriter teams, and applied interaction between underwriting and claim as well as quality and expenses. The loss ratio of the commercial property insurance was 55.4%, representing a year-on-year decrease of 2.1 percentage points; the expense ratio was 38.2%, representing a year-on-year decrease of 2.2 percentage points; the combined ratio was 93.6%, representing a year-on-year decrease of 4.3 percentage points. The underwriting profit was RMB293 million, representing a year-on-year increase of RMB198 million (or 208.4%).

(6) Credit and surety insurance

The following table sets forth the key operating results and selected financial indicators of the credit and surety insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	2,674	1,163	129.9
Net earned premiums	2,373	2,932	-19.1
Net claims incurred	(687)	(1,804)	-61.9
Total expenses	(817)	(824)	-0.8
Underwriting profit	869	304	185.9
Loss ratio (%)	(29.0)	(61.5)	Decreased by 32.5 pp
Expense ratio (%)	(34.4)	(28.1)	Increased by 6.3 pp
Combined ratio (%)	(63.4)	(89.6)	Decreased by 26.2 pp

In the first half of 2022, the Company and its subsidiaries took advantage of the gradual recovery in global supply chain and growth in demands of import and export, actively contributed to the real economy and promoted the innovation of inclusive financial products. The overall credit and surety insurance achieved gross written premiums of RMB2,674 million, representing a year-on-year increase of RMB1,511 million (or 129.9%).

The Company and its subsidiaries continued to strengthen the cost control, and maintained the aggregate amount of expenses at a relatively steady level. However, subject to the decline in net earned premiums, the expense ratio of credit and surety insurance increased 6.3 percentage points year-on-year. The Company and its subsidiaries made continuous effort to optimise risk control model, improve the business quality and enhanced process monitoring and subrogation management to promote loss deduction. The loss ratio of the overall credit and surety insurance was 29.0%, representing a year-on-year decrease of 32.5 percentage points; the combined ratio was 63.4%, which decreased by 26.2 percentage points year-on-year; the underwriting profit was RMB869 million, representing a year-on-year increase of RMB565 million (or 185.9%).

(7) Cargo insurance

The following table sets forth the key operating results and selected financial indicators of the cargo insurance of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	2,580	2,529	2.0
Net earned premiums	1,586	1,409	12.6
Net claims incurred	(922)	(587)	57.1
Total expenses	(528)	(578)	-8.7
Underwriting profit	136	244	-44.3
Loss ratio (%)	(58.1)	(41.7)	Increased by 16.4 pp
Expense ratio (%)	(33.3)	(41.0)	Decreased by 7.7 pp
Combined ratio (%)	(91.4)	(82.7)	Increased by 8.7 pp

In the first half of 2022, the Company and its subsidiaries proactively seized opportunities brought by recovery of the import and export trade as well as domestic logistics, and vigorously developed business in relation to hot spots of foreign trade such as cross-border e-commerce, which led to a fast development of import and export and internet cargo insurance. The gross written premiums of overall cargo insurance were RMB2,580 million, representing a year-on-year increase of RMB51 million (or 2.0%).

The Company and its subsidiaries adhered to profitable operation, and enhanced cost control. The expense ratio of cargo insurance was 33.3%, representing a year-on-year decrease of 7.7 percentage points. Due to rise in the claim frequency, the loss ratio of cargo insurance was 58.1%, representing a year-on-year increase of 16.4 percentage points; the combined ratio was 91.4%, representing a year-on-year increase of 8.7 percentage points; the underwriting profit was RMB136 million, representing a year-on-year decrease of RMB108 million (or -44.3%).

(8) Other insurances

The following table sets forth the key operating results and selected financial indicators of other insurances of the Company and its subsidiaries for the relevant periods:

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Gross written premiums	8,226	9,473	-13.2
Net earned premiums	3,854	4,163	-7.4
Net claims incurred	(1,624)	(1,726)	-5.9
Total expenses	(1,592)	(1,591)	0.1
Underwriting profit	638	846	-24.6
Loss ratio (%)	(42.1)	(41.5)	Increased by 0.6 pp
Expense ratio (%)	(41.3)	(38.2)	Increased by 3.1 pp
Combined ratio (%)	(83.4)	(79.7)	Increased by 3.7 pp

In the first half of 2022, the gross written premiums of other insurances of the Company and its subsidiaries were RMB8,226 million, representing a year-on-year decrease of RMB1,247 million (or -13.2%), which was mainly due to the year-on-year decrease in special risk insurance business and construction insurance business.

Other insurances of the Company and its subsidiaries recorded underwriting profit of RMB638 million. The expense ratio was 41.3%, representing a year-on-year increase of 3.1 percentage points due to the market competition; the loss ratio was 42.1%, representing a year-on-year increase of 0.6 percentage point due to impacts of major claims including China Eastern Airlines; the combined ratio was 83.4%, representing a year-on-year increase of 3.7 percentage points.

(II) INSURANCE FUNDS INVESTMENT BUSINESS

1. Investment results

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Investment income	10,497	9,746	7.7
Net investment income	10,497	9,746	7.7
Net realised and unrealised gains on investments	1,797	3,543	-49.3
Share of profits or losses of associates and joint ventures	1,937	1,877	3.2
Total investment assets	14,231	15,166	-6.2
Net investment yield* (annualised) (%)	3.9	3.8	0.1
Total investment yield** (annualised) (%)	5.3	5.9	-0.6
Total investment assets***	544,775	534,072	2.0

* Net investment yield = Net investment income/(balance of the total investment assets at the beginning of the reporting period + balance of the total investment assets at the end of the reporting period) *2

** Total investment yield = Total investment income/(balance of the total investment assets at the beginning of the reporting period + balance of the total investment assets at the end of the reporting period) *2

*** Based on the data as at 30 June 2022 and 31 December 2021.

2. Investment income

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Operating lease income from investment properties	140	125	12.0
Interest income	6,620	7,275	-9.0
Dividend income	3,737	2,346	59.3
Total of investment income	10,497	9,746	7.7

In the first half of 2022, investment income of the Company and its subsidiaries was RMB10,497 million, representing a year-on-year increase of RMB751 million (or 7.7%), mainly due to the increased dividend distribution from funds, perpetual bonds and stocks.

3. Net realised and unrealised gains on investments

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Realised gains on investments	1,970	4,181	-52.9
Unrealised (losses)/gains on investments	(38)	87	—
Impairment losses	(90)	(726)	-87.6
Fair value (losses)/gains on investment properties	(45)	1	—
Total of net realised and unrealised gains on investments	1,797	3,543	-49.3

In the first half of 2022, due to capital market volatility, the trading gains on equity assets of the Company and its subsidiaries decreased on a year-on-year basis, leading to a year-on-year decline in the realised gains on investments by RMB2,211 million (or -52.9%) to RMB1,970 million; the impairment losses of assets were RMB90 million, representing a year-on-year decrease of RMB636 million (or -87.6%), which partially offset the impact of the capital market volatility.

4. Share of profits or losses of associates and joint ventures

	Six months ended 30 June		Change %
	2022 RMB million	2021 RMB million	
Share of profits or losses of associates and joint ventures	1,937	1,877	3.2

In the first half of 2022, share of profits of associates and joint ventures of the Company and its subsidiaries amounted to RMB1,937 million, representing a year-on-year increase of RMB60 million (or 3.2%), mainly due to the improving operating performance of the Company and its subsidiaries' major associates.

5. Composition of investment assets

	30 June 2022			31 December 2021	
	Balance RMB million	Percentage %	Change %	Balance RMB million	Percentage %
By category:					
Cash and cash equivalents	23,446	4.3	34.6	17,414	3.3
Term deposits	69,143	12.7	-6.0	73,574	13.8
Debt securities	176,668	32.3	2.2	172,851	32.3
Equity securities and mutual funds	140,874	25.9	-2.0	143,804	26.9
Investments attributed to loans and receivables	64,799	11.9	10.5	58,638	11.0
Investment properties	6,821	1.3	16.6	5,851	1.1
Investments in associates and joint ventures	57,069	10.5	0.2	56,945	10.7
Other investment assets (Note)	5,955	1.1	19.2	4,995	0.9
Total investment assets	544,775	100.0	2.0	534,072	100.0

Note: Other investment assets mainly included capital security fund.

As at 30 June 2022, the investment assets of the Company and its subsidiaries were RMB544,775 million, representing an increase of RMB10,703 million (or 2.0%) as compared to the beginning of 2022. The Company and its subsidiaries always adheres to a long-term and prudent investment philosophy, strictly controls risks, continuously optimises the investment portfolio, achieving a balance of return and risk.

6. Investments in associates and joint ventures

As at 30 June 2022, the investments in associates and joint ventures of the Company and its subsidiaries were RMB57,069 million, representing an increase of RMB124 million (or 0.2%) as compared to the beginning of 2022, as described in Note 20 to the interim condensed consolidated financial information.

7. *Material investment*

Saved as disclosed in this interim report, during the Reporting Period, there were no material changes in the material investment of the Company and its subsidiaries affecting the Company and its subsidiaries' performance that needed to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

8. *Asset pledge*

The Company conducted repurchase transactions in the market due to the liquidity management requirements. The securities held by the Company were pledged as collateral during the process of repurchase transactions.

