NCI 新华保险

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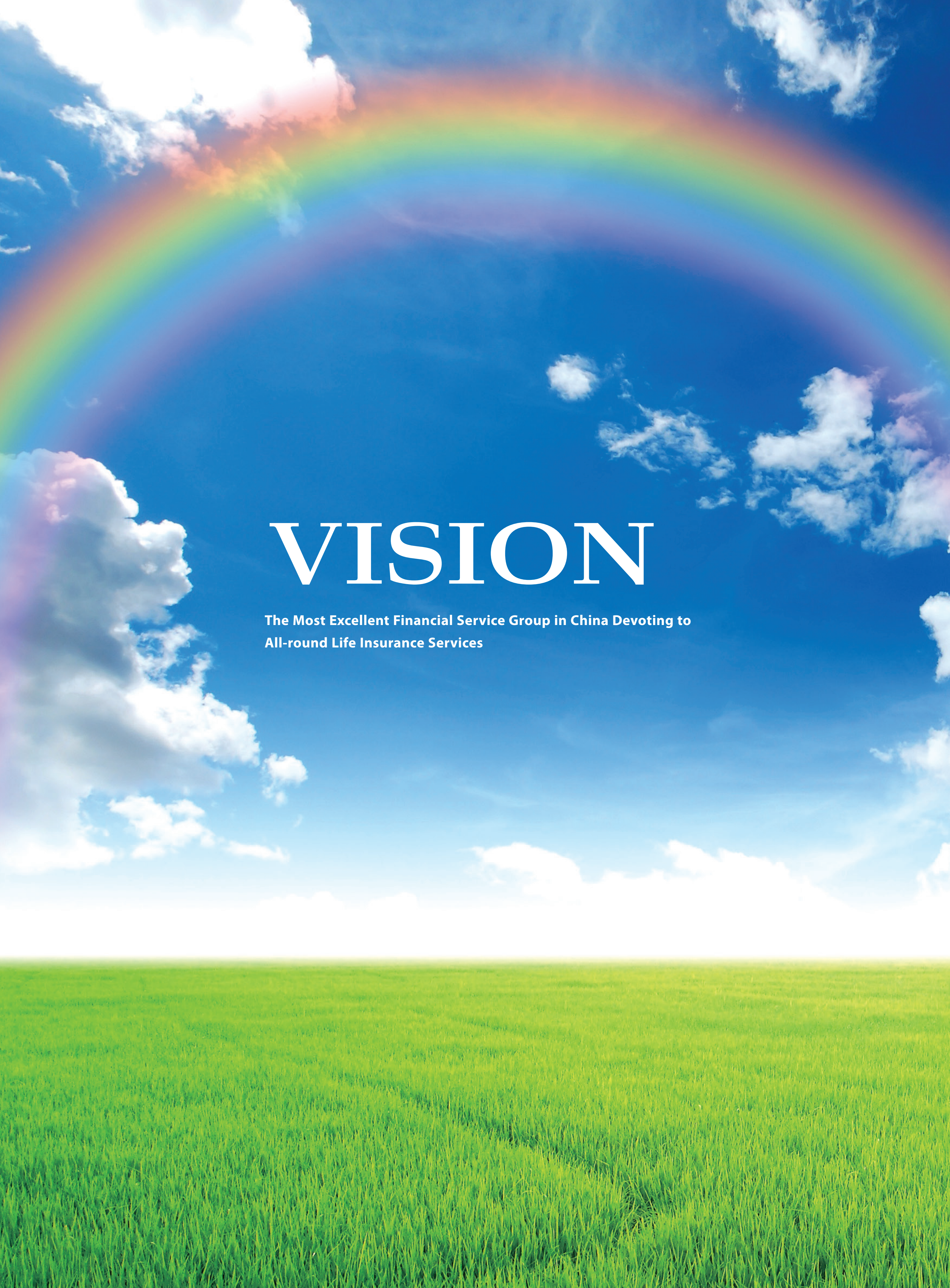
Interim Report 2013

New China Life Insurance Company Ltd.
新華人壽保險股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1336


VISION
The Most Excellent Financial Service Group in China Devoting to
All-round Life Insurance Services

IMPORTANT INFORMATION

1. The board of directors of the Company (the "Board"), the board of supervisors of the Company (the "Board of Supervisors") and the directors, supervisors, and members of senior management warrant the truthfulness, accuracy and completeness of the contents of this report, and that there are no false representations, misleading statements or material omissions in this report, and are legally liable for this report jointly and severally.

2. The 2013 Interim Report of the Company was considered and approved at the 10th Meeting of the Fifth Session of the Board of the Company on 27 August 2013, which 15 directors were required to attend and 13 of them attended in person. Director WANG Chengran, director CHEONG Chee Meng didn't attend the meeting because of other work, and authorized director ZHAO Haiying and director CHEN Johnny to attend the meeting and vote on behalf of them, respectively.

3. The 2013 condensed consolidated interim financial information of the Company has not been audited.

4. Mr. KANG Dian, the Chairman of the Company, Mr. CHEN Guogang, the Chief Financial Officer of the Company, Mr. GONG Xingfeng, the Chief Actuary of the Company and Ms. MENG Xia, the officer in charge of the Accounting Department of the Company warrant the truthfulness, accuracy and completeness of the condensed consolidated interim financial information in the 2013 Interim Report.

5. In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may differ from the actual results of the Company in the future. The Company does not make any warrant or undertaking upon its future performance. You are advised to exercise caution.

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SECTION 1 DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

the Company, New China Life, NCI	New China Life Insurance Company Ltd.
Asset Management Company	New China Asset Management Co., Ltd., a subsidiary of the Company
Huijin	Central Huijin Investment Ltd.
Baosteel Group	Baosteel Group Corporation
CIRC	China Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
SSF	the National Council for Social Security Fund of the PRC
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
RMB	Renminbi
PRC, China	People's Republic of China, for purpose of this report, excluding Hong Kong, Macau and Taiwan
Company Law	Company Law of the PRC
Insurance Law	Insurance Law of the PRC
Securities Law	Securities Law of the PRC
PRC GAAP	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC, and the application guide, interpretation and other related regulations issued afterwards
Articles of Association	The articles of association of New China Life Insurance Company Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Model Code for Securities Transactions	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Corporate Governance Code	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

SECTION 2 CORPORATE INFORMATION

Legal Name in Chinese: 新華人壽保險股份有限公司
Abbreviation in Chinese: 新華保險

Legal Name in English: NEW CHINA LIFE INSURANCE COMPANY LTD.
Abbreviation in English: NCI

Legal Representative: KANG Dian

Board Secretary and Joint Company Secretary: ZHU Ying
Securities Representative: WANG Hongli
Tel: 86-10-85213233
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Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Joint Company Secretary: MOK Ming Wai
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Fax: 852-35898555
Email: mandy.mok@kcs.com
Address: 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Registered Office: No. 1, East Hunan Road, Yanqing County, Beijing, PRC
Postal Code: 102100
Place of Business: NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC
Postal Code: 100022
Place of Business in Hong Kong: 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong
Website: http://www.newchinalife.com
Email: ir@newchinalife.com

Newspapers for Information Disclosure (A share): China Securities Journal, Shanghai Securities News
Website for publishing the Interim Report (A share): http://www.sse.com.cn
Website for publishing the Interim Report (H share): http://www.hkexnews.hk
Place where copies of the Interim Report are kept: Board of Directors Office of the Company

Stock Exchange for A Share Listing: The Shanghai Stock Exchange
Stock Name for A Share: 新華保險
Stock Code for A Share: 601336
A Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, PRC

Stock Exchange for H Share Listing: The Stock Exchange of Hong Kong Limited
Stock Name for H Share: NCI
Stock Code for H Share: 1336
H Share Registrar: Computershare Hong Kong Investor Services Limited
Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Domestic Auditor: PricewaterhouseCoopers Zhong Tian LLP
Address: 11/F, PricewaterhouseCoopers Center, Corporate Avenue 2, 202 HuBin Road, Huangpu District, Shanghai, PRC

International Auditor: PricewaterhouseCoopers
Address: 22nd Floor, Prince's Building, Central, Hong Kong

Domestic Legal Advisor: Commerce & Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Hong Kong Legal Advisor: Davis Polk & Wardwell, Hong Kong Solicitors
Address: 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong

SECTION 3 SUMMARY OF ACCOUNTING DATA AND OPERATING DATA

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE REPORTING PERIOD

Unit: RMB in millions

Key accounting data	January – June 2013	January – June 2012	Increase/decrease over the corresponding period of last year (%)
Total revenues	**61,943**	63,313	(2.2%)
Gross written premiums and policy fees	**51,628**	56,114	(8.0%)
Net profit before income tax	**2,496**	1,508	65.5%
Net profit attributable to shareholders of the Company	**2,187**	1,904	14.9%
Net cash flows from operating activities	**31,056**	33,046	(6.0%)

	30 June 2013	31 December 2012	Increase/decrease as compared to the end of last year (%)
Total assets	**531,048**	493,693	7.6%
Equity attributable to shareholders of the Company	**37,682**	35,870	5.1%

Key financial indicators	January – June 2013	January – June 012	Increase/decrease over the corresponding period of last year (%)
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	**0.70**	0.61	14.8%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	**0.70**	0.61	14.8%
Weighted average return on equity attributable to shareholders of the Company (%)	**5.95%**	5.72%	N/A
Weighted average net cash flows from operating activities per share (RMB)	**9.95**	10.60	(6.1%)

	30 June 2013	31 December 2012	Increase/decrease as compared to the end of last year (%)
Net assets per share attributable to shareholders of the Company (RMB/share)	**12.08**	11.50	5.0%

II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Unit: RMB in millions

Indicator	January – June 2013/as of 30 June 2013	January – June 2012/as of 31 December 2012	Increase/ decrease(%)
Investment assets[1]	**516,506**	479,189	7.8%
Annualized total investment yield[2]	**4.3%**	3.5%	N/A
Gross written premiums and policy fees	**51,628**	56,114	(8.0%)
Increase rate of gross written premiums and policy fees	**(8.0%)**	10.4%	N/A
Benefits, claims and expenses	**(58,399)**	(61,017)	(4.3%)

Notes:

1. The comparative figures have been recalculated on the base line of this period.

2. Annualized total investment yield = Total investment income/[(investment assets at the beginning of the period + investment assets at the end of the period)/2]*2.

III. THE DISCREPANCY BETWEEN THE PRC GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

There is no difference between the consolidated net profit of the Company for the six months ended 30 June 2013 and the consolidated equity of the Company as of 30 June 2013 as stated in the condensed consolidated interim financial information prepared in accordance with the IFRS and the consolidated financial statements prepared in accordance with the PRC GAAP.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

As a major life insurance company in the PRC, the Company is primarily engaged in provision of life insurance products and services to individuals and institutions through its national branch network. Meanwhile, the Company also manages and utilizes its insurance assets through its subsidiary Asset Management Company.

Unless otherwise specified, the management discussion and analysis is based on the condensed consolidated interim financial information of the Company, and all the data is denominated in RMB.

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

	January-June 2013	January-June 2012
Gross written premiums and policy fees	**51,628**	56,114
Total investment income[(1)]	**10,616**	7,301
Net profit attributable to shareholders of the Company	**2,187**	1,904
Value of first half year's new business[(2)]	**2,073**	2,178
Market share[(3)]	**8.2%**	9.8%
Persistency ratio		
Individual life insurance business 13-month persistency ratio[(4)]	**89.6%**	90.6%
Individual life insurance business 25-month persistency ratio[(5)]	**86.4%**	89.4%

	As of 30 June 2013	As of 31 December 2012
Total assets	**531,048**	493,693
Net assets	**37,691**	35,878
Investment assets[(6)]	**516,506**	479,189
Equity attributable to shareholders of the Company	**37,682**	35,870
Embedded value	**60,785**	56,870
Amount of customers (in thousands)	**28,918**	27,766
of which: individual customers	**28,858**	27,707
of which: institutional customers	**60**	59

Notes:

1. Total investment income = interest income from cash and cash equivalents, term deposits, debt securities and other investment assets + dividend income from equity securities + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates. The comparative figures have been recalculated on the base line of this period.

2. Value of first half year's new business as of 30 June 2012 was recalculated based on the assumption as of 31 December 2012.

3. Market share: represents the data published by the CIRC.

4. 13-month persistency ratio: premiums under in-force regular premium life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

5. 25-month persistency ratio: premiums under in-force regular premium life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the issuance.

6. The comparative figures have been recalculated on the base line of this period.

II. BUSINESS ANALYSIS

(I) Life Insurance Business

Since the beginning of this year, directed by "customer centric" strategy, the Company has formulated an overall concept and direction towards value-driven transformation by reforming the sales management system, establishing regional management system, and launching asset-oriented products, which brought opportunities for the overall business transformation. Through positive adjustment of aforesaid strategy, the Company has been able to maintain stable business growth and optimize its business structure, leading to the further improvement of the management system.

During the first half of this year, the Company has fully promoted value-driven transformation with the setting up and refining of the value-driven performance evaluation system. Through allocation of the value targets to its branches, the Company has maintained the balance between its scale, quality, investment and value, and has been focusing on the long-term development of the Company. Under the guidance of the value-driven performance evaluation system and the concept of value-driven transformation, both the branches and the teams have been focusing on the sales of protection-type products. The business structure of the Company has been gradually improved and the premiums contributed by protection-type products have significantly increased. New business margin has also been increased steadily. Facing the external competition and the business decline during the transformation of the Company, the Company took active measures to maintain stability of its business platform and to further promote the growth of value on the premise of the overall concept of value transformation. On one hand, the Company has established seven regional management centers and delegated its business support and supervision functions to the lowest sales units in the organizational hierarchy in order to shorten the communication chain between the head office and its branches, as well as to strengthen the differentiated management for different branches. On the other hand, the timely launch of the "Selected" series asset-oriented universal insurance products helped to maintain sales branch outlets, boost the sales of master insurance products, enhance capabilities to expand sales channels, motivate the teams and strive to reverse the business declining trend of the business in the short term. Due to the above, the Company has secured a number of core clients, increased the quantity and improved the quality of new customers, and built a solid foundation for follow-up business development with existing customers and selling of high value products.

In the first half of this year, the Company's gross written premiums (GWP) amounted to RMB51.344 billion, representing a decrease of 8.2% as compared to the same period of 2012. Our market share was 8.2%, representing a decrease of 1.6 percentage points as compared to the same period of 2012, which ranked the fourth in the PRC life insurance market. As of 30 June 2013, the Company had approximately 28.92 million life insurance customers, representing an increase of 1.15 million as compared to the end of 2012.

1. Analysis by Distribution Channels

Unit: RMB in millions

	January-June 2013	January-June 2012
Individual life insurance	**50,423**	55,045
Of which:		
Individual insurance agent channel	**25,261**	23,030
First year premiums	**4,398**	5,851
Regular premiums	**3,697**	5,198
Single premiums	**701**	653
Renewal premiums	**20,863**	17,179
Bancassurance channel	**24,449**	31,393
First year premiums	**6,875**	15,355
Regular premiums	**1,863**	3,236
Single premiums	**5,012**	12,119
Renewal premiums	**17,574**	16,038
Wealth management channel	**713**	622
First year premiums	**344**	412
Regular premiums	**203**	219
Single premiums	**141**	193
Renewal premiums	**369**	210
Group insurance	**921**	905
Total	**51,344**	55,950

(1) *Individual life insurance business*

① Individual insurance agent channel

In the first half of 2013, the GWP generated from the Company's individual insurance agent channel amounted to RMB25.261 billion, representing an increase of 9.7% as compared to the same period of last year. Among these GWP, the first year premiums amounted to RMB4.398 billion, representing a decrease of 24.8% as compared to the same period of last year, while renewed premiums amounted to RMB20.863 billion, representing an increase of 21.4% as compared to the same period of last year. During the first half of this year, individual insurance agents were able to enhance their sales skills for protection-type products, and the product structure for individual insurance agent channel as well as the new business margin were also significantly improved through the sales of high-value products, including whole life insurance products and health insurance products. The first year premiums contributed by traditional insurance and health insurance achieved 27%, representing an increase of 14 percentage points as compared to the same period of 2012. Premiums contributed by regular premium products with maturity of 20 years or above amounted to 1.97 billion, representing 53.3% of the first year regular premiums, which shows an increase of 8.4 percentage points as compared to the same period of last year. Meanwhile, the Company launched the Selected II Additional Endowment Insurance Product (Universal), and facilitated the sales of high-value master insurance products through product portfolio, gradually relieving the dual challenges of market competition and the pressure on transformation, thus improving the performance of the team. In the first half of the year, the total number of the Company's insurance agents remained stable at 192,000, among which 23,700 were high performing agents.[1]

[1] The number of high performing individual insurance agents for a reporting period is an average number calculated by dividing the sum of the monthly numbers of individual insurance agents in the reporting period who have sold at least one insurance policy by the number of months in the reporting period. The policy should not have been surrendered within one month of being underwritten, with a payment term of more than one year and accumulative first year commission of no less than RMB2,000 or RMB3,000 (depending on branch location).