(III) *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		Change %
	2022 <i>RMB million</i>	2021 <i>RMB million</i>	
Profit before income tax	22,516	19,716	14.2
Income tax expense	(3,475)	(3,219)	8.0
Net profit for the period	19,041	16,497	15.4
Total assets (<i>Note</i>)	766,461	682,622	12.3
Net assets (<i>Note</i>)	209,742	205,649	2.0

Note: Based on the data as at 30 June 2022 and 31 December 2021.

Profit before income tax

As a result of the foregoing, the profit before income tax of the Company and its subsidiaries in the first half of 2022 was RMB22,516 million, representing a year-on-year increase of RMB2,800 million (or 14.2%).

Income tax expense

In the first half of 2022, the Company and its subsidiaries recorded an income tax expense of RMB3,475 million, representing a year-on-year increase of RMB256 million (or 8.0%). The increase in income tax expense was mainly due to the increase in profit before income tax.

Net profit for the period

As a result of the foregoing, the net profit of the Company and its subsidiaries was RMB19,041 million, representing a year-on-year increase of RMB2,544 million (or 15.4%), and basic earnings per share was RMB0.856.

III. SPECIFIC ANALYSIS

(I) ANALYSIS OF LIQUIDITY AND CAPITAL ADEQUACY

Cash Flow Analysis

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

	Six months ended 30 June		Change RMB million
	2022 RMB million	2021 RMB million	
Net cash flows generated from operating activities	28,225	8,007	20,218
Net cash flows generated from investing activities	1,205	2,251	-1,046
Net cash flows used in financing activities	(23,586)	(8,599)	-14,987
Net foreign exchange differences	188	(53)	241
Net increase in cash and cash equivalents	6,032	1,606	4,426

In the first half of 2022, the net cash flows generated from operating activities of the Company and its subsidiaries were RMB28,225 million, representing a year-on-year increase of RMB20,218 million. The significant increase in net cash flows generated from operating activities was mainly owing to the increase in cash flow from premiums with enlarged scale of insurance business and the improvement in underwriting profitability.

In the first half of 2022, the net cash flows generated from investing activities of the Company and its subsidiaries were RMB1,205 million, representing a year-on-year decrease of RMB1,046 million. The decrease in net cash flows generated from investing activities was mainly due to the fact that the Company and its subsidiaries enlarged the investment scale using working capital generated from operation to seize the investment opportunities in the capital market.

In the first half of 2022, the net cash flows used in financing activities of the Company and its subsidiaries were RMB23,586 million, as compared to such net cash flows of RMB8,599 million in the corresponding period of previous year. The increase in net cash flows used in financing activities was mainly due to the increase in net cash flows used in securities sold under agreements to repurchase as compared to the corresponding period of previous year.

As at 30 June 2022, cash and cash equivalents of the Company and its subsidiaries amounted to RMB23,446 million.

Gearing Ratio

As at 30 June 2022, the gearing ratio (*Note*) of the Company and its subsidiaries was 71.6%, representing an increase of 2.9 percentage points as compared to the gearing ratio as at 31 December 2021.

Note: The gearing ratio is represented by total liabilities (excluding bonds payable) divided by total assets under accounting principles generally accepted in Hong Kong.

Source of Working Capital

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

The Company issued capital supplementary bonds of RMB8,000 million in March 2020, with a term of 10 years.

Save for the capital supplementary bonds mentioned above, the Company and its subsidiaries did not obtain working capital by 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 expenditures for operational properties under construction and acquisition of motor vehicles for operational purposes as well as development of the information system. In the first half of 2022, the capital expenditure of the Company and its subsidiaries was RMB884 million.

Solvency Margin (Note)

	30 June 2022	31 December 2021
	<i>RMB million</i>	<i>RMB million</i>
Actual capital	214,105	207,421
Core capital	188,742	194,361
Minimum capital	90,611	73,082
Comprehensive solvency margin ratio (%)	236.3	283.8
Core solvency margin ratio (%)	208.3	266.0

Note: Since the preparation for solvency margin report for the first quarter of 2022, the Rules for the Supervision of Insurance Company Solvency (II) has been effective. The solvency margin results as at 31 December 2021 were based on the regulation of C-ROSS (I).

(II) RISK MANAGEMENT

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 principally concentrated on insurance receivables, reinsurance assets, debt securities and deposits with commercial banks.

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

Other than the state-owned reinsurance companies, the Company and its subsidiaries purchase reinsurance primarily from reinsurance companies with A- rating or above by Standard & Poor's (or equivalent ratings granted by other international rating agencies such as A.M. Best, Fitch and Moody's). The management of the Company and its subsidiaries regularly reviews the creditworthiness of the reinsurance companies in order to update the reinsurance strategies 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 mainly by analysing the creditworthiness of investee companies prior to making investments and by strictly conforming to the relevant regulations issued by the CBIRC on the investment ratings of corporate bonds. The majority of the bonds held by the Company and its subsidiaries have credit ratings of AA or above.

The Company and its subsidiaries manage and lower 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. Certain businesses of the Company and its subsidiaries (including certain 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 and certain insurance business liabilities which are denominated in foreign currencies (primarily 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 policy adopted by the PRC government.

Interest Rate Risk

Interest rate risk is the risk that the fair 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 to manage interest rate risk by maintaining an appropriate match of fixed and floating interest rate instruments. The policy also requires to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities, reprice 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 and its subsidiaries' financial assets which bear interest at different rates would generate uncertain cash flows. As such, interest rate swap contracts are used by the Company and its subsidiaries to hedge against such interest rate risk whereby fixed interests are received from, and floating interests are paid to, the counterparties.

(III) OTHER SPECIFIC ANALYSES

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, acting as the plaintiff or the 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 position or operating results of the Company and its subsidiaries.

As at 30 June 2022, there were certain pending legal proceedings of the Company and its subsidiaries. After taking into account professional opinions, the management of the Company believes that such legal proceedings will not induce significant impact on the operation of the Company and its subsidiaries.

Events after the Reporting Period

The Company and its subsidiaries do not have significant post balance sheet events.

Development of New Products

In the first half of 2022, the Company focused on hot spots of the market and customers' demand, and developed or amended a total of 1,193 new insurance provisions, among which, 452 national provisions, 741 regional provisions, 873 main insurance provisions and 320 rider provisions. Among these new provisions, the Company registered 492 insurance provisions on the self-help registration platform of the Insurance Association of China and 17 insurance provisions on the platform of Shanghai Institute of Marine Insurance, filed 679 agriculture insurance provisions and agriculture-related provisions and 5 motor vehicle insurance provisions with the CBIRC's Insurance Provisions Electronic Filing System.

Employees

As at 30 June 2022, the Company had 168,329 employees. In the first half of 2022, the employees' remuneration paid by the Company and its subsidiaries amounted to RMB18,418 million, mainly including basic salaries, performance related bonuses, and various insurance and welfare contributed in accordance with the relevant PRC laws and regulations. The Company and its subsidiaries enhanced the performance and working efficiency of employees by providing various career development paths, strengthening employee trainings, implementing performance appraisal and other measures. The Company is of the view that the Company and its subsidiaries maintain a good relationship with their employees.

IV. LOOKING FORWARD

The year of 2022 is the key year for the implementation of the “14th Five-Year-Plan”. The further complicated internal and external environments have raised new and higher requirements for insurance companies as to its operation and development as well as in serving the overall economic and social development. China is speeding up efforts to foster a new development paradigm with domestic circulation as the mainstay and domestic and international circulation reinforcing each other, creating a more solid social and economic foundation for the development of the property insurance industry. Facing both opportunities and challenges, the Company and its subsidiaries will thoroughly implement the central government’s policies and deployments for stabilising economic growth, follow the “Excellent Insurance Strategy” of the PICC Group as the guide, continue to deepen institutional reforms, and actively implement the new logic of “Underwriting + Loss Reduction + Empowerment + Claim Settlement”. We will focus on the needs of individual, corporate and government customers, make greater efforts in product innovation, fend off risks in a scientific and effective way, and promote reforms and developments in all fields deeply and solidly to provide strong support for promoting high-quality development in the new era.

- (I) The Company and its subsidiaries will resolutely implement the requirements of Central Conferences on stabilising the economy, innovate the supply of insurance and promote the “Six Strategic Services” to achieve solid results. We will strengthen the political orientation for operation and sort out the needs of governments at all levels and relevant policies comprehensively to extend the coverage of the “Six Strategic Services”; accelerate the promotion of customer-oriented product and service innovation and promote typical practices; focus on services regarding areas such as stabilising the market entities, stabilising the industrial chain and the supply chain, ensuring the energy security, stabilising foreign trade and ensuring people’s livelihood, innovate and expand the supply, optimise service modes, and promote business development while serving stabilisation of the economic and social development.
- (II) We will further enhance the efficiency of channel operation and improve the renewed and transferred-in business capabilities to consolidate the development advantages of motor vehicle insurance; strengthen innovation of product services in areas of accidental insurance for drivers, Huimin Insurance, high-end medical insurance and household property insurance, etc., enhance product innovation and development based on life and business scenarios, and deepen the integrated development of individual non-motor vehicle insurance and motor vehicle insurance business to improve the ability of developing individual non-motor vehicle insurance; upgrade the “Warm Station” services and the quick claim settlement mechanism to give full support for maintaining the smooth operation of freight logistics.
- (III) We will upgrade product supply for corporate customers and enhance the research and development of tailored products for distribution channels; strengthen product transformation and promote the operation mechanism of “Product Manager/Independent Underwriter”; promote cost reduction and efficiency enhancement, and optimise the business structure; empower sales channels and strengthen team-building and project implementation; optimise the operation model of the corporate business and achieve the organic integration of teams, products and services.
- (IV) We will strengthen product supply upgrades in areas of catastrophe insurance, full-cost insurance, income insurance, local agriculture insurance, social medical insurance, chronic disease insurance, and occupational injury insurance for flexible workers; promote the transformation of the rural network team, strengthen team management; actively engage in social governance and serve the Rural Revitalisation Strategy, the Food Security Strategy and the Healthy China Strategy.



- (v) We will focus on key areas such as rural revitalisation, scientific and technological innovation and green environment, and meet the financing needs of small, medium and micro enterprises and other commercial customers; always adhere to the principle of prudent and cautious operation, innovate inclusive financial products and services, optimise business structure and risk control model, and strive to improve the quality of new businesses; strengthen the standardised management of claims, collection and subrogation, and promote the high-quality development of inclusive financial businesses.
- (vi) We will optimise the asset portfolio, strictly control the overall scale of equity assets, maintain the proportion of fixed income assets, actively allocate financial products and bank deposits, select investment projects and optimise the portfolio. With the goal of maintaining the balance between yield and risk, the Company will further improve the efficiency of capital utilisation on the premise of ensuring the overall liquidity safety of the Company and upholding credit risk standards.
- (vii) We will strengthen scientific and technological empowerment and risk prevention and control, increase the application of claim settlement technology and the rigid control of system; achieve management upgrade with IT technology application, and deepen its integration with front-line businesses to improve the operating efficiency; continue to improve the internal control and compliance system, strengthen risk identification and response mechanism, embed the requirements of internal control and compliance and risk management into the front-end of the businesses, keep the bottom line of no systemic risks, and consolidate the business foundation for sustainable development.

Corporate Governance and Other Information

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Directors, Supervisors and President of the Company did not hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as at 30 June 2022 that were required to be recorded in the register as required to be kept under Section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange under the Model Code.

During the six months ended 30 June 2022, the Company did not grant any rights to the Directors, Supervisors or President of the Company (including their spouses or children under the age of 18) to subscribe for shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO. As at 30 June 2022, none of the abovementioned subscription right existed.

CHANGES IN THE BOARD AND SUPERVISORY COMMITTEE

CHANGES IN THE BOARD

Changes in the Board members during the period from 1 January 2022 to the date of this interim report are as follows:

The qualification of Mr. Zhang Daoming as an Executive Director was approved by the CBIRC on 22 April 2022. The position of Mr. Zhang as a member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board became effective simultaneously.

Mr. Chu Bende resigned as an Independent Director with effect from 11 July 2022 due to health reason. The positions of Mr. Chu as the Chairman of the Related Party Transaction Control Committee and the members of the Audit Committee and the Nomination, Remuneration and Review Committee of the Board also ceased simultaneously. After Mr. Chu's resignation, only one member, that is, the Independent Director Mr. Lin Hanchuan, remains at the Nomination, Remuneration and Review Committee. Therefore, the composition of the Nomination, Remuneration and Review Committee is not in full compliance with the provisions of Rules 3.25 and 3.27A of the Listing Rules.

On 22 July 2022, Mr. Lo Chung Hing, an Independent Director of the Company, was appointed as the Chairman of the Related Party Transaction Control Committee and a member of the Nomination, Remuneration and Review Committee of the Board, and Ms. Qu Xiaohui, an Independent Director of the Company, was appointed as a member of the Nomination, Remuneration and Review Committee of the Board, in order to comply with the provisions of Rules 3.25 and 3.27A of the Listing Rules and to fill the vacancies created due to the resignation of Mr. Chu Bende. Their terms of office at the committees of the Board are the same as their terms of office as the Directors. As at the date of this interim report, the Nomination, Remuneration and Review Committee is composed of three members, all of whom are Independent Directors, satisfying the requirement that Independent Directors shall form its majority.

Mr. Cheng Fengchao was appointed as an Independent Director of the Company at the extraordinary general meeting held on 29 December 2021, and was also appointed by the Board as the Chairman of the Nomination, Remuneration and Review Committee and a member of the Risk Management and Consumers' Rights and Interests Protection Committee (Assets and Liabilities Management and Investment Decision-making Committee) of the Board. The qualification of Mr. Cheng as a Director has not yet been approved by the CBIRC.

As at the date of this interim report, the Board comprises:

Mr. Luo Xi (*Chairman of the Board, Non-executive Director*)

Mr. Yu Ze (*Executive Director*)

Mr. Jiang Caishi (*Executive Director*)

Mr. Zhang Daoming (*Executive Director*)

Mr. Li Tao (*Non-executive Director*)

Mr. Lin Hanchuan (*Independent Director*)

Mr. Lo Chung Hing (*Independent Director*)

Ms. Qu Xiaohui (*Independent Director*)

CHANGES IN THE SUPERVISORY COMMITTEE

Changes in the Supervisory Committee members during the period from 1 January 2022 to the date of this interim report are as follows:

On 15 July 2022, Mr. Zhang Xiaoli resigned as a Supervisor, the Chairman of the Supervisory Committee and the Chairman of the Performance and Due Diligence Supervision Committee of the Supervisory Committee of the Company, due to other work arrangements. Given that the Supervisory Committee becomes inquorate due to Mr. Zhang's resignation, pursuant to relevant laws and regulations of the PRC and the Articles of Association, Mr. Zhang shall continue to perform his duties as a Supervisor in accordance with laws and regulations, regulatory provisions and the Articles of Association before a new Supervisor is elected and fills the vacancy caused by his resignation.

Ms. Gao Hong and Ms. Wang Xiaoli no longer serve as Employee Representative Supervisors of the Company with effect from 22 July 2022, due to retirement. The qualifications of Ms. Gao and Ms. Wang as Supervisors have not yet been approved by the CBIRC.

As at the date of this interim report, the Supervisory Committee comprises:

Mr. Wang Yadong (*Shareholder Supervisor*)

Mr. Lu Zhengfei (*External Supervisor*)

Mr. Zhang Xiaoli* (*Shareholder Supervisor*)

* Given that the Supervisory Committee becomes inquorate due to Mr. Zhang Xiaoli's resignation, pursuant to relevant laws and regulations of the PRC and the Articles of Association, Mr. Zhang shall continue to perform his duties as a Supervisor in accordance with laws and regulations, regulatory provisions and the Articles of Association before a new Supervisor is elected and fills the vacancy caused by his resignation.



CHANGES IN THE INFORMATION ON DIRECTORS AND SUPERVISORS

CHANGES IN THE INFORMATION ON DIRECTORS

Mr. Yu Ze, an Executive Director, also acts as the Chairman of the Board of PICC Information Technology Co., Ltd.

Mr. Jiang Caishi, an Executive Director, also acts as a director of PICC Reinsurance Co., Ltd.

Mr. Zhang Daoming, an Executive Director, also acts as a director of PICC Life Insurance Company Limited and PICC Health Insurance Company Limited.

Mr. Li Tao, a Non-executive Director, also acts as a director of China Insurance Investment Co., Ltd.

Mr. Lo Chung Hing, an Independent Director, also acts as the Chairman of the Related Party Transaction Control Committee and a member of the Nomination, Remuneration and Review Committee of the Board.

Ms. Qu Xiaohui, an Independent Director, also acts as a member of the Nomination, Remuneration and Review Committee of the Board.

CHANGES IN THE INFORMATION ON SUPERVISORS

Mr. Lu Zhengfei, an External Supervisor of the Company, also acts as an independent director of China International Capital Corporation Limited**.

** This company is listed on the Hong Kong Stock Exchange.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated the Guidelines on Transactions of the Company's Securities by the Employees (the "Securities Transactions Guidelines") 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. The Company enquired with all the Directors and Supervisors and they all confirmed that they complied with the requirements under the Model Code and the Securities Transactions Guidelines during the first half of 2022.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER SFO

As at 30 June 2022, the following persons held interests or short positions in the shares or underlying shares of the Company that were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept by the Company pursuant to Section 336 of the SFO, or notified to the Company and the Hong Kong Stock Exchange by other means:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total number of domestic shares in issue (Note 1)	Percentage of total number of shares in issue (Note 1)
PICC Group	Beneficial owner	15,343,471,470	Long position	100%	68.98%

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total number of H shares in issue (Note 1)	Percentage of total number of shares in issue (Note 1)
JPMorgan Chase & Co.	Interest of controlled corporations, investment manager, persons having a security interest in shares, trustee, approved lending agent	463,256,669 (Note 2)	Long Position	6.71%	2.08%
	Interest of controlled corporations	24,612,512 (Note 2)	Short Position	0.35%	0.11%
	Approved lending agent	283,600,156	Lending Pool	4.11%	1.28%
Citigroup Inc.	Interest of controlled corporations, approved lending agent	438,053,190 (Note 3)	Long Position	6.34%	1.97%
	Interest of controlled corporations	11,668,774 (Note 3)	Short Position	0.16%	0.05%
	Approved lending agent	417,474,681	Lending Pool	6.05%	1.88%
Schroders Plc	Investment manager	412,432,251	Long Position	5.98%	1.85%
BlackRock, Inc.	Interest of controlled corporations	405,260,518 (Note 4)	Long Position	5.87%	1.82%
	Interest of controlled corporations	2,232,000 (Note 4)	Short Position	0.03%	0.01%



Notes:

1. As at 30 June 2022, the Company has issued domestic shares totaling 15,343,471,470 shares and H shares totaling 6,899,293,833 shares. The total number of its issued shares is 22,242,765,303.
2. Among which, 258,000 H shares (Long position) and 16,000 H shares (Short position) were held through derivatives, categorised as held through physically settled listed derivatives; 30,000 H shares (Short position) were held through derivatives, categorised as held through cash settled listed derivatives; 3,570,130 H shares (Long position) and 1,022,768 H shares (Short position) were held through derivatives, categorised as held through physically settled unlisted derivatives; 4,695,332 H shares (Long position) and 23,237,905 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives; 3 H shares (Short position) were held through derivatives, categorised as convertible instruments listed derivatives.
3. Among which, 116,775 H shares (Long position) were held through derivatives, categorised as held through physically settled listed derivatives; 1,304,000 H shares (Long position) and 6,586,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.
4. Among which, 1,396,000 H shares (Long position) and 1,550,000 H shares (Short position) were held through derivatives, categorised as held through cash settled unlisted derivatives.