② Bancassurance channel

In the first half of 2013, the GWP contributed by the Company's bancassurance channel amounted to RMB24.449 billion, representing a decrease of 22.1% as compared to the same period of last year. The first year premiums amounted to RMB6.875 billion, representing a decrease of 55.2% as compared to the same period of last year, primarily due to the market environment and the increasing competition. In the second quarter, in order to decelerate the sharp decline of business generated from bancassurance channel, stabilize the channel and the teams, secure core customers, and bring opportunities to the development of regular premium business, the Company launched an asset-oriented product named Selected I Endowment Insurance Product (Universal). Driven by the introduction of the new product, the first year written premiums[1] contributed by the Company's bancassurance channel grew significantly in the second quarter. The decrease of branch outlets generating insurance policies has slowed down dramatically, and the structure of customer portfolio has been improved.

③ Wealth management channel

Since its establishment, the wealth management channel has always adhered to its "double-high strategy": high-value business and high-end customers. During the first half of 2013, through the enhancement in management and as driven by the sound performance, the management indicators were effectively improved. The sales channel has grown toward a favorable direction in a more balanced manner by taking advantage of product launch timing and actively modifying the strategy for the channel.

In the first half of 2013, the GWP contributed by the wealth management channel was RMB713 million, increased by 14.6% as compared to the same period of last year, among which the first year premiums amounted to RMB344 million, representing a decrease of 16.5% as compared to the same period of last year.

(2) Group insurance business

In the first half of 2013, the GWP contributed by the group insurance business of the Company was RMB921 million, increased by 1.8% as compared to the same period of last year.

[1] Written Premiums refers to all premiums received from the policies underwritten by the Company, which is prior to the significant insurance risk testing and unbundling of hybrid risk contracts.

2. *Analysis by Types of Insurance Products*

Unit: RMB in millions

	January-June 2013	January-June 2012
GWP	**51,344**	55,950
Traditional insurance	**527**	379
Participating insurance(1)	**46,679**	52,325
Universal insurance	**19**	18
Unit-linked insurance	**0(2)**	0(2)
Health insurance(1)	**3,470**	2,673
Accident insurance	**648**	555

Notes:

1. Participating health insurance is included in the participating insurance, and not included in the health insurance. The comparative figures have been recalculated on the base line of this period.

2. The amount for each period indicated was less than RMB500,000.

3. Numbers may not be additive due to rounding.

In the first half of 2013, the Company earned GWP of RMB51.344 billion. The structure of types of insurance was optimized as compared to the same period of last year. The proportion of health insurance and traditional insurance has increased dramatically. The GWP generated by participating insurance was RMB46.679 billion, showing a decrease of 10.8% as compared to the same period of last year, accounting for 90.9% of the GWP and representing a decrease of 2.6 percentage points as compared to the same period of last year. The GWP generated by health insurance was RMB3.47 billion, increased by 29.8% as compared to the same period of last year, accounting for 6.8% of the GWP and representing an increase of 2 percentage points as compared to the same period of last year. The GWP generated by traditional insurance was RMB527 million, increased by 39.1% as compared to the same period of last year, accounting for 1.0% of the GWP and representing a slight increase as compared to the same period of last year. The GWP generated by accident insurance was RMB648 million, increased by 16.8% as compared to the same period of last year, accounting for 1.3% of the GWP.

3. *Analysis by Geographic Regions*

Unit: RMB in millions

	January-June 2013	January-June 2012
GWP	**51,344**	55,950
Guangdong	**4,891**	5,054
Beijing	**4,691**	5,425
Shandong	**3,582**	3,761
Henan	**3,532**	4,245
Hubei	**3,000**	3,090
Shanghai	**2,872**	3,638
Sichuan	**2,742**	3,082
Jiangsu	**2,302**	2,653
Hunan	**2,067**	2,286
Shaanxi	**1,918**	1,942
Sub-total	**31,597**	35,176
Other regions	**19,747**	20,774
Total	**51,344**	55,950

In the first half of 2013, approximately 61.5% of the GWP of the Company were contributed by the regions of the PRC with relatively developed economy or dense population, such as Guangdong, Beijing, Shandong, Henan, Hubei, Shanghai, Sichuan, Jiangsu, Hunan and Shaanxi, etc.

(II) Asset Management Business

Insisting on balanced asset-liability management, while taking into account the security, liquidity and profitability of the funds under management, the Company seeks to maximize the investment returns of its investment portfolio on the basis of sound asset allocation and effective risk control.

In 2013, based on the characteristics of liabilities of insurance business and fluctuation cycles of capital markets, the Company proactively improved the allocation of investment portfolio, and properly increased the proportion of fixed-income assets, in order to enhance net investment yield and total investment yield, and maintain stable and reliable investment income. As to the equity investment, the Company realized gains of RMB1.025 billion despite the continued downturn of the domestic capital market.

1. Investment Portfolio

Unit: RMB in millions

	As of 30 June 2013	As of 31 December 2012
Investment assets[1]	**516,506**	479,189
Classified by investment type		
Term deposits[2]	**173,280**	171,853
Debt securities	**261,683**	234,130
Equity securities	**42,554**	32,793
– Funds	**15,495**	15,869
– Stocks	**17,763**	16,216
– Investments in associates	**9,296**	708
Cash and cash equivalents[2]	**21,409**	25,066
Other investment assets[3]	**17,580**	15,347
Classified by investment purpose		
Financial assets at fair value through income	**5,666**	4,755
Available-for-sale financial assets	**97,239**	84,335
Held-to-maturity securities	**178,096**	176,817
Loans and other receivables[4]	**226,209**	212,574
Investments in associates	**9,296**	708

Notes:

1. The comparative figures have been recalculated on the base line of this period.

2. Cash and cash equivalents include term deposits with maturity of 3 months or less, while term deposits exclude those with maturity of 3 months or less.

3. Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc.

4. Loans and other receivables mainly include term deposits, cash and cash equivalents, statutory deposits, policy loans, financial assets purchased under agreements to resell, accrued investment income and loans and receivables, etc.

As of the end of the reporting period, the Company had investment assets of RMB516,506 million, increased by 7.8% as compared to the end of last year. Such increase was mainly attributable to the cash inflows from the Company's insurance business.

As of the end of the reporting period, term deposits accounted for 33.5% of the total investment assets, representing a decrease of 2.4 percentage points as compared to the end of last year, mainly because the increase of the Company's term deposits was less than the growth in the scale of investment assets.

As of the end of the reporting period, debt securities accounted for 50.7% of the total investment assets, representing an increase of 1.8 percentage points as compared to the end of last year, which was mainly due to the Company's increase of investments in financial products, including asset funding plans and trust products, considering the prevailing market conditions.

As of the end of the reporting period, equity securities accounted for 8.2% of the total investment assets, representing an increase of 1.4 percentage points as compared to the end of last year, which was mainly due to the growth of the equity investment plan of equity securities.

As of the end of the reporting period, cash and cash equivalents accounted for 4.1% of total investment assets, representing a decrease of 1.1 percentage points as compared to the end of last year. Such decrease was mainly attributable to the requirements for investment assets allocation and liquidity management.

As of the end of the reporting period, other investment assets accounted for 3.5% of total investment assets, representing an increase of 0.3 percentage points as compared to the end of last year, mainly attributable to the increase in policy loans and financial assets purchased under agreements to resell.

In terms of investment purposes, as of the end of the reporting period, investment assets of the Company were mainly comprised of loans and other receivables and held-to-maturity securities. Investments in loans and other receivables increased by 6.4% as compared to the end of last year, mainly due to the increase of asset funding plans.

2. *Investment Income*

Unit: RMB in millions

	January-June 2013	January-June 2012
Interest income from cash and cash equivalents	**34**	55
Interest income from term deposits	**4,450**	3,882
Interest income from debt securities	**5,814**	4,704
Dividend income from equity securities	**645**	386
Interest income from other investment assets[1]	**161**	145
Net investment income[2]	**11,104**	9,172
Realized gains/(losses)	**1,025**	(126)
Unrealized gains/(losses)	**(573)**	272
Impairment losses on financial assets	**(928)**	(2,016)
Share of results of associates	**(12)**	(1)
Total investment income[3]	**10,616**	7,301
Annualized net investment yield[4]	**4.5%**	4.4%
Annualized total investment yield[4]	**4.3%**	3.5%

Notes:

1. Interest income from other investment assets includes interest income from statutory deposits, policy loans and financial assets purchased under agreements to resell.

2. Net investment income includes interest income from cash and cash equivalents, term deposits, debt securities and other investment assets, and dividend income from equity securities.

3. Total investment income = net investment income + realized gains/(losses) + unrealized gains/(losses) + impairment losses on financial assets + share of results of associates. The comparative figures have been recalculated on the base line of this period.

4. Annualized investment yield = investment income/[(investment assets at the beginning of the period + investment assets at the end of the period)/2]*2.

The Company achieved total investment income of RMB10,616 million for the reporting period, representing an increase of 45.4% as compared to the same period of last year; the annualized total investment yield was 4.3%, representing an increase of 0.8 percentage points as compared to the same period of last year.

The Company achieved a net investment income of RMB11,104 million, representing an increase of 21.1% as compared to the same period of last year; the annualized net investment yield was 4.5%, representing an increase of 0.1 percentage points as compared to the same period of last year. Such increase was mainly attributable to the increase in interest income from term deposits and debt securities.

The realized gains, unrealized gains and losses on investment assets and impairment losses on financial assets amounted to a loss of RMB476 million in aggregate, which turned better as compared to the loss of RMB1,870 million in aggregate as compared to the same period of last year, mainly because the Company had reasonable position control and made better use of band operation to turn losses into profits for realized gains on investment assets with a profit of RMB1,025 million.

3. *External Equity Securities*

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial Investment costs (RMB in millions)	Number of Securities held (in millions)	Carrying amount at the end of the period (RMB in millions)	As a percentage of total investments in securities at the end of the period (%)	Profits/losses for the reporting period (RMB in millions)
1	Convertible bond	110015	Sinopec CB	439.15	4.09	407.89	10.25%	-32.31
2	Convertible bond	110020	Nanshan CB	350.99	3.48	345.87	8.69%	4.29
3	Convertible bond	113001	BOC CB	345.64	3.37	337.58	8.48%	-4.75
4	Stock	600837	Haitong Securities	400.03	35.67	334.57	8.41%	-68.95
5	Stock	601998	CITIC Bank	357.92	76.00	281.96	7.09%	-75.44
6	Stock	600048	Poly Real Estate	235.26	19.21	190.33	4.78%	-40.53
7	Stock	600636	3F	244.65	16.80	167.35	4.21%	-75.50
8	Stock	600660	Fuyao Glass	203.23	21.89	157.38	3.95%	-22.51
9	Stock	600153	C&D	183.64	24.45	153.82	3.87%	-21.23
10	Stock	000024	China Merchants Property	147.25	5.49	133.34	3.35%	-3.24
Investments in other securities held at the end of the period				1,765.05	N/A	1,469.24	36.92%	-397.67
Profits/losses of investments in securities sold during the reporting period				N/A	N/A	N/A	N/A	-189.34
Total				4,672.81	N/A	3,979.33	100%	-737.84

Notes:

1. Securities investments stated in this table represent investments such as stock, options and convertible bonds, etc, ordered in accordance with the carrying amount at the end of the period. Among them, only the parts of tradable financial assets attributable to the Company are presented for stock and convertible bonds.

2. Investments in other securities represent investments in other securities apart from the top ten securities.

3. Profits/losses for the reporting period are comprised of the realized investment gains/losses as well as the unrealized gains/losses.

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment cost (RMB in millions)	As a percentage of equity interests in that company at the beginning of the period (%)	As a percentage of equity interests in that company at the end of the period (%)	Carrying amount at the end of the period (RMB in millions)	Profits/ losses during the reporting period (RMB in millions)	Changes of Equity Ownership during the reporting period (RMB in millions)	Accounting classification	Source of securities
600887X	Yili Industrial (Limited)	599.72	0.00%	1.60%	1,013.47	9.07	413.75	Available for sale	Purchase
03328	Bank of Communications	698.94	0.27%	0.21%	621.15	57.02	-124.25	Available for sale	Purchase
601318	Ping An	730.08	0.11%	0.20%	541.83	-127.22	-28.95	Available for sale	Purchase
000002	Vanke A	545.50	0.00%	0.43%	468.99	11.87	-76.51	Available for sale	Purchase
601006	Daqin Railway	559.13	0.32%	0.49%	428.43	28.13	-89.45	Available for sale	Purchase
601601	CPIC	576.68	0.25%	0.26%	381.02	-96.90	-51.30	Available for sale	Purchase
601377X	Industrial Securities (Limited)	395.20	0.00%	1.54%	363.20	–	-32.00	Available for sale	Purchase
600970	Sinoma Int' l	440.79	1.44%	3.42%	343.63	9.09	-82.75	Available for sale	Purchase
600276	Hengrui Medicine	326.61	0.21%	0.85%	305.06	0.84	-22.62	Available for sale	Purchase
601111	Air China	678.02	0.52%	0.52%	289.92	-50.60	-69.75	Available for sale	Purchase
Other securities held at the end of the period		12,565.48	N/A	N/A	10,118.03	187.48	-689.74	N/A	N/A
Total		18,116.15	N/A	N/A	14,874.73	28.78	-853.57	N/A	N/A

Note:

1. The table presents the shareholding in other listed companies by the Company as classified under available-for-sale financial assets ordered in accordance with the carrying amount at the end of the reporting period.

(3) Shareholdings in unlisted financial institutions

During the reporting period, other than the subsidiaries of the Company, the Company did not have any shareholdings in unlisted financial institutions.

(4) Trading of shares in other listed companies

	Shares purchased/ sold during the reporting period (in millions)	Amount of capital utilized (RMB in millions)	Investment gains incurred (RMB in millions)
Purchase	1,776.34	19,641.21	/
Sale	1,541.70	/	487.52

III. PRINCIPAL CONTENTS AND ANALYSIS OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(I) Analysis of Principal Components of the Balance Sheet

1. *Principal Assets*

Unit: RMB in millions

Component	As of 30 June 2013	As of 31 December 2012
Debt securities	261,683	234,130
– Held-to-maturity	178,096	176,817
– Available-for-sale	67,620	55,624
– At fair value through income	2,027	1,381
– Loans and receivables	13,940	308
Equity securities	33,258	32,085
– Available-for-sale	29,619	28,711
– At fair value through income	3,639	3,374
Term deposits	173,280	171,853
Statutory deposits	716	717
Policy loans	5,360	3,866
Financial assets purchased under agreements to resell	468	–
Accrued investment income	11,036	10,764
Premiums receivable	2,551	1,556
Deferred tax assets	906	863
Cash and cash equivalents	21,409	25,066
Investments in associates	9,296	708
Other assets not included in the above assets	11,085	12,085
Total	531,048	493,693

Debt securities

As of the end of the reporting period, debt securities increased by 11.8% as compared to the end of 2012, primarily due to the increase in asset funding plans in loans and receivables, as well as the increase in trust products in available-for-sale securities.

Equity securities

As of the end of the reporting period, equity securities increased by 3.7% as compared to the end of 2012, primarily due to the overall growth in the investment assets, which resulted in a corresponding increase in the equity securities.

Term deposits

As of the end of the reporting period, term deposits increased by 0.8% as compared to the end of 2012, primarily because the Company increased the proportion of negotiated deposits.

Premiums receivable

As of the end of the reporting period, premiums receivable increased by 63.9% as compared to the end of 2012, primarily due to the cumulative growth of insurance business of the Company.

Policy loans

As of the end of the reporting period, policy loans increased by 38.6% as compared to the end of 2012, primarily due to the increase in demand for policy loans.

Financial assets purchased under agreements to resell

As of the end of the reporting period, financial assets purchased under agreements to resell increased by RMB468 million as compared to the end of 2012, primarily due to the requirements for liquidity management.

Investments in associates

As of the end of the reporting period, the investments in associates increased by 1,213.0% as compared to the end of 2012, primarily due to the investments in projects such as equity investment plans.

2. *Principal Liabilities*

Unit: RMB in millions

Component	As of 30 June 2013	As of 31 December 2012
Insurance contracts	**394,132**	362,272
Long-term insurance contracts liabilities	**392,624**	361,070
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	**462**	452
– Unearned premiums liabilities	**1,046**	750
Investment contracts	**25,795**	18,988
Financial assets sold under agreements to repurchase	**52,484**	55,437
Premiums received in advance	**176**	518
Reinsurance liabilities	**91**	33
Current income tax liabilities	**–**	62
Other liabilities not included in the above liabilities	**20,679**	20,505
Total	**493,357**	457,815

Insurance contracts

As of the end of the reporting period, insurance contracts increased by 8.8% as compared to the end of 2012, primarily due to the cumulative growth of the Company's insurance business and the accumulation of the insurance obligations.