Save as disclosed above, the Company is not aware of any other persons having any interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register as required to be kept under Section 336 of the SFO, or being substantial shareholders of the Company as at 30 June 2022.

INTERIM DIVIDEND

The Board of Directors did not propose any interim dividend for the six months ended 30 June 2022.

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 2022.

CORPORATE GOVERNANCE

The Company complied with all the code provisions of the Corporate Governance Code in the first half of 2022.

REVIEW OF INTERIM RESULTS

PricewaterhouseCoopers, the Company's auditor, and the Audit Committee of the Company have reviewed the unaudited interim condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 June 2022.

Report on Review of Interim Financial Information

To the Board of Directors of PICC Property and Casualty Company Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 30 to 75, which comprises the interim condensed consolidated statement of financial position of PICC Property and Casualty Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 Hong Kong 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 interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2022

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2022

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Gross written premiums	4	277,408	252,626
Net earned premiums	4	203,876	189,774
Net claims incurred	5	(145,767)	(136,031)
Net policy acquisition costs		(29,990)	(29,277)
Other underwriting expenses		(13,479)	(13,354)
Administrative expenses		(6,394)	(5,706)
UNDERWRITING PROFIT		8,246	5,406
Investment income	6	10,497	9,746
Net realised and unrealised gains on investments	7	1,797	3,543
Investment related expenses		(241)	(259)
Foreign exchange gains/(losses), net		501	(100)
Other income, net		305	456
Finance costs	8	(526)	(953)
Share of profits or losses of associates and joint ventures		1,937	1,877
PROFIT BEFORE INCOME TAX	9	22,516	19,716
Income tax expense	10	(3,475)	(3,219)
NET PROFIT FOR THE PERIOD		19,041	16,497
Attributable to:			
– Owners of the parent		19,039	16,499
– Non-controlling interests		2	(2)
		19,041	16,497
Basic earnings per share	12	RMB0.856	RMB0.742
Diluted earnings per share	12	RMB0.856	RMB0.742

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022
 (All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
NET PROFIT FOR THE PERIOD		19,041	16,497
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets			
– Fair value (losses)/gains		(3,361)	2,694
– Reclassification of gains to profit or loss on disposals		(4,069)	(4,184)
– Impairment losses		92	374
– Income tax effect		1,774	263
		(5,564)	(853)
Share of other comprehensive income of associates and joint ventures		(603)	(165)
NET OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		(6,167)	(1,018)
Items that will not be reclassified to profit or loss in subsequent periods:			
– Gains on revaluation of properties and right-of-use assets upon transfer to investment properties	21	344	347
– Income tax effect		(85)	(85)
NET OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		259	262
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(5,908)	(756)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,133	15,741
Attributable to:			
– Owners of the parent		13,131	15,743
– Non-controlling interests		2	(2)
		13,133	15,741

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(All amounts expressed in RMB million unless otherwise specified)

	<i>Notes</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	13	23,446	17,414
Debt securities	14	176,668	172,851
Equity securities and mutual funds	15	140,874	143,804
Insurance receivables	16	109,383	55,399
Reinsurance assets	17	48,299	37,535
Term deposits	18	69,143	73,574
Investments classified as loans and receivables	19	64,799	58,638
Investments in associates and joint ventures	20	57,069	56,945
Investment properties	21	6,821	5,851
Property and equipment	22	22,713	23,743
Right-of-use assets	23	5,941	5,926
Deferred income tax assets		14,739	7,116
Prepayments and other assets	24	26,566	23,826
TOTAL ASSETS		766,461	682,622
LIABILITIES			
Payables to reinsurers	25	35,916	22,496
Accrued insurance security fund		1,358	994
Securities sold under agreements to repurchase		15,401	37,985
Income tax payable		6,005	856
Insurance contract liabilities	26	415,336	338,781
Policyholders' deposits		1,745	1,748
Bonds payable	27	8,077	8,058
Lease liabilities		1,829	1,786
Accruals and other liabilities	28	71,052	64,269
TOTAL LIABILITIES		556,719	476,973

The accompanying notes form an integral part of the interim condensed consolidated financial information.

	<i>Notes</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
EQUITY			
Issued capital	29	22,242	22,242
Reserves		184,723	180,645
Equity attributable to owners of the parent		206,965	202,887
Non-controlling interests		2,777	2,762
TOTAL EQUITY		209,742	205,649
TOTAL EQUITY AND LIABILITIES		766,461	682,622

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2022

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2022 (Unaudited)										
	Attributable to owners of the parent										
	Reserves*										
	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve***	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained profits	Sub-total	Non-controlling interests	Total equity
1 January 2022	22,242	11,412	4,269	21,355	64,100	19,823	307	1,061	202,887	2,762	205,649
Total comprehensive income	-	-	-	-	-	-	-	-	19,039	2	19,041
Net profit for the period	-	-	-	-	-	-	-	-	(5,908)	-	(5,908)
Other comprehensive income	-	-	259	(5,564)	-	-	-	(603)	-	-	-
Dividends declared (note 11)	-	-	-	-	-	-	-	-	(9,053)	-	(9,053)
Capital invested by non-controlling shareholders	-	-	-	-	-	-	-	-	-	13	13
30 June 2022	22,242	11,412	4,528	15,791	64,100	19,823	307	458	206,965	2,777	209,742

* The consolidated reserves of RMB184,723 million in the interim condensed consolidated statement of financial position at 30 June 2022 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserves.

The accompanying notes form an integral part of the interim condensed consolidated financial information.

For the six months ended 30 June 2021 (Unaudited)

	Attributable to owners of the parent										Total equity	
	Reserves*											
	Issued capital	Share premium	Asset revaluation reserve**	Available-for-sale financial assets revaluation reserve	Surplus reserve**	General risk reserve	Catastrophic loss reserve	Share of other comprehensive income of associates and joint ventures	Retained profits	Sub-total		Non-controlling interests
1 January 2021	22,242	11,412	3,661	20,764	61,814	17,537	1,149	904	48,030	187,513	2,518	190,031
Total comprehensive income												
Net profit for the period	-	-	-	-	-	-	-	-	16,499	16,499	(2)	16,497
Other comprehensive income	-	-	262	(853)	-	-	-	(165)	-	(756)	-	(756)
Dividends declared (note 11)	-	-	-	-	-	-	-	-	(8,342)	(8,342)	-	(8,342)
Capital invested by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	115	115
30 June 2021	22,242	11,412	3,923	19,911	61,814	17,537	1,149	739	56,187	194,914	2,631	197,545

* The consolidated reserves of RMB172,672 million in the interim condensed consolidated statement of financial position at 30 June 2021 comprise these reserve accounts.

** The asset revaluation reserve arose from the change in use from owner-occupied properties to investment properties.

*** This account contains both statutory and discretionary surplus reserves.

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

(All amounts expressed in RMB million unless otherwise specified)

	<i>Notes</i>	Six months ended 30 June 2022 (Unaudited)	2021 (Unaudited)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		28,225	8,007
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES			
Interest received		7,393	6,546
Rental income received from investment properties		140	125
Dividend income received from equity securities and mutual funds		3,724	1,879
Payment for capital expenditure		(884)	(644)
Payment for purchase of debt securities, equity securities and mutual funds		(95,537)	(53,461)
Payment for purchase of investments classified as loans and receivables		(9,457)	(1,243)
Dividend income received from associates		900	9
Proceeds from sale of debt securities, equity securities and mutual funds		87,062	44,446
Proceeds from maturities of investments classified as loans and receivables		3,410	5,437
Proceeds from disposal of items of property and equipment		23	64
Decrease/(increase) in term deposits, net		4,431	(907)
Subtotal		1,205	2,251
NET CASH FLOWS USED IN FINANCING ACTIVITIES			
Decrease in securities sold under agreements to repurchase, net		(22,584)	(7,528)
Repayments of lease liabilities		(367)	(380)
Interest paid		(648)	(806)
Funds from capital invested by non-controlling shareholders		13	115
Subtotal		(23,586)	(8,599)
Effect of exchange rate changes on cash and cash equivalents		188	(53)
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,032	1,606
Cash and cash equivalents at the beginning of the period		17,414	26,192
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<i>13</i>	23,446	27,798
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Demand deposits	<i>13</i>	11,292	14,432
Securities purchased under resale agreements with original maturity of no more than three months	<i>13</i>	12,154	13,366
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<i>13</i>	23,446	27,798

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Notes To The Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022
(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

PICC Property and Casualty Company Limited (the “Company”) is a joint stock company with limited liability incorporated in the People’s Republic of China (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 is listed on The Stock Exchange of Hong Kong Limited. The parent and the ultimate holding company of the Company is The People’s Insurance Company (Group) of China Limited (the “PICC Group”), which is incorporated in the PRC and listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in property and casualty insurance business. Details of the operating segments are set out in note 3 to the interim condensed consolidated financial information.

The interim condensed consolidated financial information is 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) 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 additional accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and therefore should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial information has 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 and certain financial instruments.



2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's interim condensed consolidated financial information:

Amendments to HKFRS 3, HKAS 37, HKAS 16 and annual improvements to HKFRSs

The application of the amendments to HKFRSs in the current interim period have 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 the interim condensed consolidated financial information.

2.3 New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in the interim condensed consolidated financial information:

HKFRS 17	Insurance Contracts ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after a date to be determined

None of these HKFRSs is expected to have a significant effect on the interim condensed consolidated financial information of the Group, except for HKFRS 9 and HKFRS 17. The Group is currently assessing the impact of the implementation of HKFRS 9 and HKFRS 17.

3. OPERATING SEGMENT INFORMATION

The Group's operating segments are presented in a manner consistent with the internal management reporting provided to the chief operating decision maker 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 nine 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 transport of goods;
- (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 credit and surety segment provides insurance products covering credit and surety business;
- (h) the others segment mainly represents insurance products related to homeowners, special risks, marine hull and construction; and
- (i) the corporate and other segment includes the income and expenses from investment activities, share of results of associates and joint ventures, other net income, unallocated income and expenditures of the Group.

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 (h)) is a measure of underwriting profit/(loss) and corporate business income and expense (for segment (i)), primarily investment related income and expense, is a measure of profit/(loss) excluding underwriting profit/(loss). Income tax expense is not further allocated but assigned to corporate and other business segment.

Insurance business assets and liabilities directly attributable to operating segments of insurance business will be allocated to each segment. Investment assets and liabilities managed on a group basis will be allocated to the corporate and other business segment together with property and equipment, investment properties, prepaid land premiums, other assets, bonds payable, income tax payable, deferred tax assets and other payables, which are not allocated further.

Geographical information is not presented as the Group's customers, business, assets and liabilities are mainly located and operations are mainly carried out in the PRC for relevant entities. No inter-segment transactions occurred for the six months ended 30 June 2022 and 2021.

For the six months ended 30 June 2022 and 2021, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment income statements for the six months ended 30 June 2022 (unaudited) are as follows:

	Insurance									Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	
Gross written premiums	128,808	10,252	2,580	19,265	68,882	36,721	2,674	8,226	-	277,408
Net earned premiums	124,616	4,565	1,586	12,210	39,807	14,865	2,373	3,854	-	203,876
Net claims incurred	(86,893)	(2,528)	(922)	(8,668)	(32,918)	(11,527)	(687)	(1,624)	-	(145,767)
Net policy acquisition costs	(19,239)	(1,247)	(343)	(2,891)	(5,325)	385	(460)	(870)	-	(29,990)
Other underwriting expenses	(9,837)	(258)	(82)	(697)	(839)	(1,346)	(140)	(280)	-	(13,479)
Administrative expenses	(2,961)	(239)	(103)	(607)	(1,028)	(797)	(217)	(442)	-	(6,394)
Underwriting profit/(loss)	5,686	293	136	(653)	(303)	1,580	869	638	-	8,246
Investment income	-	-	-	-	-	-	-	-	10,497	10,497
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	1,797	1,797
Investment related expenses	-	-	-	-	-	-	-	-	(241)	(241)
Foreign exchange gains, net	-	-	-	-	-	-	-	-	501	501
Other income, net	-	-	-	-	-	-	-	-	305	305
Finance costs	-	-	-	-	-	-	-	-	(526)	(526)
Share of profits or losses of associates and joint ventures	-	-	-	-	-	-	-	-	1,937	1,937
Profit/(loss) before income tax	5,686	293	136	(653)	(303)	1,580	869	638	14,270	22,516
Income tax expense	-	-	-	-	-	-	-	-	(3,475)	(3,475)
Net profit/(loss) for the period – segment results	5,686	293	136	(653)	(303)	1,580	869	638	10,795	19,041

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment income statements for the six months ended 30 June 2021 (unaudited) are as follows:

	Insurance									
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	Total
Gross written premiums	120,755	10,121	2,529	18,876	60,036	29,673	1,163	9,473	-	252,626
Net earned premiums	119,073	4,525	1,409	10,874	35,055	11,743	2,932	4,163	-	189,774
Net claims incurred	(83,788)	(2,604)	(587)	(6,866)	(29,750)	(8,906)	(1,804)	(1,726)	-	(136,031)
Net policy acquisition costs	(19,188)	(1,128)	(384)	(2,571)	(4,513)	(268)	(389)	(836)	-	(29,277)
Other underwriting expenses	(9,072)	(362)	(121)	(881)	(798)	(1,475)	(218)	(427)	-	(13,354)
Administrative expenses	(3,100)	(336)	(73)	(389)	(526)	(737)	(217)	(328)	-	(5,706)
Underwriting profit/(loss)	3,925	95	244	167	(532)	357	304	846	-	5,406
Investment income	-	-	-	-	-	-	-	-	9,746	9,746
Net realised and unrealised gains on investments	-	-	-	-	-	-	-	-	3,543	3,543
Investment related expenses	-	-	-	-	-	-	-	-	(259)	(259)
Foreign exchange losses, net	-	-	-	-	-	-	-	-	(100)	(100)
Other income, net	-	-	-	-	-	-	-	-	456	456
Finance costs	-	-	-	-	-	-	-	-	(953)	(953)
Share of profits or losses of associates and joint ventures	-	-	-	-	-	-	-	-	1,877	1,877
Profit/(loss) before income tax	3,925	95	244	167	(532)	357	304	846	14,310	19,716
Income tax expense	-	-	-	-	-	-	-	-	(3,219)	(3,219)
Net profit/(loss) for the period - segment results	3,925	95	244	167	(532)	357	304	846	11,091	16,497

3. OPERATING SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities of the Group at 30 June 2022 and other segment information for the six months ended 30 June 2022 are as follows:

	Insurance									Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	
30 June 2022 (Unaudited)										
Segment assets	8,151	14,985	3,029	20,513	43,435	40,290	5,928	22,953	607,177	766,461
Segment liabilities	229,808	27,757	5,242	48,185	84,326	42,532	10,356	31,438	77,075	556,719
For the six months ended 30 June 2022 (Unaudited)										
Other segment information:										
Capital expenditures	453	28	8	57	204	102	8	24	-	884
Depreciation and amortisation	959	60	16	120	432	216	16	49	-	1,868
Provision for impairment losses on insurance receivables, prepayments and other assets	1	76	25	218	307	199	131	247	-	1,204
Interest income	-	-	-	-	-	-	-	-	6,620	6,620

The segment assets and liabilities of the Group at 31 December 2021 and other segment information for the six months ended 30 June 2021 are as follows:

	Insurance									Total
	Motor vehicle	Commercial property	Cargo	Liability	Accidental injury and health	Agriculture	Credit and surety	Others	Corporate & other	
31 December 2021 (Audited)										
Segment assets	8,176	11,456	2,457	15,019	12,908	18,163	6,209	19,893	588,341	682,622
Segment liabilities	221,025	23,169	4,583	40,902	43,748	18,411	10,992	28,970	85,173	476,973
For the six months ended 30 June 2021 (Unaudited)										
Other segment information:										
Capital expenditures	308	26	6	48	153	76	3	24	-	644
Depreciation and amortisation	840	70	18	131	419	206	8	66	-	1,758
Provision for/(reversal of) impairment losses on insurance receivables, prepayments and other assets	179	166	(3)	53	36	252	77	97	-	857
Interest income	-	-	-	-	-	-	-	-	7,275	7,275

4. GROSS WRITTEN PREMIUMS AND NET EARNED PREMIUMS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Direct written premiums	276,671	251,825
Reinsurance premiums assumed	737	801
Gross written premiums	277,408	252,626
Reinsurance premiums ceded	(31,515)	(27,230)
Net written premiums	245,893	225,396
Gross change in unearned premium reserves	(49,336)	(41,592)
Reinsurer's share of change in unearned premium reserves	7,319	5,970
Net change in unearned premium reserves	(42,017)	(35,622)
Net earned premiums	203,876	189,774

5. NET CLAIMS INCURRED

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Gross claims paid	134,328	135,452
Paid losses recoverable from reinsurers	(12,335)	(10,694)
Net claims paid	121,993	124,758
Gross change in loss and loss adjustment expense reserves	27,219	10,606
Reinsurer's share of change in loss and loss adjustment expense reserves	(3,445)	667
Net change in loss and loss adjustment expense reserves	23,774	11,273
Net claims incurred	145,767	136,031

6. INVESTMENT INCOME

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Operating lease income from investment properties	140	125
Interest income from:		
Current and term deposits	1,636	1,750
Debt securities		
– Held-to-maturity financial assets	830	1,136
– Available-for-sale financial assets	2,330	2,326
– Financial assets at fair value through profit or loss	234	207
Investments classified as loans and receivables	1,590	1,856
Subtotal	6,620	7,275
Dividend income from equity securities and mutual funds:		
– Available-for-sale financial assets	3,712	2,326
– Financial assets at fair value through profit or loss	25	20
Subtotal	3,737	2,346
Total	10,497	9,746