Investment contracts

As of the end of the reporting period, investment contracts increased by 35.8% as compared to the end of 2012, primarily due to the cumulative growth of the investment contracts business.

Financial assets sold under agreements to repurchase

As of the end of the reporting period, financial assets sold under agreements to repurchase decreased by 5.3% as compared to the end of 2012, primarily due to the requirements for investment asset allocation and liquidity management.

Premiums received in advance

As of the end of the reporting period, premiums received in advance decreased by 66.0% as compared to the end of 2012, primarily due to the timing of underwriting policies of the insurance business.

Reinsurance liabilities

As of the end of the reporting period, the reinsurance payables increased by 175.8% as compared to the end of 2012, primarily due to the impact of the reinsurance payables settlement cycle of reinsurance companies.

Current income tax liabilities

As of the end of the reporting period, the Company had no current income tax liabilities as compared to RMB62 million at the end of 2012, primarily because the Company has paid up the income tax for 2012.

3. Shareholders' Equity

As of the end of the reporting period, shareholders' equity attributable to the Company amounted to RMB37,682 million, representing an increase of 5.05% as compared to the end of 2012, primarily due to the growth of investment income and accumulated business.

(II) Analysis of Principal Components of the Income Statement

1. *Revenues*

Unit: RMB in millions

Component	January-June 2013	January-June 2012
Gross written premiums and policy fees	**51,628**	56,114
Less: premiums ceded out	**(161)**	40
Net written premiums and policy fees	**51,467**	56,154
Net change in unearned premiums liabilities	**(242)**	(227)
Net premiums earned and policy fees	**51,225**	55,927
Investment income	**10,631**	7,303
Other income	**87**	83
Total	**61,943**	63,313

Gross written premiums and policy fees

As of the end of the reporting period, gross written premiums and policy fees amounted to RMB51,628 million, representing a decrease of 8.0% as compared to the same period of last year, primarily due to the downward trend of the bancassurance channel business of the Company.

Premiums ceded out

During the reporting period, premiums ceded out amounted to RMB161 million as compared to negative RMB40 million during the same period of last year, primarily due to the growth of the business of premiums ceded out and the decrease in policy surrenders recovered from reinsurers.

Investment income

During the reporting period, investment income increased by 45.6% as compared to the same period of last year, primarily due to the increase in the interest income from debt securities, the increase in realized gains on investment assets and the decrease in impairment losses on available-for-sale financial assets.

2. *Insurance Business Expenditures and Other Expenses*

Unit: RMB in millions

Component	January-June 2013	January-June 2012
Insurance benefits and claims	**(49,971)**	(52,176)
Claims and net change in outstanding claims liabilities	**(554)**	(462)
Life insurance death and other benefits	**(17,458)**	(11,584)
Increase in long-term insurance contracts liabilities	**(31,959)**	(40,130)
Investment contracts benefits	**(344)**	(364)
Commission and brokerage expenses	**(3,257)**	(3,825)
Administrative expenses	**(4,492)**	(4,517)
Other expenses	**(335)**	(135)
Total	**(58,399)**	(61,017)

Insurance benefits and claims

During the reporting period, insurance benefits and claims decreased by 4.2% as compared to the same period of last year, primarily due to the decline of the increase in long-term insurance contracts liabilities recorded according to the accounting policy of the Company.

Increase in long-term insurance contracts liabilities

During the reporting period, the increase in long-term insurance contracts liabilities decreased by 20.4% as compared to the same period of last year, primarily due to the decline of insurance business to a certain extent and the increase in surrenders.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits increased by 50.7% as compared to the same period of last year, primarily due to the increase in surrenders.

Other expenses

During the reporting period, other expenses increased by 148.1% as compared to the same period of last year, primarily due to the effect of foreign exchange rate changes.

3. *Income Tax*

During the reporting period, income tax expenses amounted to RMB308 million as compared to income tax gains of RMB397 million for the same period of last year, mainly due to the impact of the amount of income tax payable and deferred income tax.

4. *Net Profit*

During the reporting period, the Company achieved net profit attributable to the Company amounting to RMB2,187 million, representing an increase of 14.9% as compared to the same period of last year, primarily due to the growth of investment income and the decrease in impairment losses on available-for-sale financial assets as compared to the same period of last year.

5. *Other Comprehensive Income*

During the reporting period, other comprehensive income amounted to a loss of RMB375 million as compared to an income of RMB1,946 million for the same period of last year, primarily due to an increase resulting from impairment losses on available-for-sale financial assets recognized in the same period of last year and a decrease resulting from the unrealized losses of available-for-sale financial assets in the current period.

(III) Analysis of Cash Flows

Unit: RMB in millions

Items	**January-June 2013**	January-June 2012
Net cash flows from operating activities	**31,056**	33,046
Net cash flows from investing activities	**(30,906)**	(59,115)
Net cash flows from financing activities	**(3,747)**	35,843

1. *Net Cash Flows from Operating Activities*

Net cash flows from operating activities of the Company for the first half of 2013 and 2012 amounted to RMB31,056 million and RMB33,046 million, respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums received from our existing insurance contracts for the first half of 2013 and 2012 amounted to RMB49,978 million and RMB54,566 million, respectively.

Cash outflows from operating activities of the Company for the first half of 2013 and 2012 amounted to RMB26,736 million and RMB22,179 million, respectively. Cash outflows from operating activities of the Company were primarily comprised of claims and benefits expenses, commission and brokerage expenses, cash payments to or for employees, and other cash payments related to operating activities. Claims expenses from existing insurance contracts for the first half of 2013 and 2012 amounted to RMB18,032 million and RMB12,348 million, respectively. The above changes were primarily due to the Company's business growth and insurance payments.

2. Net Cash Flows from Investing Activities

Net cash flows from investing activities of the Company for the first half of 2013 and 2012 amounted to negative RMB30,906 million and negative RMB59,115 million, respectively. Cash inflows from investing activities of the Company for the first half of 2013 and 2012 amounted to RMB72,444 million and RMB45,128 million, respectively. Cash inflows from investing activities of the Company were primarily comprised of cash proceeds from investments sold, cash received from investment income and cash received from financial assets purchased under agreements to resell, etc.

Cash outflows from investing activities of the Company for the first half of 2013 and 2012 amounted to RMB103,350 million and RMB104,243 million, respectively. Cash outflows from investing activities of the Company were primarily comprised of cash paid for investments, net increase in policy loans, cash paid for purchase of property, plant and equipment, intangible assets and other long-term assets, and cash paid for financial assets purchased under agreements to resell, etc.

3. Net Cash Flows from Financing Activities

Net cash flows from financing activities of the Company for the first half of 2013 and 2012 amounted to negative RMB3,747 million and RMB35,843 million, respectively. Cash inflows from financing activities of the Company for the first half of 2013 and 2012 amounted to RMB2,255,795 million and RMB2,241,340 million, respectively. Cash inflows from financing activities of the Company were primarily comprised of cash received from the sale of financial assets sold under agreements to repurchase, etc.

Cash outflows from financing activities of the Company for the first half of 2013 and 2012 amounted to RMB2,259,542 million and RMB2,205,497 million, respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for financial assets sold under agreements to repurchase.

IV. ANALYSIS BY COMPONENT

(I) Solvency

The Company calculated and disclosed actual capital, minimum capital and solvency margin ratio according to relevant requirements of the CIRC. As required by the CIRC, solvency margin ratio of a domestic insurance company in the PRC must reach a required level.

Unit: RMB in millions

	As of 30 June 2013	As of 31 December 2012	Reason(s) of Change
Actual capital	**35,252**	35,764	Changes in fair value of financial assets and investment structure
Minimum capital	**20,238**	18,574	Growth in insurance business
Surplus	**15,014**	17,190	
Solvency margin ratio	**174.19%**	192.56%	

(II) Gearing Ratio

	As of 30 June 2013	As of 31 December 2012
Gearing ratio	**92.9%**	92.7%

Note: Gearing ratio = Total liabilities/Total assets.

(III) Reinsurance Business

The Company's reinsurance business currently includes business ceded through quota share, surplus and catastrophe reinsurance contracts. The current reinsurance contracts cover almost all products. Reinsurers of the Company are mainly China Life Reinsurance Company Ltd. and Swiss Reinsurance Company Ltd., Beijing Branch, etc.

During the first half of 2013, premiums ceded out of the Company were set out as follows:

Unit: RMB in millions

	January-June 2013	January-June 2012
China Life Reinsurance Company Ltd.[1]	**33**	(105)
Swiss Reinsurance Company Ltd., Beijing Branch	**123**	62
Others[2]	**5**	3
Total	**161**	(40)

Notes:

1. Premiums ceded out were negative primarily because policy surrenders recovered from the reinsurer exceeded the premiums ceded out during the period.

2. Others primarily included Hannover Ruckversicherung AG, Shanghai Branch, SCOR Global Life SE, Singapore Branch, Munich Reinsurance Company, Beijing Branch, and General Reinsurance Corporation, Shanghai Branch, etc.

V. FUTURE PROSPECTS

In the second half of 2013, affected by the continuous downturn of global macro economy, uncertainties in trends of the domestic economy, and frequent volatility in financial market, the domestic life insurance sector is still facing severe external situation. From the perspective of the development trend of the industry, high-yield products which boost the growth of premiums have become a new driver for the growth of the industry. The key players of the industry have further enhanced their overall capabilities of controlling over their operation and management. However, as affected by external economic and financial environment and in view of the difficulties in rapidly improving the investment return of the industry in short term, the industry as whole still needs time to recover, in particular, the negative growth is anticipated to continue for bancassurance channel business which substantially contributes to the premiums. At the same time, insurance companies are confronting with great pressure on their cash flow due to the peak of surrenders and maturities in the entire insurance industry this year, coupled with continuous decrease in renewal dividends.

Facing the severe internal and external environments of the industry, the Company will continuously implement its "customer centric" development strategy and promote the Company's strategic transformation following the demand of core customers. The Company will strive to deepen the reform of regional management by re-delegating resources to lower sales units, strengthen its capabilities of basic management, investment and innovation, and endeavor to improve its operation and management level. Meanwhile, the Company will enhance its abilities in utilization of insurance assets to the extent of controllable risk exposure by taking advantage of various favorable regulatory policies issued by regulators and expanding its investment channels.

In August 2013, the CIRC officially commenced the implementation of the commercialized reform on pricing rate in insurance industry, which means both an opportunity for growth for long term and challenge for short term. The pricing rate commercialization will cause the premium rate back to a reasonable level, increase consumers' demand, and bring a new driver for the growth of the industry. However, profitability of insurance companies may assume short-term pressure. The Company will continue to strengthen its internal management, improve its capabilities of overall management, including innovation of product development, cost control and assets and liabilities management, and address the commercialization reform on pricing rate actively and prudently.

The Company plans to maintain a healthy and stable growth of business as well as its market share, boost the growth of our core business – individual insurance, keep its competitive strengths on regular premiums from bancassurance channel, and promote a balanced development of value and scale.

SECTION 5 SIGNIFICANT EVENTS

I. IMPLEMENTATION OF CASH DIVIDEND DISTRIBUTION POLICIES AND PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

The First Extraordinary General Meeting of 2013 of the Company held on 1 February 2013 considered and approved the *Proposal in relation to the Amendments to the Articles of Association*, and amended the article on profit distribution accordingly. For details of the amendments, please refer to the *Circular of the First Extraordinary General Meeting of 2013* published on 17 December 2012 and the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors* published on 1 February 2013 by the Company. Such amendments have been approved by CIRC on 7 February 2013.

According to the *Articles of Association*, the Company approved the *Proposal on the 2012 Profit Distribution Plan* at the Fourth Meeting of the Fifth Session of the Board on 26 March 2013, and agreed to submit such proposal to the general meeting for review. The independent non-executive directors also provided independent opinions approving such proposal. The Company approved the aforesaid proposal at the Annual General Meeting of 2012 on 25 June 2013.

According to the aforesaid proposal, the net profit of the Company for the year 2012 is RMB2,953.06 million. Since there is no uncovered deficit in the previous years, the distributable profit of the Company achieved within the year 2012 in the financial statements is RMB2,953.06 million. In accordance with relevant laws, regulations and the *Articles of Association*, the Company withdrew the statutory reserve of RMB295.306 million and the general risk reserve of RMB295.306 million respectively, each of which represents 10% of the distributable profit of the Company achieved within the year 2012 in the financial statements.

In 2012, the Company had distributed a special dividend totalling 1.0 billion, representing approximately 33.86% of the distributable profit of the Company achieved within the year 2012 in the financial statements, which meets the minimum requirement of cash distribution as stipulated in the *Articles of Association* of the Company. For details please refer to the *Announcement on the Declaration of Special Dividend* published by the Company on 26 July, 2012. Except for the above special dividend, the Company proposes not to distribute any other portion of the distributable profit after tax of 2012.

The 2012 profit distribution plan of the Company complied with the provisions of the *Articles of Association* and the requirements of the resolutions of the general meeting. The decision-making procedure and mechanism were complete, independent non-executive directors duly performed their duties, and minority shareholders fully expressed their opinions and requests, thus their legitimate interests were adequately protected.

II. THE PLANS OF PROPOSED INTERIM PROFIT DISTRIBUTION AND INCREASE OF SHARES WITH THE USE OF CAPITAL RESERVE

The Company will neither distribute profit nor increase shares with the use of capital reserve during the mid-term of 2013.

III. SIGNIFICANT LITIGATION, ARBITRATION EVENTS AND GENERAL MEDIA DOUBTS

During the reporting period, the significant litigation in which the Company was a defendant is the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity interest in China Minzu Securities Co., Ltd., particulars of which are as follows:

In order to enforce Beijing Arbitration Commission's Award and the judgement of Shenzhen Intermediate Court of Guangdong Province, New Industry Investment Co., Ltd., Orient Group Co., Ltd. and the Company reached an agreement, pursuant to which the Company should pay the principal amount of 170 million and its interest to Orient Group Co., Ltd., and New Industry Investment Co., Ltd. should then pay the principal amount of 170 million and its interest to the Company. The agreement is currently being honored during the reporting period.

For details of litigations regarding the recovery for monetary loss relating to the former chairman's misconduct during the reporting period, please refer to "XI. Analysis and description of other significant events – (II) Recovery for the monetary loss relating to the former chairman's misconduct" in this section.

The above litigations had no material adverse effect on the Company's financial condition and continuous profitability.

During the reporting period, the Company had no general media doubts.

IV. NON-OPERATING CAPITAL ATTRIBUTABLE TO THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

During the reporting period, the Company had no non-operating capital attributable to the controlling shareholder and its related parties.

V. ACQUISITION AND DISPOSAL OF MATERIAL ASSETS, MERGER AND DIVISION

During the reporting period, the Company had no acquisition or disposal of material assets, merger or division.

VI. SIGNIFICANT CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

During the reporting period, the Company had no significant connected transactions.

VII. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCES

(I) During the reporting period, there were no such events as managing, contracting and leasing assets of other companies by the Company or managing, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) profit of the Company's total profit of the reporting period;

(II) During the reporting period, there was no external contract guarantee and the Company did not provide security for its subsidiaries;

(III) During the reporting period, the Company did not entrust other companies with asset management in cash except for entrusting Asset Management Company with fund investment management;

(IV) During the reporting period, the Company had no significant contracts.

VIII. EXECUTION OF COMMITMENTS OF THE COMPANY OR SHAREHOLDERS WITH OVER 5% SHARES DURING THE REPORTING PERIOD OR TILL THE REPORTING PERIOD

(I) Controlling shareholder's commitment relating to avoidance of horizontal competition

For details of the commitment made by Huijin, the controlling shareholder of the Company, to avoid horizontal competition, please refer to the section titled "Substantial Shareholder – Relationship with Huijin" in the Prospectus dated 2 December 2011 issued by the Company.

During the reporting period, the commitment relating to avoidance of horizontal competition is being fulfilled continuously and normally.

(II) Pre-IPO shareholders' commitment of not to transfer the Company's shares within a lock-up period

For details of pre-IPO shareholders' commitment of not to transfer the Company's shares within a lock-up period, please refer to the section titled "Share Capital – Lock-up Periods" in the Prospectus dated 2 December 2011 issued by the Company.

During the reporting period, Huijin, our controlling shareholder, is fulfilling its commitment of not to transfer the Company's shares within a lock-up period continuously and normally.

(III) Commitment relating to special dividend distribution and the establishment of public investor protection mechanism

For details of the commitment of special dividend distribution and the establishment of public investor protection mechanism, please refer to the *Announcement on the Declaration of Special Dividend* issued by the Company on 26 July 2012. The special dividend distribution fund is used to cover other actual losses beyond the impairments and provisions as disclosed in the Prospectus arising from the former chairman's misconduct during the custody period. Such commitment is being fulfilled continuously and normally.

IX. APPOINTMENT OF ACCOUNTING FIRMS

The *Proposal on the Appointment of Accounting Firms for the year 2013* was approved by the Annual General Meeting of 2012 on 25 June 2013. The Company appointed PricewaterhouseCoopers Zhong Tian LLP as its domestic auditor and PricewaterhouseCoopers as its international auditor for the year 2013. The 2013 condensed consolidated interim financial information of the Company has not been audited.

X. PENALTY AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, MEMBERS OF SENIOR MANAGEMENT AND SHAREHOLDERS WITH OVER 5% SHARES

During the reporting period, neither the Company, nor its directors, supervisors, members of senior management or shareholders with over 5% shares was subject to any investigation, administrative penalty or official censure by the CSRC, or public reprimand by stock exchanges.

XI. ANALYSIS AND DESCRIPTION OF OTHER SIGNIFICANT EVENTS

(I) Issuance of debt financing instruments

To further enhance the Company's solvency adequacy ratio, pursuant to the resolution of the Company's Second Extraordinary General Meeting of 2013, the Company planned to issue debt financing instruments with a period of more than 5 years and a total amount of not more than RMB5 billion in 2013. The issuance of the 2013 debt financing instruments of the Company is pending on the approval of the regulatory authorities.

(II) Recovery for the monetary loss relating to the former chairman's misconduct

1. To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. during the term of office of the former chairman, the Company brought a lawsuit against Beijing Tianhuan Real Estate Development Co., Ltd., requiring the latter to return the debt principal of RMB575 million and its interest to the Company. In December 2012, Beijing Second Intermediate People's Court ruled to reject the lawsuit filed by the Company. The Company made an appeal to Beijing Municipal Higher People's Court during the appealing period. Beijing Municipal Higher People's Court has made the second instance ruling, which sustained the first instance ruling of Beijing Second Intermediate People's Court. The Company brought a lawsuit regarding the aforesaid matter to Chongqing Municipal Higher People's Court on 18 March 2013. The case is now under trial during the reporting period.

2. For details related to the dispute arising from the Company's entrustment for New Industry Investment Co., Ltd. to hold equity in China Minzu Securities Co., Ltd., please refer to "III. Significant Litigation, Arbitration Events and General Media Doubts" in this section.

(III) Indirect investment in infrastructure programme

During the reporting period, the Company entrusted Asset Management Company with a total amount of 11.4 billion in the debt investment plan and equity investment plan in infrastructure.

SECTION 6 CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

I. CHANGES IN SHARE CAPITAL

(I) Table of share capital

The share capital of the Company as of 30 June 2013 is as follows:

Unit: share

	31 December 2012		Increase or decrease during the reporting period (+ or -)					**30 June 2013**	
	Number	Percentage	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	**Number**	**Percentage**
1. Shares with selling restrictions[1]									
(1) State-owned shares[2]	984,858,568	31.57%	–	–	–	–	–	**984,858,568**	**31.57%**
(2) State-owned legal person shares	–	–	–	–	–	–	–	**-**	**-**
(3) Other domestic shares	–	–	–	–	–	–	–	**-**	**-**
held by:									
legal entities	–	–	–	–	–	–	–	**-**	**-**
natural persons	–	–	–	–	–	–	–	**-**	**-**
(4) Foreign shares	–	–	–	–	–	–	–	**-**	**-**
held by:									
legal persons	–	–	–	–	–	–	–	**-**	**-**
natural persons	–	–	–	–	–	–	–	**-**	**-**
Total	**984,858,568**	**31.57%**	**-**	**-**	**-**	**-**	**-**	**984,858,568**	**31.57%**
2. Shares without selling restrictions									
(1) Ordinary Shares denominated in RMB	1,100,580,772	35.28%	–	–	–	–	–	**1,100,580,772**	**35.28%**
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	**-**	**-**
(3) Overseas listed foreign shares (H share)	1,034,107,260	33.15%	–	–	–	–	–	**1,034,107,260**	**33.15%**
(4) Others	–	–	–	–	–	–	–	**-**	**-**
Total	**2,134,688,032**	**68.43%**	**-**	**-**	**-**	**-**	**-**	**2,134,688,032**	**68.43%**
3. Total number of shares	**3,119,546,600**	**100.00%**	**-**	**-**	**-**	**-**	**-**	**3,119,546,600**	**100.00%**

Notes:

1. "Shares with selling restrictions" refer to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.

2. "State-owned shares" refer to the shares of the Company held by Huijin (not including the shares increased by Huijin on and after 13 June 2013) and A shares transferred from Huijin to SSF at the time of the Company's initial public offering.

(II) Table of shares with selling restrictions

The table below shows the shares with selling restrictions of the Company as of 30 June 2013:

Unit: share

No.	Name of shareholders	Number of shares with selling restrictions at the beginning of the reporting period	Increase/decrease of the number of shares with selling restrictions in the reporting period	Number of shares with selling restrictions at the end of the reporting period	Reason for selling restrictions	Expiry date of selling restrictions
1	Central Huijin Investment Ltd.	974,173,154	0	974,173,154	Restriction upon issuance	2014-12-16
2	The National Council for Social Security Fund of the PRC	10,685,414	0	10,685,414	Restriction upon issuance	2014-12-16

II. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 28,724 shareholders of the Company, including 28,370 A shareholders and 354 H shareholders.

Shares held by top ten shareholders Unit: share

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period (+,-)	Number of shares held with selling restrictions	Number of shares pledged or frozen	Types of shares
Central Huijin Investment Ltd.	State-owned shares	31.31	976,754,064	+2,580,910	974,173,154	–	A
HKSCC Nominees Limited[1]	Overseas legal person shares	31.06	968,934,260	+507,008,000	–	–	H
Baosteel Group Corporation	State-owned legal person shares	15.11	471,212,186	–	–	–	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	Others	2.59	80,853,658	+80,853,658	–	–	A
CICC Securities (HK) Limited	Overseas legal person shares	2.08	65,000,000	–	–	–	H
Special Securities Account for Securities Based Lending Products of Shenyin & Wanguo Securities Co., Ltd	Others	1.35	41,979,300	+41,610,000	–	–	A
Shanghai Shangyan Investment Center (Limited Partnership)	Others	1.16	36,166,156	+36,166,156	–	–	A
Century Golden Resources Investment Group Co., Ltd.	Domestic legal person shares	1.09	34,143,368	-43,856,632	–	34,143,368	A
Vats Group Company Limited	Domestic legal person shares	1.02	31,745,000	–	–	31,740,000	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.83	26,000,000	–	–	–	A

Description of connected relations or concerted action among the aforesaid shareholders	Huijin holds 43.35% equity interest in China International Capital Corporation Limited. An overseas fund operated by an overseas subsidiary of China International Capital Corporation Limited holds 100% equity interest in CICC Securities (HK) Limited, and CICC Securities (HK) Limited holds 2.08% equity interest in the Company. Except this, the Company is not aware of any connections among the shareholders or whether they are parties acting in concert.

Note:

1. HKSCC Nominees Limited is a company that holds shares on behalf of the clients of the Hong Kong stock brokers and other participants of CCASS system including shares held by investors such as Zurich Insurance Company Ltd.. Please refer to "II. SHAREHOLDERS – (III) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares" of this section for details. The relevant regulations of the HKSE do not require such persons to declare whether their shareholdings are pledged or frozen. Therefore, HKSCC Nominees Limited is unable to calculate or provide the number of shares pledged or frozen.

Shares held by top ten shareholders who are not subject to selling restrictions Unit: share

Name of shareholders	Number of shares held without selling restrictions	Types of shares
HKSCC Nominees Limited	968,934,260	H
Baosteel Group Corporation	471,212,186	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	80,853,658	A
CICC Securities (HK) Limited	65,000,000	H
Special Securities Account for Fixed-term Securities Repurchases of Shenyin & Wanguo Securities Co., Ltd	41,979,300	A
Shanghai Shangyan Investment Center (Limited Partnership)	36,166,156	A
Century Golden Resources Investment Group Co., Ltd.	34,143,368	A
Vats Group Company Limited	31,745,000	A
Beijing Taiji Huaqing Information System Co., Ltd.	26,000,000	A
Special Securities Account for Fixed-term Securities Repurchases of CITIC Securities Co., Ltd.	25,370,000	A

Description of connected relations or concerted action among the aforesaid shareholders	The Company is not aware of any connections among the shareholders or whether they are parties acting in concert.

(II) Change of controlling shareholder and the actual controller

During the reporting period, there is no change in the controlling shareholder or the actual controller of the Company.

(III) Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are reasonably aware of, as of 30 June 2013, Baosteel Group holds 471,212,186 A shares of the Company, which account for 15.11% of the total issued shares of the Company, and 22.60% of the total issued A shares of the Company.

In addition to the above, so far as the directors of the Company are reasonable aware of, as of 30 June 2013, the following persons (other than the directors, supervisors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, and have been entered into the register maintained by the Company pursuant to Section 336 of the SFO:

	Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage of the total shares issued	Percentage of the A shares issued	Percentage of the H shares issued	Long Position/ Short Position/ Interest in a lending pool
1	Central Huijin Investment Ltd.	A share	Beneficial owner	974,347,488	31.23	46.72	–	Long Position
2	Zurich Insurance Company Ltd	H share	Beneficial owner	390,000,000 (Note 3)	12.50	–	37.71	Long Position
3	Zurich Financial Services Ltd	H share	Interests of Controlled Corporation	390,000,000 (Note 3)	12.50	–	37.71	Long Position
4	Overseas-Chinese Banking Corporation Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 4)	3.32	–	10.01	Long Position
5	Great Eastern Holdings Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 4)	3.32	–	10.01	Long Position
6	The Great Eastern Life Assurance Company Limited	H share	Beneficial owner	63,158,500 (Note 4)	2.02	–	6.11	Long Position
7	Temasek Holdings (Private) Limited	H share	Interests of Controlled Corporation	78,000,000	2.50	–	7.54	Long Position
8	China International Capital Corporation Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 5)	2.08	–	6.29	Long Position
9	China International Capital Corporation (Hong Kong) Limited	H share	Interests of Controlled Corporation	118,763,000	3.81	–	11.48	Long Position
			Interests of Controlled Corporation	53,763,000 (Note 5)	1.72	–	5.20	Short Position
10	CICC Investment Group Company Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 5)	2.08	–	6.29	Long Position
11	CICC Growth Capital Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 5)	2.08	–	6.29	Long Position
12	CICC Principal Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 5)	2.08	–	6.29	Long Position
13	CICC Principal Fund I, L.P.	H share	Interests of Controlled Corporation	65,000,000 (Note 5)	2.08	–	6.29	Long Position
14	CICC Securities (HK) Limited	H share	Beneficial owner	65,000,000 (Note 5)	2.08	–	6.29	Long Position
15	China International Capital Corporation Hong Kong Securities Limited	H share	Community of Interest	53,763,000	1.72	–	5.20	Long Position
			Community of Interest	53,763,000 (Note 5)	1.72	–	5.20	Short Position

Notes:

1. Data disclosed in the table above are based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

2. Pursuant to Section 336 of the SFO, the shareholders of the Company are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Hong Kong Stock Exchange.

3. Zurich Financial Services Ltd directly holds 100% equity interest in Zurich Insurance Company Ltd and is therefore deemed to be interested in the 390,000,000 H shares directly held by Zurich Insurance Company Ltd.

4. Overseas-Chinese Banking Corporation Limited indirectly holds interest in Great Eastern Holdings Limited, and is therefore deemed to be interested in the 103,538,600 H shares held by Great Eastern Holdings Limited. Great Eastern Holdings Limited directly holds interest in The Great Eastern Life Assurance Company Limited, The Overseas Assurance Corporation Limited and The Great Eastern Trust Private Limited separately, and is therefore deemed to be interested in the 63,158,500 H shares held by The Great Eastern Life Assurance Company Limited, the 9,318,500 H shares held by The Overseas Assurance Corporation Limited and the 31,061,600 H shares held by The Great Eastern Trust Private Limited.

5. China International Capital Corporation Limited indirectly holds 100% equity interest in China International Capital Corporation (Hong Kong) Limited. China International Capital Corporation (Hong Kong) Limited indirectly holds 100% equity interest in CICC Investment Group Company Limited. CICC Investment Group Company Limited indirectly holds 100% equity interest in CICC Growth Capital Fund GP, Ltd.. CICC Growth Capital Fund GP, Ltd. indirectly holds 100% equity interest in CICC Principal Fund GP, Ltd.. CICC Principal Fund GP, Ltd. indirectly owns CICC Principal Fund I, L.P.. CICC Principal Fund I, L.P. directly holds 100% equity interest in CICC Securities (HK) Limited.

   According to the Disclosure of Interests Form 2 submitted on 13 January 2012 by China International Capital Corporation Limited, China International Capital Corporation (Hong Kong) Limited indirectly holds 100% equity interest of China International Capital Corporation Hong Kong Securities Limited, thus China International Capital Corporation Hong Kong Securities Limited holds no equity interest or short position of the Company.

Save as disclosed above, as of 30 June 2013, the Company was not aware that there was any other person (other than the directors, supervisors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register maintained by the Company.

III. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

SECTION 7 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Directors

The Fifth Session of the Board was elected at the First Extraordinary General Meeting of 2013 of the Company, held on 1 February 2013. The Fifth Session of the Board is composed of 15 directors, all of which were members of the Fourth Session of the Board and were re-elected. Please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors* published on 1 February 2013 by the Company for details.

During the reporting period, there was no change of directors of the Company.

(II) Supervisors

The Fifth Session of the Board of Supervisors was elected at the First Extraordinary General Meeting of 2013 of the Company, held on 1 February 2013. The Fifth Session of the Board of Supervisors is composed of seven supervisors, six of which were the members of the Fourth Session of the Board and were re-elected. Please refer to the *Announcement on the Voting Results of the First Extraordinary General Meeting of 2013 and Election of Employee Representative Supervisors for the Fifth Session of the Board of Supervisors* published on 1 February 2013 by the Company for details.

During the reporting period, the changes of the supervisors are set out below:

Name	Position	Changes
ZHU Nansong	Shareholder Representative Supervisor	Mr. ZHU Nansong no longer served as a Shareholder Representative Supervisor of the Fifth Session of the Board of Supervisors since the election of the Board of Supervisors at the First Extraordinary General Meeting of 2013 on 1 February 2013.
LV Hongbo	Shareholder Representative Supervisor	Mr. LV Hongbo was elected to serve as a Shareholder Representative Supervisor of the Fifth Session of the Board of Supervisors at the First Extraordinary General Meeting of 2013 on 1 February 2013. His qualification as supervisor was approved by the CIRC in March 2013.

Except for the above, there were no other changes of the supervisors of the Company during the reporting period.

(III) Members of senior management

On 22 February 2013, the Company held the Third Meeting of the Fifth Session of the Board at which the Company appointed the members of the senior management and established the Executive Committee. Please refer to "Section 8 Directors, Supervisors, Senior Management and Employees – V. Changes in directors, supervisors and members of senior management – (III) Changes in members of senior management" of the 2012 annual report published on 19 April 2013 by the Company for details.

During the reporting period, the changes of the members of senior management are set out below:

Name	Former Position	Present Position	Changes
KANG Dian	Chairman of the Board	Chairman of the Board, Chief Executive Officer	Mr. KANG Dian has been the Chief Executive Officer (CEO) of the Company since February 2013.
HE Zhiguang	President	President, Chief Operation Officer	Mr. HE Zhiguang has been the Chief Operation Officer (COO) of the Company since February 2013.
LIU Yigong	Vice President, Compliance Principal	Vice President	Mr. LIU Yigong no longer served as Compliance Principal since February 2013.
LI Dan	Vice President	–	Ms. LI Dan no longer served as Vice President since February 2013 because she reached the retirement age.
GONG Xingfeng	Chief Actuary	Assistant to President, Chief Actuary	Mr. GONG Xingfeng was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
ZHU Ying	Board Secretary	Assistant to President, Chief Risk Officer (Compliance Principal), Board Secretary	Mr. ZHU Ying was appointed as Assistant to President and Chief Risk Officer (Compliance Principal) by the Board in February 2013. His qualification was approved by the CIRC in March 2013.

Name	Former Position	Present Position	Changes
TANG Gengrong	–	Assistant to President	Mr. TANG Gengrong was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
LI Yuan	–	Assistant to President	Mr. LI Yuan was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
CHEN Zhengyang	–	Assistant to President	Mr. CHEN Zhengyang was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.
YU Zhigang	–	Assistant to President	Mr. YU Zhigang was appointed as Assistant to President by the Board in February 2013. His qualification was approved by the CIRC in March 2013.

Except for the above, there were no other changes of the members of senior management of the Company during the reporting period.

II SHAREHOLDING OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

(I) Shareholding of the Company's A shares by directors, supervisors and members of senior management

Name	Position	Types of Shares	Number of shares held at the beginning of the reporting period	Increase/ decrease during the reporting period (+/-)	Number of shares held at the end of the reporting period	Reasons for change
ZHU Nansong	Shareholder Representative Supervisor (Resigned)	A share	4,350,000	0	4,350,000	–

Except for directly holding the shares listed above, Mr. ZHU Nansong held 49.25% of equity interests in Shanghai Zendai Investment Management Co., Ltd., a shareholder of the Company which held 7,050,000 A shares of the Company at the end of the reporting period.

(II) Interests and short positions of directors, supervisors and chief executives under Hong Kong laws, regulations and rules

As of 30 June 2013, according to the information available to the Company and the information our directors are aware of, Mr. KANG Dian, Chairman of the Board, was deemed to be interested in 50,000 H shares of the Company held by Excel Class Investments Limited, of which Mr. KANG Dian directly held 100% equity interest (equity interests in his controlled corporation). In addition, Mr. KANG Dian purchased 23,000 H shares of the Company through Excel Class Investments Limited on 18 July 2013. As of the publication date of this interim report, Mr. KANG Dian held 73,000 H shares of the Company in aggregate. Except for the aforesaid, there are no interests or short positions held by our directors, supervisors and chief executives in our shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the HKSE pursuant to Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein or which will be required to be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

SECTION 8 CORPORATE GOVERNANCE REPORT

Pursuant to the Company Law, the Insurance Law, the Securities Law and other applicable laws and regulations as well as the requirements of domestic and overseas regulatory authorities, the Company has established and improved the corporate governance system consisting of the general meeting, the Board, Board of Supervisors and the senior management, and formed an operation mechanism under which the authorities, decision-making organs, supervisory organs and executive organs support and coordinate with each other with appropriate checks and balances. During the reporting period, the Company complied with the regulatory rules of the listing places, took effective measures to increase the operation efficiency of the Board, regulated and improved the information disclosure mechanism, enhanced communication with investors and improved transparency of the Company's operation.

During the reporting period, the Company held in total three general meetings, eight Board meetings and three Board of Supervisors' meetings. Meeting resolutions and relevant meeting documents have been published on the websites of the SSE, the HKSE, and the Company as well as other relevant information disclosure media. The general meeting, the Board, the Board of Supervisors and the senior management all operated independently according to the *Articles of Association* and relevant rules and procedures, and effectively fulfilled their respective duties.

During the reporting period, eight non-executive directors (including three independent non-executive directors) did not attend the First Extraordinary General Meeting of 2013 held on 1 February 2013, seven non-executive directors (including one independent non-executive director) did not attend the Second Extraordinary General Meeting of 2013 held on 26 March 2013, 10 non-executive directors (including four independent non-executive directors) did not attend the Annual General Meeting of 2012 of the Company held on 25 June 2013 in person because of other work. Except for the above, the Company complied with all the other principles and code provisions in the Corporate Governance Code provided in Appendix 14 to the Hong Kong Listing Rules, and adopted most of the best practices set out therein.

The Company has formulated the *Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Co., Ltd.* to regulate the securities transactions of directors, supervisors and senior management of the Company, the standard of which is not lower than that of the Model Code for Securities Transactions. Upon specific enquiries to all directors and supervisors, the Company confirmed that all the directors and supervisors have complied with the code of conduct specified in the Model Code for Securities Transactions and *Administrative Measures for Shareholding and Changes Thereof of Directors, Supervisors and Senior Management of New China Life Insurance Co., Ltd.*.

This report has been reviewed at the seventh meeting of the Audit Committee of the Board in 2013.

SECTION 9 EMBEDDED VALUE

TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To The Directors New China Life Insurance Company Ltd

New China Life Insurance Company Ltd ("NCI") has prepared embedded value results for the first half year ended 30 June 2013 ("EV Results"). The disclosure of these EV Results, together with a description of the methodology and assumptions that have been used, are shown in the Embedded Value section.

NCI has engaged Towers Watson Management (Shenzhen) Consulting Co. Ltd, Beijing Branch ("Towers Watson") to review its EV Results. This report is addressed solely to NCI in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than NCI for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Our scope of work covered:

- A review of the methodology used to calculate the embedded value as at 30 June 2013 and the value of one year's new business and the first half year's new business in the 12 months and 6 months to 30 June 2013 respectively ("Value of New Business"), in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;

- A review of the economic and operating assumptions used to calculate the embedded value as at 30 June 2013 and the Value of New Business; and

- A review of the results of NCI's calculation of EV results.

In carrying out our review, we have relied on the accuracy of audited and unaudited data and information provided by NCI.

Opinion

Based on the scope of work above, we have concluded that:

- The embedded value methodology used by NCI is consistent with the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the CIRC. The methodology applied by NCI is a common methodology used to determine embedded values of life insurance companies in China at the current time;

- The economic assumptions used by NCI are internally consistent, have been set with regard to current economic conditions, and have made allowance for the company's current and expected future asset mix and investment strategy;

- The operating assumptions used by NCI have been set with appropriate regard to past, current and expected future experience;

- No changes have been assumed to the treatment of tax, but some sensitivity results relating to tax have been shown by NCI; and

- The EV Results have been prepared, in all material respects, in accordance with the methodology and assumptions set out in the Embedded Value section.

Towers Watson confirms that the results shown in the Embedded Value section of NCI's 2013 interim report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA

27 August 2013

I. BACKGROUND

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared the Company's Embedded Value as at 30 June 2013 and have disclosed the relevant information in this section.

Embedded Value (EV) is an actuarially determined estimate of the economic value of the life insurance business of an insurance company based on a series of assumptions about future experience. But it does not incorporate the contribution of economic value from future new business. Value of New Business (VNB) represents an actuarially determined estimate of the economic value arising from new life insurance business issued during a certain period of time. Hence, the embedded value method can provide an alternative measure of the value and profitability of a life insurance company.

The reporting of embedded value and value of new business provides useful information to investors in two respects. First, Value of In-Force business (VIF) represents the total amount of after-tax distributable profits in present value terms, which can be expected to emerge over time, based on the assumptions used. Second, Value of New Business provides a metric to measure the value created for investors from new business activities and hence the potential growth of the company. However, the information on embedded value and value of new business should not be viewed as a substitute of financial measures under other relevant financial bases. Investors should not make investment decisions based solely on embedded value and value of new business information.

As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. Hence, differences in definition, methodology, assumptions, accounting basis and disclosures may cause inconsistency when the results of different companies are compared. Also, embedded value calculations involve substantial technical complexity and estimates of value can vary materially as key assumptions are changed.

The embedded value and value of new business are prepared by us in accordance with the "Life Insurance Embedded Value Reporting Guidelines" (EV Guidelines) issued by the China Insurance Regulatory Commission in September 2005. Towers Watson, an international firm of consultants, performed a review of our embedded value. The review statement from Towers Watson is contained in the "Towers Watson's Review Opinion Report on Embedded Value" section.

II. DEFINITIONS OF EMBEDDED VALUE

Our embedded value is the sum of the adjusted net worth and the value of in-force business allowing for the cost of capital supporting the Company's solvency margin.

"Adjusted Net Worth" (ANW) is equal to the sum of:

- Net assets, defined as assets less PRC solvency reserves and other liabilities; and

- Net-of-tax adjustments for relevant differences between the market value and the book value of assets, together with relevant net-of-tax adjustments to certain liabilities.

The market value of assets can fluctuate significantly over time due to the impact of the prevailing market environment. Hence, the adjusted net worth can fluctuate significantly between valuation dates.

The "value of in-force business" is the discounted value of the projected stream of future after-tax distributable profits for existing in-force business at the valuation date. The "value of new business" includes the "value of one year's new business" and the "value of half year's new business", which are the discounted values of the projected stream of future after-tax distributable profits for sales in the 12 months and 6 months immediately preceding the valuation date respectively. Distributable profits are the profits after reflecting PRC solvency reserves and cost of capital supporting the Company's solvency margin.

The value of in-force business and the value of new business have been determined using a traditional deterministic discounted cash flow methodology. This methodology is consistent with EV Guidelines and is also commonly-used in determining EVs of life insurance companies in China at the current time. This methodology makes implicit allowance for all sources of risks, including the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk, the deviation of the actual experience from the projected and the economic cost of capital, through the use of a risk-adjusted discount rate.

III. KEY ASSUMPTIONS

In determining the embedded value and the value of new business as at 30 June 2013, we have assumed that the Company continues to operate as a going concern under the current economic and regulatory environment, and the current method for determining solvency reserves and statutory minimum solvency margin levels remains unchanged. The operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese life insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimates of the future based on information currently available at the valuation date.

Risk Discount Rate

The risk discount rate used to calculate the value of in-force business and value of new business is 11.5%.

Investment Returns

The investment return assumptions as at 30 June 2013 are shown below for the different funds respectively.

	Investment Return Assumptions for VIF and VNB as at 30 June 2013			
	2013	**2014**	**2015**	**2016+**
Non-participating	**5.00%**	**5.10%**	**5.20%**	**5.20%**
Participating	**5.00%**	**5.10%**	**5.30%**	**5.50%**
Universal life	**5.00%**	**5.20%**	**5.50%**	**5.60%**
Unit-linked	**7.60%**	**7.60%**	**7.80%**	**7.90%**

Note: Investment return assumptions are applied to calendar year.

Mortality

Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000 to 2003)". Assumed ultimate mortality rates are:

- Individual Life and Annuity Products (accumulation phase): Male: 65%, Female: 60%
- Individual Annuity Products (payout phase): 75% of Individual Life
- Group Life and Annuity Products (accumulation phase): Male: 75%, Female: 70%
- Group Annuity Products (payout phase): 75% of Group Life

Selection factors are applied to Individual Life and Annuity Products (accumulation phase) and Group Life and Annuity Products (accumulation phase) mentioned above in the first and second policy year. Ultimate rates are applicable thereafter.

Morbidity

Morbidity assumptions are expressed as a percentage of base morbidity tables used in pricing. Assumed ultimate morbidity rates are:

- Individual Dread Disease Products: Male: 65%, Female: 95%
- Group Dread Disease Products: Male: 75%, Female: 105%

Selection factors are applied for these products in the first and second policy year. Ultimate rates are applicable thereafter.

Discontinuance Rates

Assumptions have been developed based on our past discontinuance experience, expectations of current and future experience, and overall knowledge of the Chinese life insurance market. Assumptions vary by product type and premium payment mode.

Expenses

Unit cost assumptions have been developed based on our actual experience in 2012 and expected future outlook. Future inflation of 2.0% p.a. has been assumed in respect of per policy expenses.

Commission and Handling Fees

The assumed level of commission and commission override has been set based on the levels currently being paid for individual business. For group products and bancassurance products, allowance has been made for handling fees as part of our overall expenses.

Policyholder Bonuses and Dividends

The assumptions regarding policyholder dividends have been derived in accordance with our current policyholder bonus and dividend policy, whereby 70% of surplus arising from participating business is paid to policyholders.

Tax

Tax has been assumed to be payable at 25% of profits with allowance for the exemption of certain investment income, including Chinese government bonds, and dividend income from equities and equity investment funds. Tax is assumed to be calculated on taxable income using reserves calculated on the PRC solvency basis.

In addition, a 5% business tax has been applied to the gross premium of short-term accident business.

Cost of Holding Required Capital

The level of required capital assumed to be held by us in the calculation of VIF and VNB is 100% of the minimum solvency margin required by the CIRC, i.e. sufficient to be classified as adequate solvency level I.

The current basis for calculating the required statutory minimum solvency margin has been assumed unaltered throughout the course of projection.

Other Assumptions

The current methods for calculating our policy reserves under the PRC solvency basis and surrender values have been assumed unaltered throughout the course of projection.

Our current reinsurance arrangements have been assumed to remain unaltered.

IV. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of new business as at 30 June 2013 and their corresponding results as at prior valuation date.

Unit: RMB in millions

Valuation Date	**30 June 2013**	31 December 2012
Adjusted Net Worth	**26,795**	25,458
Value of In-Force Business Before Cost of Capital	**45,413**	42,321
Cost of Capital	**(11,424)**	(10,909)
Value of In-Force Business After Cost of Capital	**33,990**	31,412
Embedded Value	**60,785**	56,870
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	**5,329**	5,624
Cost of Capital	**(1,259)**	(1,452)
Value of One Year's New Business After Cost of Capital	**4,070**	4,172

Notes:

1. Numbers may not be additive due to rounding.

2. The first year premium used to calculate the Value of One Year's New Business as at 30 June 2013 and 30 June 2012 were RMB30,519 million and RMB33,057 million respectively.

Unit: RMB in millions

Valuation Date	**30 June 2013**	30 June 2012
Value of the First Half Year's New Business		
Value of the First Half Year's New Business Before Cost of Capital	**2,732**	3,035
Cost of Capital	**(659)**	(857)
Value of the First Half Year's New Business After Cost of Capital	**2,073**	2,178

Notes:

1. Numbers may not be additive due to rounding.

2. Value of the first half year's new business as at 30 June 2012 is re-calculated under the assumptions as at 31 December 2012.

3. The first year premium used to calculate the Value of the First Half Year's New Business as at 30 June 2013 and 30 June 2012 were RMB19,500 million and RMB22,090 million respectively.

V. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2012 to 30 June 2013, calculated at a risk discount rate of 11.5%, is shown below.

Unit: RMB in millions

Analysis of Change in EV from 31 December 2012 to 30 June 2013 at a Risk Discount Rate of 11.5%		
1.	**EV at the beginning of period**	**56,870**
2.	Impact of Value of New Business	2,147
3.	Expected Return	2,835
4.	Operating Experience Variances	(169)
5.	Economic Experience Variances	(503)
6.	Operating Assumption Changes	–
7.	Economic Assumption Changes	–
8.	Capital Injection/Shareholder Dividend Payment	–
9.	Others	(407)
10.	Value Change Other Than Life Insurance Business	12
11.	**EV at the end of period**	**60,785**

Note: Numbers may not be additive due to rounding.

Items (2) to (10) are explained below:

2. Value of the First Half Year's New Business as measured at the valuation date instead of at the point of issuing.

3. Expected Return on ANW and value of in-force business during the relevant period.

4. Reflects the difference between the actual operating experience in the period (including mortality, morbidity, discontinuance rates and expenses) and the assumed.

5. Reflects the difference between actual and expected investment returns in the period.

6. Reflects the change in operating assumptions between valuation dates.

7. Reflects the change in economic assumptions between valuation dates.

8. Capital Injection and other dividend payment to shareholders.

9. Other miscellaneous items.

10. Value change other than those arising from the life insurance business.

VI. SENSITIVITY TESTS

Sensitivity tests are performed under a range of alternative assumptions. In each of the sensitivity tests, only the assumption referred to is changed, with all other assumptions unchanged. The results are summarized below.

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 30 June 2013		
Scenarios	**VIF after CoC**	**VNB after CoC**
Base Scenario	33,990	4,070
Risk Discount Rate at 12%	32,189	3,803
Risk Discount Rate at 11%	35,909	4,357
Investment Return 0.5% higher	39,869	4,706
Investment Return 0.5% lower	28,098	3,433
Expenses 10% higher (110% of Base)	32,930	3,668
Expenses 10% lower (90% of Base)	35,050	4,472
Discontinuance Rates 10% higher (110% of Base)	33,591	3,930
Discontinuance Rates 10% lower (90% of Base)	34,399	4,214
Mortality 10% higher (110% of Base)	33,816	4,042
Mortality 10% lower (90% of Base)	34,165	4,098
Morbidity and Loss Ratio 10% higher (110% of Base)	33,186	3,895
Morbidity and Loss Ratio 10% lower (90% of Base)	34,796	4,245
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	29,317	3,664
Statutory Minimum Solvency Margin 50% higher (150% of Base)	33,196	3,440
Taxable Income Based on China Accounting Standards	32,517	3,737

SECTION 10 APPENDIX

INTERNATIONAL AUDITOR`S INDEPENDENT REVIEW REPORT AND THE 2013 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

INTERNATIONAL AUDITOR'S INDEPENDENT REVIEW REPORT

羅兵咸永道

Report on Review of Interim Financial Information
To the Board of Directors of New China Life Insurance Company Ltd.
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 55 to 102, which comprises the interim condensed consolidated statement of financial position of New China Life Insurance Company Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial 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 International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International 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 International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2013

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2013

(All amounts in RMB million unless otherwise stated)

	Notes	As of 30 June 2013 Unaudited	As of 31 December 2012
ASSETS			
Property, plant and equipment		**4,155**	4,126
Investment properties		**1,615**	1,635
Intangible assets		**102**	102
Investments in associates	*6*	**9,296**	708
Financial assets			
Debt securities		**261,683**	234,130
– Held-to-maturity	*7(1)*	**178,096**	176,817
– Available-for-sale	*7(2)*	**67,620**	55,624
– At fair value through income	*7(3)*	**2,027**	1,381
– Loans and receivables	*7(4)*	**13,940**	308
Equity securities		**33,258**	32,085
– Available-for-sale	*7(2)*	**29,619**	28,711
– At fair value through income	*7(3)*	**3,639**	3,374
Term deposits	*7(5)*	**173,280**	171,853
Statutory deposits		**716**	717
Policy loans		**5,360**	3,866
Financial assets purchased under agreements to resell		**468**	–
Accrued investment income		**11,036**	10,764
Premiums receivable		**2,551**	1,556
Deferred tax assets	*18*	**906**	863
Reinsurance assets		**2,945**	3,282
Other assets		**2,268**	2,940
Cash and cash equivalents		**21,409**	25,066
Total assets		**531,048**	493,693

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As of 30 June 2013

(All amounts in RMB million unless otherwise stated)

	Notes	**As of 30 June 2013 Unaudited**	As of 31 December 2012
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	*8*	**392,624**	361,070
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	*8*	**462**	452
– Unearned premiums liabilities	*8*	**1,046**	750
Financial liabilities			
Investment contracts	*9*	**25,795**	18,988
Borrowings	*10*	**15,000**	15,000
Financial assets sold under agreements to repurchase	*11*	**52,484**	55,437
Benefits, claims and surrenders payable		**929**	789
Premiums received in advance		**176**	518
Reinsurance liabilities		**91**	33
Provisions	*12*	**458**	458
Other liabilities		**4,292**	4,258
Current income tax liabilities		**–**	62
Total liabilities		**493,357**	457,815
Shareholders' equity			
Share capital	*13*	**3,120**	3,120
Reserves	*14*	**25,592**	25,967
Retained earnings		**8,970**	6,783
Total shareholders' equity		**37,682**	35,870
Non-controlling interests		**9**	8
Total equity		**37,691**	35,878
Total liabilities and equity		**531,048**	493,693

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013
(All amounts in RMB million unless otherwise stated)

	Notes	For the six months ended 30 June 2013 Unaudited	2012 Unaudited
REVENUES			
Gross written premiums and policy fees	*15*	**51,628**	56,114
Less: premiums ceded out		**(161)**	40
Net written premiums and policy fees		**51,467**	56,154
Net change in unearned premiums liabilities		**(242)**	(227)
Net premiums earned and policy fees		**51,225**	55,927
Investment income	*16*	**10,631**	7,303
Other income		**87**	83
Total revenues		**61,943**	63,313
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities		**(554)**	(462)
Life insurance death and other benefits		**(17,458)**	(11,584)
Increase in long-term insurance contracts liabilities		**(31,959)**	(40,130)
Investment contracts benefits		**(344)**	(364)
Commission and brokerage expenses		**(3,257)**	(3,825)
Administrative expenses	*17*	**(4,492)**	(4,517)
Other expenses		**(335)**	(135)
Total benefits, claims and expenses		**(58,399)**	(61,017)
Share of results of associates		**(12)**	(1)
Finance cost		**(1,036)**	(787)
Net profit before income tax		**2,496**	1,508
Income tax	*18*	**(308)**	397
Net profit for the period		**2,188**	1,905
Net profit for the period attributable to:			
– Shareholders of the Company		**2,187**	1,904
– Non-controlling interests		**1**	1
Earnings per share (RMB)			
Basic and diluted	*19*	**0.70**	0.61

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2013

(All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets		
Gains/(losses) arising from fair value changes	**(767)**	1,618
Reclassification adjustments for losses/(gains) included in profit or loss	**(975)**	372
Impairment charges reclassified to the statement of comprehensive income	**928**	2,016
Changes in liabilities for insurance and investment contracts arising from net unrealized gains/(losses)	**315**	(2,377)
Income tax relating to components of other comprehensive income	**124**	317
Total other comprehensive income/(losses)	**(375)**	1,946
Total comprehensive income	**1,813**	3,851
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	**1,812**	3,850
– Non-controlling interests	**1**	1

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013
(All amounts in RMB million unless otherwise stated)

	Attributable to shareholders of the Company					
	Share capital	**Reserves**	**Retained earnings**	**Total**	**Non-controlling Interests**	**Total Equity**
For the six months ended 30 June 2012 (Unaudited)						
As of 1 January 2012	3,117	22,468	5,721	31,306	7	31,313
Net profit for the period	–	–	1,904	1,904	1	1,905
Other comprehensive income	–	1,946	–	1,946	–	1,946
Total comprehensive income	–	1,946	1,904	3,850	1	3,851
New shares issued	3	56	–	59	–	59
Dividends paid	–	–	(281)	(281)	–	(281)
Total transactions with owners	3	56	(281)	(222)	–	(222)
As of 30 June 2012	3,120	24,470	7,344	34,934	8	34,942
For the six months ended 30 June 2013 (Unaudited)						
As of 1 January 2013	**3,120**	**25,967**	**6,783**	**35,870**	**8**	**35,878**
Net profit for the period	**–**	**–**	**2,187**	**2,187**	**1**	**2,188**
Other comprehensive income	**–**	**(375)**	**–**	**(375)**	**–**	**(375)**
Total comprehensive income	**–**	**(375)**	**2,187**	**1,812**	**1**	**1,813**
As of 30 June 2013	**3,120**	**25,592**	**8,970**	**37,682**	**9**	**37,691**

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

(All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Net cash flows from operating activities	**31,056**	33,046
Net cash flows from investing activities	**(30,906)**	(59,115)
Net cash flows from financing activities	**(3,747)**	35,843
Effect of foreign exchange rate changes	**(60)**	6
Net increase/(decrease) in cash and cash equivalents	**(3,657)**	9,780
Cash and cash equivalents		
Beginning of the period	**25,066**	21,095
End of the period	**21,409**	30,875
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	**20,739**	29,692
Short-term bank deposits	**670**	1,183

The notes on pages 61 to 102 form an integral part of these condensed consolidated interim financial information.

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was incorporated as a joint stock limited company in September 1996 in Beijing, the People's Republic of China (the "PRC") with the authorisation by the State Council of PRC and the approval by the People's Bank of China. The Company's initial registered capital on the date of incorporation was Renminbi ("RMB") 500 million. The registered capital was increased to RMB1,200 million in December 2000 and increased to RMB2,600 million in March 2011 with the approval by the China Insurance Regulatory Commission (the "CIRC"). In December 2011, the Company completed its initial public offering of 158,540,000 shares of A share in the Shanghai Stock Exchange, and issued 358,420,000 shares of H share in the Hong Kong Stock Exchange. In January 2012, the Company exercised the right of H share overallotment in the overseas markets, and issued 2,586,600 of H shares of overallotment shares. Upon the approval of CIRC, the registered capital was increased to RMB3,120 million. The address of the Company's registered office is No.1 East Hunan Road, Yanqing County, Beijing, the PRC.

The Company's principal activities include underwriting life insurance policies denominated in both RMB and foreign currencies, including life, health and accident insurance products; acting as agent for domestic and international insurance companies; providing insurance related consulting services; and conducting capital management operations in accordance with relevant laws and regulations.

As of 30 June 2013, the Company has equity interests in subsidiaries as detailed in Note 24. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

These condensed consolidated interim financial statements have been reviewed, not audited.

The unaudited condensed consolidated interim financial information has been approved for issue by Board of Directors on 27 August 2013.

(All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standard Board. The condensed consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Except as described below, the accounting policies applied are consistent with those of the consolidated annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

New accounting standards, amendments and interpretations pronouncements

(a) New standards and amendments adopted by the Group

The following new standards and amendments are mandatory for the first time for the financial year beginning on/after 1 July 2012.

Standard/Amendment	Content	Applicable for financial years beginning on/after
IAS 1 Amendment	Presentation of financial statements: Other Comprehensive Income	1 July 2012
IAS 19 Amendment	Employee benefits	1 January 2013
IAS 27 Revised	Separate Financial Statements	1 January 2013
IAS 28 Revised	Investments in Associates and Joint Ventures	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013
IFRS 7 Amendment	Financial instruments: Disclosure-offsetting financial assets and financial liabilities	1 January 2013

IAS 1 Amendment requires items presented in other comprehensive income be separated into two groups based on whether or not they may be recycled to profit or loss in the future.

IAS 19 Amendment eliminates the corridor approach and calculates finance costs on a net funding basis.

(All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

New accounting standards, amendments and interpretations pronouncements (Continued)

(a) New standards and amendments adopted by the Group (Continued)

The five standards (IAS 27 Revised, IAS 28 Revised, IFRS 10, IFRS 11 and IFRS 12) establish new guidance for consolidation and joint arrangements and principally address:

- A revised definition of control for the purposes of determining which arrangements should be consolidated;
- A reduction in the types of joint arrangements to two: joint operations and joint ventures, and classification based on rights and obligations rather than legal structure;
- Elimination of the policy choice of proportionate consolidation for joint ventures; and
- New requirements to disclose significant judgements and assumptions in determining whether an entity controls, jointly controls or significantly influences its interests in other entities.

IFRS 13 defines and sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurement.

IFRS 7 Amendment: Offsetting Financial Assets and Financial Liabilities is also amended to require disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of the new standards and amendments did not have material impacts on the Group's condensed consolidated interim financial information.

(b) New standards and amendments have been issued but are not effective for the financial year beginning on/after 1 July 2012.

Standard/Amendment	Content	Applicable for financial years beginning on/after
IAS 32 (Amendment)	Financial instruments: Presentation-offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, IFRS 9 Amendments and IFRS 7 Amendment	Financial Instruments and Financial Instruments: Disclosures	1 January 2015

IAS 32 Amendment provides additional application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

2 BASIS OF PREPARATION (CONTINUED)

New accounting standards, amendments and interpretations pronouncements (Continued)

(b) New standards and amendments have been issued but are not effective for the financial year beginning on/after 1 July 2012. (Continued)

IFRS 9 and IFRS 9 Amendments replaced those parts of IAS 39 relating to the classification, measurement and de-recognition of financial assets and liabilities with key changes mainly related to the classification and measurement of financial assets and certain types of financial liabilities. Together with the amendments to IFRS 9, IFRS 7-Financial Instruments: Disclosures is also amended to require additional disclosures on transition from IAS 39 to IFRS 9.

The Group is in the process of making an assessment of these impacts of the standards and amendments and is considering the timing of the adoption.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions made by the Group during the preparation of the condensed consolidated interim financial information would affect the reported amounts and disclosures of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including reasonable expectation and judgment of future events based on objective circumstantial evidences.

(1) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of liabilities under long-term insurance contracts is based on estimates of future benefit payments, premiums and relevant expenses made by the Group, and the margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption are made based on the most recent historical analysis and current and future economic conditions. The liability uncertainty arising from uncertain future benefits payments, premiums and relevant expenses is reflected in the risk margin.

The residual margin relating to the long-term insurance contracts is amortized over the expected life of the contracts, based on the assumptions (mortality rates, morbidity rates, lapse rates, discount rate, and expenses assumption) that are determined at inception of the contracts and remain unchanged for the duration of the contracts.

The judgments exercised in the valuation of insurance contracts liabilities (including contracts with discretionary participating feature) affect the amounts recognized in the condensed consolidated interim financial information as insurance contracts benefits and insurance contracts liabilities.

The various assumptions are described in Note 8.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(2) Financial assets and financial liabilities

The Group's principal investments are debt securities, equity securities, term deposits and loans. The critical estimates and judgments are those associated with the recognition of impairment and the determination of fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal (or most advantageous) market at the measurement date under current market conditions. The methods and assumptions used by the Group in estimating the fair value of financial assets and liabilities are:

- Debt securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using either price observed in latest transactions or from current bid prices of comparable investments, or through valuation techniques when there is no active market.

- Equity securities: Fair values are generally based on quoted market bid prices. If quoted market bid prices are not available, fair values are estimated using appropriate price earnings ratio or modified price/cash flow ratio reflecting the specific circumstances of the issuer. Equity securities, whose fair value cannot be reliably measured because the investee's business was at the early developing stage, are recognized at cost less impairment.

- Term deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans and borrowings etc: carrying amounts approximate fair values.

- Investment contracts: The fair value of investment contracts are determined using valuation techniques, with consideration of the present value of expected cash flows arising from contracts using a risk-adjusted discount rate, allowing for risk free rate available on valuation date, the Group's own credit risk and risk margin associated with the future cash flows.

- Other assets: The fair value of other assets, including investment clearing account and litigation deposit, approximates its carrying amount.

(3) Contingencies and provisions

In the ordinary course of business, the Group may be involved in some contingencies including lawsuits and disputes. The adverse effects of the contingencies mainly include claims from insurance policies and other operations, including but not limited to the following: Former Chairman Irregularities as described in Note 3(4) below; defrauded funds by some of the Company's former employees; and pending lawsuits and disputes (Note 12). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advices. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because these contingency events develop over time, provisions recognized currently may be significantly different from final payment amounts actually paid.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(4) Former Chairman Irregularities

The former chairman of the Company, who served from 1998 to 2006 (the "Former Chairman"), was allegedly involved in the misuse of insurance funds and other violations of regulations (the "Former Chairman Irregularities") and was sentenced by Court for these irregularities. The Company is proactively engaged in the recovery actions in connection with these irregularities. This financial information is prepared with the information available to and the best estimates made by the Company as well as the following important assumptions, developments and judgments.

The Former Chairman, without proper authorisation, pledged the Company's bonds and conducted repurchase transactions ("Off-balance sheet repurchase transactions"). Funds were misappropriated through bank accounts not reflected in the Company's financial records ("Off-balance sheet accounts") and used for unauthorized lendings. The Company was informed of these Off-balance sheet repurchase transactions after the regulator's investigation. In addition, the Company paid in aggregate RMB2,910 million to settle these transactions as they became due.

In 2007, the Company received funds of RMB1,455 million from the Insurance Security Fund. According to the Insurance Security Fund, certain former shareholders of the Company transferred their equity interests in the Company to the Insurance Security Fund. The relevant amounts relating to these share transfers were paid to the Company to part settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd., ("New Industry"). The Company considered the receipt was received as part of the settlement of Off-balance sheet repurchase transactions.

In 2001 and 2002, the Company entrusted New Industry to hold 170 million shares of China Minzu Securities Co., Ltd. ("Minzu Securities"), and Orient Group Co., Ltd. (the "Orient Group") was involved in this transaction. On 30 December 2010, the Beijing Arbitration Commission concluded that New Industry should repay the Company the costs of the entrusted Minzu Securities shares of RMB170 million plus interests. On 9 November 2012, the Shenzhen Municipal Court accepted the conclusion of the arbitration and adjudicated that the Company has to repay Orient Group of RMB170 million plus interests. Accordingly, the Company signed a tripartite agreement with New Industry and Orient Group at the end of 2012. Under the agreement, New Industry paid interest of RMB112 million to the Company in 2013, and agreed to repay the RMB170 million plus further accrued interest due to the Company by January 2015. New Industry has pledged its shares in Minzu Securities as collateral. Under the same agreement, the Company paid Orient Group RMB170 million plus interests in 2013. According to the information available to the Company, the Company believed the RMB170 million to be repaid by New Industry should form part of receivables of Former Chairman Irregularities.

The Company does not have complete information regarding these Off-balance sheet repurchase transactions or cash flows to or from those off-balance sheet accounts. The Company is not able to assess the nature of these transactions, or clearly identify receivable or payable balances between the Company and those aforementioned former shareholders. The Company recorded funds received and paid described above as a net amount of RMB1,101 million as receivable from off-balance sheet repurchase transactions under "Other Assets". The Company has been in the process of recovering the abovementioned amounts through legal actions. The Company's management anticipated there will be significant uncertainty in recovering the balance and a provision of RMB931 million was made as at 30 June 2013.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(5) Taxation

The Group pays business tax, income tax and related surcharges in various localities. Due to the uncertainty of final tax treatment for various transactions during normal course of business, the Group needs to exercise significant judgment when determining tax expenses. The Group recognizes tax liabilities based on estimate of whether there will be additional tax payments resulting from tax inspection. If there is any difference between the final result and previously recorded amount, the difference will impact current tax and deferred tax.

(6) Change in significant accounting estimates

Insurance contracts liabilities are calculated using various actuarial assumptions, including assumptions on discount rate, mortality rate, morbidity rate, lapse rate and expenses assumption.

These assumptions are determined by the Group on basis of information obtained at the date of financial position. The Group resets these assumptions, when necessary, based on current information available at 30 June 2013. Variations of related insurance contracts reserves due to such change are recognised in the condensed consolidated statement of comprehensive income. For the six months ended 30 June 2013, life insurance reserves decreased by RMB15 million, and income before tax increased by RMB15 million due to this change in accounting estimates.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarizes these risks and the way the Group manages them.

The condensed consolidated interim financial information does not include all risk management information and disclosures required in the consolidated annual financial statements; they should be read in conjunction with the Group's consolidated annual financial statements for the year ended 31 December 2012. There have been no changes in the Group's risk management department or in any risk management policies since 31 December 2012.

(1) Insurance risk

(a) Types of insurance risk

The risk under any one insurance contract is the possibility that an insured event occurs and there is uncertainty about the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This occurs when the frequency or severity of claims and benefits exceeds the estimates. Insured events are random and the actual number of claims and the amount of benefits paid will vary each year from estimates established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the more dispersive the risk will be, the smaller the relative variability about the expected outcome will be. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of policies to reduce the variability of the expected outcome.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(1) Insurance risk (Continued)

(a) Types of insurance risk (Continued)

The Group offers long term life insurance, critical illness insurance, annuity, accident and short term health insurance products. Social and economy development, widespread changes in lifestyle, epidemics and medical technology development could have significant influence to the Group's insurance business. Insurance risk is also affected by policyholders' rights to terminate the contract, reduce premiums, refuse to pay premiums or exercise annuity conversion rights etc. Thus, insurance risk is also subject to policyholders' behaviours and decisions.

The Group manages insurance risks through underwriting strategy, reinsurance agreements and claim management. The Group's reinsurance agreements include ceding on quota share basis, surplus basis or catastrophe excess of loss. The reinsurance agreements cover almost all products. These reinsurance agreements spread insured risk and stabilize financial results of the Group. However, the Group's responsibilities for direct insurance to policyholders are not relieved because of credit risk associated with the failure of reinsurance companies to fulfil their responsibilities.

(b) Concentration of insurance risk

Currently the Group's businesses are all from the PRC and insurance risk at each area has insignificant differences.

(c) Matching risk of assets and liabilities

The Group uses asset-liability management techniques to manage assets and liabilities. The techniques used include: scenario analysis method, cash flow matching method and immunity method etc. The Group uses scenario analysis, through multi-angles, to understand the existing risk and the complex relationship, considering the timing and amount of future cash outflow and attributes of liabilities, to comprehensively and dynamically manage the Group's assets and liabilities and its solvency. The Group takes measures to enhance its solvency, including capital contribution by shareholders, issuing subordinated debts, arranging reinsurance, improving the performance of branches, optimizing business structure, establishing competitive cost structure etc.

(2) Financial risk

The Group's key financial risk is that proceeds from the sale of financial assets will not be sufficient to fund obligations arising from the Group's insurance and investment contracts. The most important components of financial risk are market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management department, investment management department and asset-liability management department are in close cooperation to identify, evaluate and manage financial risks.

The Group manages financial risks by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(2) Financial risk (Continued)

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's financial assets are principally comprised of term deposits and debt securities. Changes in the level of interest rates can have a significant impact on the Group's overall investment return. Many of the Group's insurance policies offer guaranteed returns to policyholders. These guarantees expose the Group to interest rate risk. The Group manages and tests interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the mean duration of its assets and liabilities.

(ii) Price risk

Price risk arises mainly from the price volatility of equity securities held by the Group. Prices of equity securities are determined by market forces. Most of the equity securities of the Group are in Chinese capital markets. The Group is subject to increased market risk largely because the PRC's stock markets are relatively volatile.

The Group manages price risk by holding an appropriately diversified investment portfolio as permitted by laws and regulations designed to reduce the risk of concentration in any one specific industry or issuer.

(iii) Currency risk

Currency risk is volatility of fair value or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group has cash and cash equivalents and term deposits denominated in US dollar or Hong Kong dollar.

(b) Credit risk

Credit risk is the risk that one party to a financial transaction or the issuer of a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. In term of investment vehicles, a significant portion of the portfolio of the Group is in government bonds, government agency bonds, corporate bonds guaranteed by state-owned commercial banks and large industrial groups and bank deposits with state-owned or other national commercial banks. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned or other national commercial banks. Therefore the Group's overall exposure to credit risk is relatively low.

Credit risk exposure

The carrying amount of financial assets on the Group's consolidated statement of financial position represents the maximum credit exposure without taking into account of any collateral held or other credit enhancements attached.

(All amounts in RMB million unless otherwise stated)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

Collateral and other credit enhancements

Financial assets purchased under agreements to resell are pledged by counterparts' debt securities of which the Group could take the ownership should the owner of the collateral defaults. Policy loans are pledged by their policies' cash value as collateral according to terms and conditions of policy loan contracts and policy contracts signed between the Group and policyholders. The trusted scheme, special asset management plan and debt investment plan are all guaranteed by third parties, or use the budgeted financial income of central government as the source of funding for repayment.

Credit quality

The Group's debt securities include government bonds, central bank bills, financial bonds issued by state policy-related banks, financial institution bonds, corporate bonds and subordinated bonds/debts.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not have access to sufficient funds to meet its liabilities as they become due. In the normal course of business, the Group attempts to match investment assets to insurance liabilities through asset-liabilities management to reduce liquidity risk.

(3) Capital management

The Company's objectives when managing capital, which is actual capital, calculated as the difference between admitted assets (as defined by the CIRC) and the admitted liabilities (as defined by the CIRC), are to comply with the insurance capital requirements by the CIRC to meet the minimum capital and safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company managed its capital requirements by assessing shortfalls, if any, between actual capital and minimum capital on a regular basis. The Company continuously and proactively monitors the business mix, the asset quality and allocation so as to enhance the profitability in relation to solvency margin.

The table below summarises the solvency ratio of the Company, the actual capital held against the minimum required capital:

	As of 30 June 2013 Unaudited	As of 31 December 2012
Actual capital	**35,252**	35,764
Minimum capital	**20,238**	18,574
Solvency margin ratio	**174.19%**	192.56%

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(3) Capital management (Continued)

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the actual capital by the minimum capital. The CIRC closely monitors those insurance companies with solvency margin ratio less than 100% and may, depending on the individual circumstances, undertake certain regulatory measures, including but not limited to restricting the payment of dividends. Insurance companies with solvency margin ratio between 100% and 150% would be required to submit and implement plans preventing capital from being inadequate. And insurance companies with solvency margin ratio above 100% but significant solvency risk noticed would be required to take necessary rectification action.

(4) Fair value hierarchy

Level 1 fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can obtain at the measurement date.

Level 2 fair value is based on valuation technique using significant inputs, other than Level 1 quoted price, that are observable for the asset being measured, either directly or indirectly, for substantially the full term of the assets through corroboration with observable market data. Observable inputs generally used to measure the fair value of securities classified as Level 2 include quoted market prices for similar assets in active markets; quoted market prices in markets that are not active for identical or similar assets and other market observable inputs. This level includes the debt securities for which quotations are available from pricing service providers. Fair value provided by pricing service providers are subject to a number of validation procedures by management. These procedures include a review of the valuation models utilized and the results of these models, and as well as the recalculation of prices obtained from pricing service providers at the end of each reporting period.

Under certain conditions, the Group may not received price from independent third party pricing services. In this instance, the Group may choose to apply internally developed values to the assets being measured. In such cases, the valuations are generally classified as Level 3. Key inputs involved in internal valuation are not based on observable market data, and reflect assumptions made by management based on judgements and experience. The Group's accounting department includes a team that performs the valuations of Level 3 financial assets required for financial reporting purposes. This team reports to head of accounting department quarterly. And the valuation results will be reviewed along with quarterly financial information by the Chief Financial Officer (CFO).

(All amounts in RMB million unless otherwise stated)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(4) Fair value hierarchy (Continued)

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2013:

Unaudited	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale securities				
– Equity securities	**27,492**	**2,127**	**–**	**29,619**
– Debt securities	**2,349**	**53,175**	**12,096**	**67,620**
Securities at fair value through income				
– Equity securities	**3,531**	**108**	**–**	**3,639**
– Debt securities	**1,092**	**935**	**–**	**2,027**
Total Assets	**34,464**	**56,345**	**12,096**	**102,905**
Liabilities				
Unit-linked contracts	**–**	**238**	**–**	**238**
Total Liabilities	**–**	**238**	**–**	**238**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
– Equity securities	28,189	522	–	28,711
– Debt securities	1,507	53,534	583	55,624
Securities at fair value through income				
– Equity securities	3,355	19	–	3,374
– Debt securities	178	1,203	–	1,381
Total Assets	33,229	55,278	583	89,090
Liabilities				
Unit-linked contracts	–	254	–	254
Total Liabilities	–	254	–	254

(All amounts in RMB million unless otherwise stated)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(4) Fair value hierarchy (Continued)

The following table presents the transfers between Level 1 and Level 2 for the period ended 30 June 2013:

	Level 1	Level 2
Available-for-sale securities		
Equity securities		
– Transfer in	80	417
– Transfer out	(417)	(80)
Debt securities		
– Transfer in	1,236	1,149
– Transfer out	(1,149)	(1,236)
Securities at fair value through income		
Equity securities		
– Transfer in	–	99
– Transfer out	(99)	–

The above transfers are mainly caused by changes of market conditions that whether the Group could obtain quoted prices (unadjusted) in active markets.

There were no transfers into or out of Level 3 for the six months ended 30 June 2013 and 2012.

The changes in Level 3 financial assets are analyzed below:

	Available for sale debt securities
1 January 2013	583
Purchase	11,513
30 June 2013 (Unaudited)	12,096
1 January 2012	–
Purchase	583
31 December 2012	583

(All amounts in RMB million unless otherwise stated)

4 MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

(4) Fair value hierarchy (Continued)

The total gains recognized in comprehensive income for the six months ended 30 June 2013 that are attributable to Level 3 financial assets held by the Group as at 30 June 2013 amounted to RMB106 million (for the six months ended 30 June 2012(Unaudited): Nil).

Financial instruments not measured at fair value:

Carrying amount of financial assets and liabilities not measured at fair value approximates its fair value, except for held-to-maturity financial assets and investment contracts.

	As of 30 June 2013		As of 31 December 2012	
	Carrying amount Unaudited	**Fair value Unaudited**	Carrying amount	Fair value
Financial assets				
Held-to-maturity	**178,096**	**177,021**	176,817	173,761
Total	**178,096**	**177,021**	176,817	173,761
Financial liabilities				
Investment contracts				
– Unit-linked contracts	**238**	**238**	254	254
– Investment contracts excluding unit-linked contracts	**25,557**	**23,896**	18,734	16,947
Total	**25,795**	**24,134**	18,988	17,201

(All amounts in RMB million unless otherwise stated)

5 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2013 are the same with the segments of the Group for the six months ended 30 June 2012 and the year ended 31 December 2012.

	For the six months ended 30 June 2013 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	50,696	932	–	–	51,628
Less: premiums ceded out	(46)	(115)	–	–	(161)
Net written premiums and policy fees	50,650	817	–	–	51,467
Net change in unearned premiums liabilities	(66)	(176)	–	–	(242)
Net premiums earned and policy fees	50,584	641	–	–	51,225
Investment income	10,359	255	17	–	10,631
Other income	70	9	128	(120)	87
Including: inter-segment revenue	2	–	118	(120)	–
Total revenues	61,013	905	145	(120)	61,943
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(230)	(324)	–	–	(554)
Life insurance death and other benefits	(17,253)	(205)	–	–	(17,458)
Increase in long-term insurance contracts liabilities	(32,053)	94	–	–	(31,959)
Investment contracts benefits	(330)	(14)	–	–	(344)
Commission and brokerage expenses	(3,087)	(171)	–	1	(3,257)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(4,008)	(487)	(116)	119	(4,492)
Including: inter-segment expenses	(104)	(13)	(2)	119	–
Other expenses	(212)	(50)	(73)	–	(335)
Total benefits, claims and expenses	(57,173)	(1,157)	(189)	120	(58,399)

(All amounts in RMB million unless otherwise stated)

5 SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2013 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of results of associates	–	–	(12)	–	(12)
Finance cost	(993)	(43)	–	–	(1,036)
Net profit before income tax	2,847	(295)	(56)	–	2,496
Income tax	–	–	(308)	–	(308)
Net profit for the period	2,847	(295)	(364)	–	2,188
Other segment information:					
Depreciation and amortization	142	18	4	–	164
Interest income	10,211	243	5	–	10,459
Impairment	(917)	(10)	–	–	(927)
Share of profit of associates under equity method	–	–	(12)	–	(12)

(All amounts in RMB million unless otherwise stated)

5 SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2012 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Revenues					
Gross written premiums and policy fees	55,203	911	–	–	56,114
Less: premiums ceded out	101	(61)	–	–	40
Net written premiums and policy fees	55,304	850	–	–	56,154
Net change in unearned premiums liabilities	(49)	(178)	–	–	(227)
Net premiums earned and policy fees	55,255	672	–	–	55,927
Investment income	7,102	193	8	–	7,303
Other income	74	7	107	(105)	83
Including: inter-segment revenue	3	–	102	(105)	–
Total revenues	62,431	872	115	(105)	63,313
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(186)	(276)	–	–	(462)
Life insurance death and other benefits	(11,511)	(73)	–	–	(11,584)
Increase in long-term insurance contracts liabilities	(40,025)	(105)	–	–	(40,130)
Investment contracts benefits	(354)	(10)	–	–	(364)
Commission and brokerage expenses	(3,720)	(106)	–	1	(3,825)
Including: inter-segment expenses	(1)	–	–	1	–
Administrative expenses	(4,097)	(436)	(88)	104	(4,517)
Including: inter-segment expenses	(92)	(10)	(2)	104	–
Other expenses	(43)	(24)	(68)	–	(135)
Total benefits, claims and expenses	(59,936)	(1,030)	(156)	105	(61,017)

(All amounts in RMB million unless otherwise stated)

5 SEGMENT INFORMATION (CONTINUED)

	For the six months ended 30 June 2012 (Unaudited)				
	Insurance		Others	Elimination	Total
	Individual	Group			
Share of results of associates	–	–	(1)	–	(1)
Finance cost	(766)	(21)	–	–	(787)
Net profit before income tax	1,729	(179)	(42)	–	1,508
Income tax	–	–	397	–	397
Net profit for the period	1,729	(179)	355	–	1,905
Other segment information:					
Depreciation and amortization	123	13	3	–	139
Interest income	8,557	222	7	–	8,786
Impairment	(1,975)	(41)	–	–	(2,016)
Share of profit of associates under equity method	–	–	(1)	–	(1)

Segment assets and liabilities as of 30 June 2013 and 31 December 2012:

	As of 30 June 2013				
	Insurance		**Others**	**Elimination**	**Total**
Unaudited	**Individual**	**Group**			
Segment assets	**511,684**	**7,769**	**11,615**	**(20)**	**531,048**
Segment liabilities	**468,001**	**7,227**	**18,149**	**(20)**	**493,357**

	As of 31 December 2012				
	Insurance		Others	Elimination	Total
	Individual	Group			
Segment assets	473,386	7,720	12,610	(23)	493,693
Segment liabilities	432,516	7,141	18,181	(23)	457,815

(All amounts in RMB million unless otherwise stated)

6 INVESTMENTS IN ASSOCIATES

Details of investments in associates, all unlisted, are as follows:

	As of 30 June 2013 Unaudited	As of 31 December 2012
Petro China Oil Pipeline Project Entity	**8,500**	–
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")(i)	**684**	695
Minshengtonghui-Alibaba No.1 Asset Funding Plan	**100**	–
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	**12**	13
Total	**9,296**	708

(i) As approved by the fifth Shareholders' extraordinary general meeting on 23 August 2011, the Company plans to sell its 24% share holdings in Zijin Century. As of the date of the Condensed Consolidated Interim Financial Statements, the Company has not signed any sales agreement.

(All amounts in RMB million unless otherwise stated)

7 FINANCIAL ASSETS

(1) Held-to-maturity securities

	As of 30 June 2013 Unaudited	As of 31 December 2012
Debt securities		
Government bonds	**39,004**	38,557
Financial bonds	**28,501**	28,468
Corporate bonds	**49,365**	49,107
Subordinated bonds/debts	**61,226**	60,685
Total	**178,096**	176,817
Debt securities		
Listed in the PRC	**28,745**	29,382
Unlisted	**149,351**	147,435
Total	**178,096**	176,817

The unlisted debt securities refer to debt securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and debt securities not publicly traded.

The due dates of debt securities which are classified as held-to-maturity securities are as follows:

Maturity	As of 30 June 2013 Unaudited	As of 31 December 2012
Within 1 year (including 1 year)	**15,047**	7,852
After 1 years but within 3 years (including 3 years)	**3,645**	11,019
After 3 years but within 5 years (including 5 years)	**11,944**	7,567
After 5 years	**147,460**	150,379
Total	**178,096**	176,817

(All amounts in RMB million unless otherwise stated)

7 FINANCIAL ASSETS (CONTINUED)

(2) Available-for-sale securities

	As of 30 June 2013 Unaudited	As of 31 December 2012
Debt securities		
Financial bonds	**2,258**	2,234
Corporate bonds	**32,635**	32,314
Subordinated bonds/debts	**20,631**	20,493
Trust products	**7,494**	503
Wealth investment products	**4,522**	–
Others	**80**	80
Subtotal	**67,620**	55,624
Equity securities		
Funds	**14,744**	15,195
Stocks	**14,875**	13,516
Subtotal	**29,619**	28,711
Total	**97,239**	84,335
Debt securities		
Listed in the PRC	**8,637**	5,764
Unlisted	**58,983**	49,860
Subtotal	**67,620**	55,624
Equity securities		
Listed in the PRC	**18,303**	17,555
Unlisted	**11,316**	11,156
Subtotal	**29,619**	28,711
Total	**97,239**	84,335

(All amounts in RMB million unless otherwise stated)

7 FINANCIAL ASSETS (CONTINUED)

(2) Available-for-sale securities (Continued)

The due dates of debt securities which are classified as available-for-sale securities are as follows:

Maturity	As of 30 June 2013 Unaudited	As of 31 December 2012
Within 1 year (including 1 year)	**6,061**	524
After 1 years but within 3 years (including 3 years)	**18,463**	11,543
After 3 years but within 5 years (including 5 years)	**5,444**	5,342
After 5 years	**37,652**	38,215
Total	**67,620**	55,624

The unlisted securities refer to debt/equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded.

(All amounts in RMB million unless otherwise stated)

7 FINANCIAL ASSETS (CONTINUED)

(3) Securities at fair value through income

	As of 30 June 2013 Unaudited	As of 31 December 2012
Debt securities		
Financial bonds	**338**	–
Corporate bonds	**1,280**	991
Subordinated bonds/debts	**409**	390
Subtotal	**2,027**	1,381
Equity securities		
Funds	**751**	674
Stocks	**2,888**	2,700
Subtotal	**3,639**	3,374
Total	**5,666**	4,755
Debt securities		
Listed in the PRC	**1,092**	178
Unlisted	**935**	1,203
Subtotal	**2,027**	1,381
Equity securities		
Listed in the PRC	**3,070**	2,848
Unlisted	**569**	526
Subtotal	**3,639**	3,374
Total	**5,666**	4,755

The unlisted securities refer to debt/equity securities not traded on stock exchanges and include both debt securities traded on the interbank market in the PRC and securities not publicly traded. As of 30 June 2013 and 31 December 2012, all of the Group's securities classified as fair value through income were held for trading purpose.

(All amounts in RMB million unless otherwise stated)

7 FINANCIAL ASSETS (CONTINUED)

(4) Loans and receivables

	As of 30 June 2013 Unaudited	As of 31 December 2012
Asset funding plan(i)	**10,000**	–
Debt investment plan (ii)	**3,919**	287
Others	**21**	21
Total	**13,940**	308

(i) Asset funding plan represents New China Life – Orient No.1 Asset Funding Plan ("Funding Plan"). Under this 10-year Funding Plan, China Orient Asset Management Co. ("Orient Asset") should repay the principal and interest when due. Orient Asset has the option to repay the balance at the end of the 7th year. The title documents of certain assets owned by Orient Asset and which were verified by the plan manager of the Funding Plan, are co-managed by Orient Asset and the plan manager. This co-management serves as a credit enhancement for the Funding Plan.

(ii) Debt investment plan consists of several infrastructure funding projects, mainly comprise Qinhuai River remediation, Youth Olympic Center in Nanjing and Suzhou rail transportation.

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	**As of 30 June 2013 Unaudited**	As of 31 December 2012
Within 1 year (including 1 year)	**17,576**	18,349
After 1 years but within 3 years (including 3 years)	**83,723**	39,473
After 3 years but within 5 years (including 5 years)	**71,981**	114,031
Total	**173,280**	171,853

The Group did not hold any structured deposits as of 30 June 2013 and 31 December 2012.

(All amounts in RMB million unless otherwise stated)

8 INSURANCE CONTRACT LIABILITIES

(1) Process used to determine assumptions

(a) Discount rate assumption

For long-term insurance contracts whose future insurance benefits are affected by investment yields of corresponding investment portfolios, investment return assumptions are applied as discount rates to assess the time value impacts on liabilities computation.

In developing discount rate assumptions, the Group considers investment experience, current and future investment portfolio and trend of the yield curve. The discount rate reflects the future economic outlook as well as the Group's investment strategy. The expected discount rates with risk margins are as follows:

	Discount rate assumption
30 June 2013 (Unaudited)	**4.75%-5.23%**
31 December 2012	4.75%-5.23%

For life insurance contracts whose future insurance benefits are not affected by investment yields of corresponding investment portfolios, the Group uses discount rate assumption to assess the time value impacts based on the "yield curve of liability computation benchmark for insurance contracts", published on "China Bond" website, with consideration including liquidity spreads, taxation impacts and other relevant factors. The expected discount rates are as follows:

	Discount rate assumption
30 June 2013 (Unaudited)	**3.31%-5.68%**
31 December 2012	3.12%-5.61%

The discount rate assumption is affected by certain factors, such as future macro-economy, fiscal policies, capital market and availability of investment channel of insurance funds. The Group determines discount rate assumption based on the information obtained at the end of each reporting period including consideration of risk margins.

(All amounts in RMB million unless otherwise stated)

8 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) Process used to determine assumptions (Continued)

(b) Mortality and morbidity assumption

The Group bases its mortality assumption on the China Life Insurance Life Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's historical mortality rate. The main source of uncertainty with life insurance contracts is that epidemics, such as bird flu, AIDS and SARS, and wide-ranging lifestyle changes could result in deterioration in future mortality rate, thus leading to an inadequate liability provision. Similarly, continuous advancements in medical care and social welfare could result in improvements in longevity that exceed that used in the estimates to determine the liabilities for contracts where the Group is exposed to longevity risk.

The Group bases its morbidity assumptions for critical illness products on analysis of historical experience and expectations of future developments. There are two main sources of uncertainty. First, wide-ranging lifestyle changes could result in future deterioration in morbidity rate. Second, future development of medical technologies and improved availability of medical facilities to policyholders may lead to early diagnosis of critical illness, which demands earlier payment of the critical illness benefits. Both could ultimately result in an inadequate liability provision if current morbidity assumptions do not properly reflect such secular trends.

Mortality and morbidity vary with the age of insured and types of contracts. Risk margin is considered in the Group's mortality and morbidity assumptions.

(c) Expenses assumption

The Group's expenses assumption is determined based on actual experience analysis, with consideration of future inflation and risk margin, expressed on both per-policy/insured and a percent-of-premium basis. The Group's expense assumption is affected by certain factors, such as inflation and market competition. The Company determines expense assumption based on the information obtained at the end of each reporting period with the consideration of risk margin.

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per Insured	% of Premium
30 June 2013 (Unaudited)	**70-95**	**0.83%-1.03%**	**30**	**0.38%**
31 December 2012	70-95	0.83%-1.03%	30	0.38%

(d) Policy dividend assumption

Policy dividend assumption is determined based upon the investment yields of participating account, contract terms, dividends policy enacted by the Group, reasonable expectation of policyholders and other factors. Pursuant to relevant contract terms, the Group is obligated to pay to the policyholders of participating contracts at least 70% of distributable surplus.

(All amounts in RMB million unless otherwise stated)

8 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) Process used to determine assumptions (Continued)

(e) Lapse rate and other assumptions

The lapse rates and other assumptions are affected by certain factors, such as future macro-economy, availability of financial substitutions, and market competition. The lapse rates and other assumptions are determined based on past experience, current conditions, future expectations and other information obtained at the end of each reporting period with consideration of risk margin.

(2) Net liabilities of insurance contracts

	As of 30 June 2013 Unaudited	As of 31 December 2012
Gross		
Long-term insurance contracts liabilities	**392,624**	361,070
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	**462**	452
– Unearned premiums liabilities	**1,046**	750
Total, gross	**394,132**	362,272
Recoverable from reinsurers		
Long-term insurance contracts	**(2,775)**	(2,869)
Short-term insurance contracts		
– Outstanding claims liabilities	**(18)**	(22)
– Unearned premiums liabilities	**(81)**	(27)
Total, ceded	**(2,874)**	(2,918)
Net		
Long-term insurance contracts liabilities	**389,849**	358,201
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	**444**	430
– Unearned premiums liabilities	**965**	723
Total, net	**391,258**	359,354

(All amounts in RMB million unless otherwise stated)

9 LIABILITIES OF INVESTMENT CONTRACTS

	As of 30 June 2013 Unaudited	As of 31 December 2012
Non-unit-linked contracts	**25,557**	18,734
Unit-linked contracts	**238**	254
Total liabilities of investment contracts	**25,795**	18,988

10 BORROWINGS

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB5,000 million, and with an interest rate 5.7% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the right, the interest rate will step up to 7.7% per annum beginning on the sixth year until the maturity date.

Upon the approval of the CIRC in July 2012, the Company completed an offering of 10-year subordinated debt in an aggregated principal amount of RMB10,000 million, and with an interest rate 4.6% per annum. The Company has the right to redeem the debts partially or wholly at the end of the fifth year. If the Company does not exercise the redemption right or partially exercise the redemption right, the interest rate will step up to 6.6% per annum beginning on the sixth year until the maturity date.

The repayment of principal and interests of the subordinated debt is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

11 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As of 30 June 2013 Unaudited	As of 31 December 2012
By market		
Inter-bank market	**30,450**	39,002
Stock exchange	**22,034**	16,435
Total	**52,484**	55,437
By collateral		
Bond	**52,484**	55,437
Total	**52,484**	55,437

(All amounts in RMB million unless otherwise stated)

11 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE (CONTINUED)

Maturity:

	As of 30 June 2013 Unaudited	As of 31 December 2012
Within 3 months (including 3 months)	**52,484**	44,937
After 3 months but within 6 months (including 6 months)	**–**	10,500
Total	**52,484**	55,437

(1) As of 30 June 2013, bonds with par value of RMB32,084 million (31 December 2012: RMB42,792 million) were pledged as collateral for financial assets sold under agreements to repurchase resulted from repurchase transactions entered into by the Group in the inter-bank market. The collateral is restricted during the period of the repurchase transaction.

(2) For debt repurchase transactions through exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair value converted at a standard rate pursuant to stock exchange's regulation should be no less than the balance of related repurchase transaction.

As of 30 June 2013, the amount of securities deposited in the collateral pool was RMB36,132 million (31 December 2012: RMB33,816 million).The collateral is restricted during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from collateral pool under the condition that the value of certain bonds is no less than the balance of related repurchase transactions.

12 PROVISIONS

	Lawsuits and disputes
As of 1 January 2013	**458**
Increase	**–**
Decrease	**–**
As of 30 June 2013 (Unaudited)	**458**
As of 1 January 2012	458
Increase	–
Decrease	–
As of 31 December 2012	458

When future cash outflow is probable and can be reasonably measured, provision should be made based on the projected payment of current lawsuits and disputes. After taking consideration of specific circumstances and legal advice, the Group makes the best estimation according to the relevant accounting standards. The final payments of those lawsuits and disputes depends on the outcome of the final investigation, judgement and settlement amount, thus it may differ from the current provision.

13 SHARE CAPITAL

All shares of the Company issued are fully paid common shares. The par value per share is RMB1. The Company's number of shares is as follows:

	As of 30 June 2013 Unaudited	As of 31 December 2012
Number of shares registered, issued and fully paid at RMB1 per share (million)	**3,120**	3,120

(All amounts in RMB million unless otherwise stated)

14 RESERVES

	As of 30 June 2013 Unaudited	As of 31 December 2012
Share premium	**23,962**	23,962
Other capital surplus		
Fair value change on available-for-sale securities	**(1,174)**	(360)
Liabilities of insurance and investment contracts relating to available-for-sale securities	**617**	302
Income tax relating to available-for-sale securities	**139**	15
Others	**48**	48
Surplus reserve	**1,000**	1,000
Reserve for general risk	**1,000**	1,000
Total	**25,592**	25,967

15 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the six months ended 30 June	
	2013 Unaudited	2012 Unaudited
Gross written premiums		
– Long-term insurance contracts	**49,867**	54,715
– Short-term insurance contracts	**1,477**	1,235
Subtotal	**51,344**	55,950
Policy fees		
– Investment contracts	**284**	164
Gross written premiums and policy fees	**51,628**	56,114

(All amounts in RMB million unless otherwise stated)

16 INVESTMENT INCOME

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Held-to-maturity financial assets		
– Interest income	**4,109**	3,356
Available-for-sale financial assets		
– Interest income	**1,471**	1,320
– Dividend income	**580**	330
– Net realized gains	**1,214**	21
– Impairment losses on equity securities	**(928)**	(2,016)
Financial assets at fair value through income		
– Interest income	**32**	28
– Dividend income	**65**	56
– Net fair value gains/(losses)	**(762)**	125
Interest income from loans and receivables	**202**	–
Interest income from bank deposits	**4,498**	3,951
Interest income from policy loans	**143**	125
Interest income from financial assets purchased under agreements to resell	**4**	6
Others	**3**	1
Total	**10,631**	7,303

(All amounts in RMB million unless otherwise stated)

17 ADMINISTRATIVE EXPENSES

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Employee benefit expenses (including directors' emoluments)	**3,035**	3,062
Operating lease expense	**326**	279
Travel and conference fees	**183**	241
Entertainment fees	**174**	159
Depreciation and amortization	**164**	139
Official fees	**111**	131
Insurance guarantee fund	**100**	94
Promotional printing cost	**72**	79
Advertising fees	**58**	65
Postal fees	**51**	54
Vehicle use fees	**29**	32
Electronic equipment operating costs	**17**	17
Auditors' remuneration	**8**	9
Others	**164**	156
Total	**4,492**	4,517

(All amounts in RMB million unless otherwise stated)

18 TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax relate to the same fiscal authority. All of income taxes shown below are taxes in the PRC and no provision for Hong Kong profits tax has been made for the period.

(1) The amount of income tax charged to the net profit represents:

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Current tax	**227**	234
Deferred tax	**81**	(631)
Total income tax	**308**	(397)

(2) The reconciliation between the Group's effective tax rate and the statutory tax rate of 25% in the PRC is as follows:

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Profit before income tax	**2,496**	1,508
Tax computed at the statutory tax rate	**624**	377
Non-taxable income (i)	**(347)**	(255)
Expenses not deductible for tax purpose (i)	**24**	48
Effect on unrealized deferred tax assets arising from deductible temporary differences	**7**	(575)
Past due income tax paid	**–**	8
Income taxes at effective tax rate	**308**	(397)

(i) Non-taxable income mainly includes government bond interest income and dividend income. Expenses not deductible for tax purposes mainly include those expenses such as penalty, donation and hospitality expenses that do not meet the criteria for deduction set by relevant tax regulations.

(All amounts in RMB million unless otherwise stated)

18 TAXATION (CONTINUED)

(3) The movements in deferred tax assets and deferred tax liabilities during the period are as follows:

	Financial assets	Insurance and others	Total
As of 1 January 2012	1,019	(1,005)	14
Charged to net profit	443	188	631
Charged to other comprehensive income	(275)	592	317
As of 30 June 2012 (Unaudited)	1,187	(225)	962
As of 1 January 2013	**(171)**	**1,034**	**863**
Charged to net profit	**143**	**(224)**	**(81)**
Charged to other comprehensive income	**204**	**(80)**	**124**
As of 30 June 2013 (Unaudited)	**176**	**730**	**906**

As of 30 June 2013, The Company's management anticipates that the Group will have sufficient taxable profits to utilize deductible temporary differences, unused losses and unused tax credits in the future, therefore, the Group recognized deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

19 EARNINGS PER SHARE

(1) Basic

Basic earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares issued during the period.

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Net profit attributable to shareholders of the Company (RMB in millions)	**2,187**	1,904
Weighted average number of ordinary shares issued (in millions)	**3,120**	3,119
Basic earnings per share (RMB)	**0.70**	0.61

(2) Diluted

The Company has no diluted potential ordinary shares. Diluted earnings per share is the same as basic earnings per share for the six months ended 30 June 2013 (for the six months ended 30 June 2012 (Unaudited): same).

20 DIVIDEND

Pursuant to the shareholders' approval at the General Meeting on 20 June 2012, a cash dividend of RMB0.09 per share (including tax), totalling RMB281 million in respect of the year ended 31 December 2011 was declared.

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the six months ended 30 June 2013.

21 SIGNIFICANT RELATED PARTY TRANSACTIONS

(1) Related parties

The table set forth below summarises the significant related parties of the Company:

Significant related parties	Relationships
New China Asset Management Co., Ltd. ("New China Asset Management")	Subsidiary of the Company
New China Xiadu Technology Training (Beijing) Co., Ltd. ("New China Xiadu")	Subsidiary of the Company
Chongqing New China Insurance Agency Co., Ltd. ("Chongqing New China")	Subsidiary of the Company
Yunnan New China Insurance Agency Co., Ltd. ("Yunnan New China")	Subsidiary of the Company
Xinhua Village Seniors