7. NET REALISED AND UNREALISED GAINS ON INVESTMENTS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Realised gains from:		
Debt securities		
– Available-for-sale financial assets	590	111
– Financial assets at fair value through profit or loss	56	(13)
Equity securities and mutual funds		
– Available-for-sale financial assets	1,320	4,073
– Financial assets at fair value through profit or loss	4	10
Subtotal	1,970	4,181
Unrealised (losses)/gains from:		
Debt securities at fair value through profit or loss	(79)	74
Equity securities and mutual funds at fair value through profit or loss	41	13
Subtotal	(38)	87
Impairment losses on:		
Debts securities classified as available-for-sale financial assets and held-to-maturity financial assets (note 14)	(143)	(31)
Equity securities and mutual funds classified as available-for-sale financial assets (note 15)	(61)	(343)
Investments classified as loans and receivables (note 19)	114	(352)
Subtotal	(90)	(726)
Fair value (losses)/gains on investment properties (note 21)	(45)	1
Total	1,797	3,543

8. FINANCE COSTS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest on bonds payable	160	468
Interest on securities sold under agreements to repurchase	322	404
Interest on lease liabilities	37	37
Others	7	44
Total	526	953

9. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Employee expenses (including directors', supervisors' and senior management's remunerations)	25,397	23,340
– Salaries, allowances and performance related bonuses	23,316	21,991
– Pension scheme contributions	2,081	1,349
Depreciation of property and equipment	949	946
Depreciation of right-of-use assets	576	521
Amortisation of intangible assets	343	291
Impairment losses on insurance receivables (note 16)	965	644
Provision for impairment losses on prepayments and other assets	239	213
Net gains on disposal of property and equipment	(6)	(47)

10. INCOME TAX EXPENSE

The provision for income tax expense is calculated based on the statutory rate of 25% in accordance with the relevant PRC income tax rules and regulations during each period. Starting in 2020, the Company's branches in some western provinces and Hainan Province enjoy the preferential tax rate of 15% for eligible taxable income. According to relevant tax regulations, the preferential tax rate of some western provinces and Hainan Province are applicable until 2030 and 2024, respectively.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Current tax	9,409	7,652
Deferred tax	(5,934)	(4,433)
Total	3,475	3,219

11. DIVIDENDS

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Dividends recognised as distribution during the period:		
Year 2020 Final- RMB0.375 per ordinary share	-	8,342
Year 2021 Final- RMB0.407 per ordinary share	9,053	-

No interim dividend will be distributed by the Company in respect of the interim period for the six months ended 30 June 2022 (for the six months ended 30 June 2021: No interim dividend will be distributed by the Company in respect of the interim).

Pursuant to the shareholders' approval at the general meeting on 20 June 2022, a final dividend of RMB0.407 per ordinary share totaling RMB9,053 million in respect of the year ended 31 December 2021 was declared.

Pursuant to the shareholders' approval at the general meeting on 18 June 2021, a final dividend of RMB0.375 per ordinary share totaling RMB8,342 million in respect of the year ended 31 December 2020 was declared.



12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the parent is based on the following:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Earnings:		
Net profit attributable to owners of the parent (RMB million)	19,039	16,499
Shares:		
Weighted average number of ordinary shares in issue (in million shares) (note 29)	22,242	22,242
Basic earnings per share	RMB0.856	RMB0.742

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 for the six months ended 30 June 2022 and 2021.

(b) Diluted earnings per share

For the six months ended 30 June 2022 and 2021, the Group holds no dilutive potential ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

13. CASH AND CASH EQUIVALENTS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Demand deposits and cash on hand	11,292	13,309
Securities purchased under resale agreements with original maturity of no more than three months	12,154	4,105
Total	23,446	17,414
Cash and cash equivalents by accounting categories:		
Loans and receivables	23,446	17,414

For securities purchased under resale agreements, counterparties are required to pledge certain bonds as collaterals. The securities purchased are not recognised on the interim condensed consolidated statement of financial position. The carrying amounts disclosed above reasonably approximate the fair values of those collaterals at 30 June 2022 and 31 December 2021.

14. DEBT SECURITIES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Available-for-sale financial assets, at fair value	128,115	121,740
Held-to-maturity financial assets, at amortised cost	35,800	36,827
Financial assets at fair value through profit or loss	12,753	14,284
Total	176,668	172,851

For the six months ended 30 June 2022, an impairment loss of RMB143 million was provided by the Group on debt securities (for the six months ended 30 June 2021: RMB31 million).



15. EQUITY SECURITIES AND MUTUAL FUNDS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Investments, at fair value:		
Mutual funds	43,096	41,950
Listed shares	41,457	39,442
Perpetual bonds	20,748	25,416
Equity schemes	12,608	12,473
Perpetual trust plans and perpetual debt plans	12,565	12,528
Preferred shares	7,456	8,853
Unlisted shares	2,944	3,142
Total	140,874	143,804
Classifications of equity securities and mutual funds:		
Available-for-sale financial assets, at fair value	135,797	138,269
Financial assets at fair value through profit or loss	5,077	5,535
Total	140,874	143,804

For the six months ended 30 June 2022, an impairment loss of RMB61 million was provided by the Group on equity securities and mutual funds (for the six months ended 30 June 2021: RMB343 million).

16. INSURANCE RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Premiums receivable and agents' balances	94,313	42,138
Receivables from reinsurers	19,526	16,767
Total	113,839	58,905
Less: Impairment provisions on		
– Premiums receivable and agents' balances	(4,262)	(3,346)
– Receivables from reinsurers	(194)	(160)
Net value	109,383	55,399

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
At the beginning of the period	3,506	3,412
Recognition of impairment losses (note 9)	965	644
Amount written off as uncollectible	(15)	(1)
At the end of the period	4,456	4,055

16. INSURANCE RECEIVABLES (CONTINUED)

- (b) Analysis of insurance receivables at the end of the period, based on the payment past due date and net of provision, is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Not overdue	76,006	34,859
Within 3 months	17,770	11,130
3 to 6 months	6,764	3,576
6 to 12 months	5,807	4,443
1 to 2 years	2,138	1,244
Over 2 years	898	147
Total	109,383	55,399

Included in the Group's insurance receivables are amounts due from a fellow subsidiary under PICC Group of RMB516 million (31 December 2021: RMB180 million) and an associate of RMB867 million (31 December 2021: RMB1,047 million), respectively. Please refer to note 33(b) for details.

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. One of the major performance indicators is the ability to collect premiums receivable on a timely basis. The Group's premiums receivable relates to a large number of diversified customers and therefore there is no significant concentration of credit risk.

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 except for state-owned reinsurance companies. Management of the Company performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and appropriate allowances to be provided for impairment of reinsurance assets.

17. REINSURANCE ASSETS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Reinsurers' share of:		
Unearned premium reserves (note 26)	22,469	15,150
Loss and loss adjustment expense reserves (note 26)	25,830	22,385
Total	48,299	37,535

18. TERM DEPOSITS

The original maturities of the term deposits are as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
More than 3 months to 1 year	1,278	1,696
More than 1 year to 2 years	9	1
More than 2 years to 3 years	7,437	7,381
More than 3 years	60,419	64,496
Total	69,143	73,574



19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trust plans	28,568	24,627
Long-term debt investment schemes	28,127	26,110
Asset management products	8,288	8,063
Others	800	936
Total	65,783	59,736
Less: Impairment losses (note 7)	(984)	(1,098)
Net carrying value	64,799	58,638

20. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Associates		
Cost of investments in associates	38,860	38,860
Share of post-acquisition profit, and other equity movement, less dividend received or receivable	18,169	18,047
Subtotal	57,029	56,907
Joint ventures		
Cost of investment in joint ventures	98	98
Share of post-acquisition profit, and other equity movement, less dividend received or receivable	(58)	(60)
Subtotal	40	38
Total	57,069	56,945

21. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
At 1 January	5,851	4,603
Transferred from property and equipment and right-of-use assets	990	108
Fair value gains on revaluation of investment properties transferred from property and equipment and right-of-use assets	344	347
(Decrease)/increase in fair value of investment properties (note 7)	(45)	1
Transferred to property and equipment and right-of-use assets	(319)	(234)
At 30 June	6,821	4,825

The fair values were determined based on the valuation carried out by external independent valuers, Cushman & Wakefield Shenzhen Valuation Co., Ltd and Jones Lang LaSalle IP, Inc. Valuations were carried out by the following two approaches:

- (i) The income approach determining 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
- (ii) The direct comparison approach comparing the target properties with the recent similar transaction cases, adjusting the difference of status, date, region and other specific factors between the target properties and the recent similar transaction cases, based on the recent similar transaction price.

The independent valuers usually determine the fair value of the investment properties by one of these approaches according to his professional judgement. Therefore, these fair values are categorised as Level 3.

22. PROPERTY AND EQUIPMENT

For the six months ended 30 June 2022, the Group acquired assets with a cost of RMB704 million (for the six months ended 30 June 2021: RMB596 million) and incurred construction costs of RMB534 million (for the six months ended 30 June 2021: RMB160 million) for construction in progress.

Assets with a net book value of RMB12 million were disposed of by the Group for the six months ended 30 June 2022 (for the six months ended 30 June 2021: RMB17 million), resulting in a net disposal gain of RMB6 million (for the six months ended 30 June 2021: gain of RMB47 million).

For the six months ended 30 June 2022, construction in progress with an aggregate amount of RMB214 million (for the six months ended 30 June 2021: RMB205 million) was transferred to lands and buildings upon completion.

For the six months ended 30 June 2022, property and equipment with a carrying amount of RMB929 million (for the six months ended 30 June 2021: RMB92 million) was transferred to investment properties, and investment properties with a carrying amount of RMB186 million (for the six months ended 30 June 2021: RMB170 million) was transferred to property and equipment.

23. RIGHT-OF-USE ASSETS

For the six months ended 30 June 2022, the Group entered into certain 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 RMB515 million of right-of-use assets and RMB480 million lease liabilities related to these new or modified leases.

At 30 June 2022, right-of-use assets included prepaid land premium of RMB4,172 million (31 December 2021: RMB4,141 million).

24. PREPAYMENTS AND OTHER ASSETS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Interest receivables	4,827	4,730
Deductible input value-added tax	4,531	4,192
Restricted statutory deposits (i)	4,449	4,449
Intangible assets	2,332	2,676
Receivables from co-insurers for amounts paid on their behalf	2,260	2,630
Deposits	1,949	1,438
Receivable for recovery	709	607
Reinsurance deposit	530	442
Trade receivables	498	377
Securities settlement receivables	447	25
Prepayments for assets and services	425	362
Prepaid insurance underwriting commission	398	461
Amounts due from associates (note 33(b))	331	13
Amounts due from PICC Group (note 33(b))	160	109
Amounts due from fellow subsidiaries under PICC Group (note 33(b))	14	22
Others	3,906	2,254
Total	27,766	24,787
Less: Impairment provision	(1,200)	(961)
Net value	26,566	23,826

- (i) In accordance with the PRC Insurance Law, the Company is required to maintain a deposit equivalent to 20% of its registered capital with banks designated by the China Banking and Insurance Regulatory Commission (the "CBIRC") as a security fund. The use of the security fund is subject to the approval of the CBIRC.

25. PAYABLES TO REINSURERS

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

Included in the Group's reinsurance payables are amounts due to a fellow subsidiary under PICC Group of RMB739 million (31 December 2021: RMB244 million) and an associate of RMB2,682 million (31 December 2021: RMB2,477 million), respectively. Please refer to note 33(b) for details.

26. INSURANCE CONTRACT LIABILITIES

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

	30 June 2022 (Unaudited)		Net amount
	Gross amount	Reinsurers' share	
Unearned premium reserves			
1 January 2022	169,175	(15,150)	154,025
Increase during the period	243,010	(24,686)	218,324
Decrease during the period	(193,674)	17,367	(176,307)
30 June 2022	218,511	(22,469)	196,042
Loss and loss adjustment expense reserves			
1 January 2022	169,606	(22,385)	147,221
Increase during the period	161,506	(15,780)	145,726
Decrease during the period	(134,287)	12,335	(121,952)
30 June 2022	196,825	(25,830)	170,995
Total	415,336	(48,299)	367,037

26. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	31 December 2021 (Audited)		Net amount
	Gross amount	Reinsurers' share	
Unearned premium reserves			
1 January 2021	159,093	(13,313)	145,780
Increase during the year	379,711	(33,000)	346,711
Decrease during the year	(369,629)	31,163	(338,466)
31 December 2021	169,175	(15,150)	154,025
Loss and loss adjustment expense reserves			
1 January 2021	153,780	(19,854)	133,926
Increase during the year	321,003	(28,491)	292,512
Decrease during the year	(305,177)	25,960	(279,217)
31 December 2021	169,606	(22,385)	147,221
Total	338,781	(37,535)	301,246

27. BONDS PAYABLE

Bonds payable comprised one capital supplementary bonds.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Carrying amount repayable in more than five years	8,077	8,058

On 23 March 2020, the Company issued a capital supplementary bonds of RMB8,000 million. Terms of the capital supplementary bonds issued in 2020 are also ten years. With proper notice to the counterparties, the Company has an option to redeem the capital supplementary bonds at par values at the end of the fifth year from the date of issue. The interest rate of the capital supplementary bonds is 3.59% per annum in the first five years and 4.59% per annum in the following five years.

28. ACCRUALS AND OTHER LIABILITIES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Salaries and staff welfare payables	15,628	13,665
Premiums received in advance (i)	15,279	19,847
Dividend payable	9,053	–
Commission payable	8,288	7,542
Other taxes payable	7,342	7,464
Premium payable (ii)	4,968	4,037
Claims payable	2,338	3,457
Insurance deposit received	783	839
Accrued capital expenditure	190	268
Amounts due to fellow subsidiaries under PICC Group (note 33(b))	145	159
Interest payable	85	240
Payables to interest holders of consolidated structured entities	–	39
Others	6,953	6,712
Total	71,052	64,269

- (i) Premiums received in advance represent amounts collected from policies not yet effective at 30 June 2022 and 31 December 2021, and will be recognised as premium income with corresponding unearned premium reserves when the relevant policies become effective.
- (ii) Premium payable mainly includes premium refundable to policyholders and premium payable to co-insurers in co-insurance business.



29. ISSUED CAPITAL

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Issued and fully paid		
Domestic shares of RMB1.00 each	15,343	15,343
H shares of RMB1.00 each	6,899	6,899
Total	22,242	22,242

30. 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 information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

There have been no significant changes in the Group's risk management processes since 31 December 2021 or in any risk management policies.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

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

	Carrying amount		Fair value	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Financial assets				
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	5,077	5,535	5,077	5,535
– Debt securities	12,753	14,284	12,753	14,284
Available-for-sale financial assets				
– Equity securities and mutual funds	135,797	138,269	135,797	138,269
– Debt securities	128,115	121,740	128,115	121,740
Held-to-maturity financial assets				
– Debt securities	35,800	36,827	39,329	40,280
Loans and receivables				
– Cash and cash equivalents	23,446	17,414	23,446	17,414
– Term deposits	69,143	73,574	69,143	73,574
– Investments classified as loans and receivables	64,799	58,638	68,143	61,443
– Insurance receivables	109,383	55,399	109,383	55,399
– Other financial assets	18,409	15,539	18,409	15,539
Total financial assets	602,722	537,219	609,595	543,477
Financial liabilities				
Other financial liabilities, at amortised cost				
– Payables to reinsurers	35,916	22,496	35,916	22,496
– Securities sold under agreements to repurchase	15,401	37,985	15,401	37,985
– Policyholders' deposits	1,745	1,748	1,745	1,748
– Bonds payable	8,077	8,058	8,172	8,142
– Other financial liabilities	23,737	23,227	23,737	23,227
Total financial liabilities	84,876	93,514	84,971	93,598



31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments

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 interim condensed consolidated financial information.

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.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

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

Some of the Group's financial assets are measured at fair value at the end of the reporting periods. The following table gives information about how the fair values of these financial assets are determined (in particular, their fair value hierarchy, the valuation technique(s) and key input(s) used).

Items	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 (Unaudited)	31 December 2021 (Audited)		
Debt securities at fair value through profit or loss	1,759	1,328	Level 1	Quoted bid prices in an active market.
Debt securities at fair value through profit or loss	10,994	12,956	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale debt securities	7,784	8,672	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	120,331	113,068	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Equity securities and mutual funds at fair value through profit or loss	897	953	Level 1	Quoted bid prices in an active market.
Equity securities and mutual funds at fair value through profit or loss	4,180	4,582	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale equity securities and mutual funds	64,476	55,948	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities and mutual funds	41,294	53,827	Level 2	Obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices.
Available-for-sale equity securities and mutual funds	10,219	9,167	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	5,228	4,757	Level 3	Relative value that are assessed based on average price-to-earnings/price to sales ratio from comparative companies and earnings per share of target company or latest financing price.
Available-for-sale equity securities and mutual funds	14,580	14,570	Level 3	Fair value of the investments is based on the use of respective discounted cash flow valuation models.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

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

	At 30 June 2022 (Unaudited)			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	897	4,180	–	5,077
– Debt securities	1,759	10,994	–	12,753
Available-for-sale financial assets				
– Equity securities and mutual funds	64,476	41,294	30,027	135,797
– Debt securities	7,784	120,331	–	128,115
Total	74,916	176,799	30,027	281,742

	At 31 December 2021 (Audited)			
	Fair value hierarchy			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Equity securities and mutual funds	953	4,582	–	5,535
– Debt securities	1,328	12,956	–	14,284
Available-for-sale financial assets				
– Equity securities and mutual funds	55,948	53,827	28,494	138,269
– Debt securities	8,672	113,068	–	121,740
Total	66,901	184,433	28,494	279,828

For the six months ended 30 June 2022, debt securities with a carrying amount of RMB5,182 million (for the six months ended 30 June 2021: RMB5,345 million) and equity securities and mutual funds with a carrying amount of RMB114 million (for the six months ended 30 June 2021: none) were transferred from Level 1 to Level 2 because the quoted prices in the market for such investments were no longer regularly available. Conversely, debt securities with a carrying amount of RMB4,656 million (for the six months ended 30 June 2021: RMB5,705 million) and equity securities and mutual funds with a carrying amount of RMB4,609 million (for the six months ended 30 June 2021: none) were transferred from Level 2 to Level 1 because quoted prices in active markets were available at 30 June 2022.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

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

The carrying amounts of the Group's financial assets and financial liabilities not measured at fair value approximate their fair values at 30 June 2022 and 31 December 2021 except for the following financial instruments, for which fair value and the level of fair value hierarchy are disclosed below:

At 30 June 2022 (Unaudited)				
Fair value hierarchy				
	Level 1	Level 2	Level 3	Total
Financial assets				
– Held-to-maturity financial assets	1,869	37,460	–	39,329
– Investments classified as loans and receivables	–	–	68,143	68,143
Financial liabilities				
– Bonds payable	–	8,172	–	8,172
At 31 December 2021 (Audited)				
Fair value hierarchy				
	Level 1	Level 2	Level 3	Total
Financial assets				
– Held-to-maturity financial assets	1,645	38,635	–	40,280
– Investments classified as loans and receivables	–	–	61,443	61,443
Financial liabilities				
– Bonds payable	–	8,142	–	8,142

The fair values of the financial assets and financial liabilities classified under Level 3 were determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the risk of counterparties and the Group.

31. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(2) Determination of fair value and the fair value hierarchy of financial instruments (continued)

(c) Reconciliation of Level 3 fair value measurements

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
At 1 January	28,494	13,203
Addition	2,896	12,472
Losses recognised in profit or loss	–	(34)
Unrealised (losses)/gains recognised in other comprehensive income	(562)	846
Disposals	(801)	(40)
At 30 June	30,027	26,447

There were no transfers into Level 3 for the six months ended 30 June 2022 and 2021.

32. CONTINGENCIES AND COMMITMENTS

(1) 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 some losses arising therefrom will be partly indemnified by reinsurers or other recoveries including salvages and subrogation. For the six months ended 30 June 2022, the Group was involved in similar legal proceedings on certain insurance businesses. The legal claim amounts for certain cases are significant and the legal proceedings are still in progress. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the Group believes that any resulting liabilities, if any, will not have a material adverse effect on the financial position as at 30 June 2022 and 31 December 2021 or operating results of the Group for the six months ended 30 June 2022 and 2021.

(2) Capital commitments

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Property and equipment commitments		
Contracted, but not provided for	1,470	2,554
Authorised, but not contracted	397	441
Investment commitments		
Contracted, but not provided for	2,070	2,167
Total	3,937	5,162

33. RELATED PARTY TRANSACTIONS

(a) Material transactions with related parties

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions with PICC Group:		
2021 final dividend distribution	6,245	–
2020 final dividend distribution	–	5,754
Addition to right-of-use assets	146	–
Addition to lease liabilities	146	–
Decrease of lease liabilities	72	42
Interest on lease liabilities	2	1
WAN service fees	3	4
Transactions with fellow subsidiaries under PICC Group:		
Management fee	146	179
Service fee	4	33
Subscription amount of financial products set up and managed by fellow subsidiaries under PICC Group	2,910	400
Premiums ceded	521	437
Reinsurance commission income	142	139
Paid losses recoverable from reinsurers	157	160
Brokerage commission expense	197	70
Capital payment	–	300
Rental income	3	6
Addition to right-of-use assets	12	16
Addition to lease liabilities	12	16
Decrease of lease liabilities	25	45
Interest on lease liabilities	2	–

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Material transactions with related parties (continued)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions with associates of the Company:		
Gross written premiums	10	10
Gross claim paid	1	4
Premiums ceded	2,476	2,518
Reinsurance commission income	792	871
Paid losses recoverable from reinsurers	1,059	1,153
Premiums paid	23	1
Agency services commission income	75	94
Agency services commission expense	167	249
Dividend income	1,210	9
Rental income	6	11
Addition to right-of-use assets	1	1
Decrease of lease liabilities	2	–
Transactions with associates of PICC Group:		
Interest income	284	505
Dividend income	1,306	1,020
Gross written premiums	6	54
Gross claim paid	2	33
Transactions with joint ventures of the Company:		
Purchase of spare parts	203	260
Service fee	9	37
Transactions with associates of fellow subsidiaries:		
Service fee	175	297

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cash and cash equivalents:		
An associate	1	9
An associate of PICC Group	1,967	2,112
Term deposits:		
An associate	10	10
An associate of PICC Group	10,600	19,600
Debt securities:		
An associate of PICC Group	760	760
Equity securities:		
An associate of PICC Group	25,146	24,220
Receivables from reinsurers:		
A fellow subsidiary under PICC Group (note 16)	516	180
An associate (note 16)	867	1,047
Dividend receivable:		
Associates (note 24)	310	–
Due from related parties:		
PICC Group (note 24)	160	109
Fellow subsidiaries under PICC Group (note 24)	14	22
Associates (note 24)	21	13
Payables to reinsurers:		
A fellow subsidiary under PICC Group (note 25)	739	244
An associate (note 25)	2,682	2,477
Dividend payable:		
PICC Group	6,245	–
Due to related parties:		
PICC Group	115	–
Fellow subsidiaries under PICC Group (note 28)	145	159
An associate of PICC Group	9	2
Lease liabilities:		
PICC Group	73	83
A fellow subsidiary under PICC Group	86	46
An associate	3	20

PICC Life Insurance Company Limited (“PICC Life”), PICC Health Insurance Company Limited (“PICC Health”) and PICC Reinsurance Company Limited (“PICC Reinsurance”) are all associates of the Company and fellow subsidiaries of the Company as their parent company is PICC Group. In the above note, PICC Life, PICC Health and PICC Reinsurance are included in “associates” and excluded from “fellow subsidiaries under PICC Group”.

The balances with PICC Group, fellow subsidiaries under PICC Group, associates and an associate of PICC Group are settled according to respective arrangements between the Company and the related parties.



33. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other government-related entities in the PRC

The Company is a state-owned enterprise which is subject to the indirect 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 other government-related entities include insurance policies sold, reinsurance purchased, deposits placed with banks, investments in debts or bonds and commissions paid to banks for insurance policies distributed.

The directors consider 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.

(d) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and other members of senior management.

No transactions have been entered with the key management personnel for the six months ended 30 June 2022 other than the emoluments paid to them (being the key management personnel compensation).

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9

According to Amendments to HKFRS 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 at 31 December 2015, and is eligible to apply the temporary exemption from HKFRS 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 permitted by Amendments to HKFRS 4, the Group elects not to apply uniform accounting policies when using the equity method for associates and joint ventures.

The additional disclosures about the temporary exemption from HKFRS 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 HKFRS 9 at 30 June 2022 and 31 December 2021 and fair value changes for the six months ended 30 June 2022 and 2021:

	Fair value at	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Held for trading financial assets (A)	17,831	19,820
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
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)	197,801	197,730
– Financial assets with contractual terms that do not meet SPPI terms (D)	173,583	164,002
Total	389,215	381,552

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows (continued):

(i) Fair value of financial assets (continued)

	Fair value changes for the six months ended	
	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Held for trading financial assets (A)	(37)	88
Financial assets that are managed and whose performance are evaluated on a fair value basis (B)	–	–
Financial assets other than A and B		
– Financial assets with contractual terms that meet SPPI terms (C)	328	(1,210)
– Financial assets with contractual terms that do not meet SPPI terms (D)	(7,051)	(1,214)
Total	(6,760)	(2,336)

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.

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows (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 (Note 1)	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
AAA	157,720	151,847
AA+	20	78
AA	–	–
A-1	–	103
Not rated*	34,119	40,155
Total	191,859	192,183

* Included in the not rated category, there is an aggregate carrying amount of RMB33,319 million (31 December 2021: RMB38,989 million) of government bonds and certain financial bonds issued by policy banks, with low credit risks and the remaining financial assets:800 million (31 December 2021: RMB1,166 million) without any credit rating do not have low credit risk.

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows (continued):

(ii) Credit risk exposure (continued)

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 (Note 1)	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Aaa	77	63
Aa1	218	213
Aa2	3	4
Aa3	14	11
A1	16	197
A2	8	8
A3	31	46
Baa1	38	60
Baa2	36	26
Baa3	10	10
P-1	–	–
Not rated	–	109
Total	451	747

34. DISCLOSURES ABOUT THE TEMPORARY EXEMPTION FROM HKFRS 9 (CONTINUED)

The additional disclosures about the temporary exemption from HKFRS 9 are as follows (continued):

(ii) Credit risk exposure (continued)

	Carrying amount		Fair value	
	30 June 2022 (Unaudited)	31 December 2021 (Audited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Financial assets that do not have low credit risk (those that meet SPPI criterion (included in C above)) (Note 2)	820	1,456	222	813

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.

35. EVENTS AFTER THE REPORTING PERIOD

The Group does not have significant post balance sheet events.

Definitions

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

“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	PICC Property and Casualty Company Limited
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of 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
“pp”	percentage point(s)
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent

Corporate Information

REGISTERED NAME

Chinese name: 中國人民財產保險股份有限公司
(Abbreviation of Chinese name: 人保財險)

English name: PICC Property and Casualty
Company Limited
(Abbreviation of English name: PICC P&C)

REGISTERED OFFICE

Tower 2, No. 2 Jianguomenwai Avenue, Chaoyang
District, Beijing 100022, the PRC

WEBSITE

property.picc.com

STOCK NAME

PICC P&C

STOCK CODE

2328

TYPE OF STOCK

H Share

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

COMPANY SECRETARY

Zhang Xiao

INVESTOR RELATIONS CONTACT

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AUDITORS

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PricewaterhouseCoopers

Certified Public Accountants and Registered Public
Interest Entity Auditor

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP

人民有期盼 保险有温度

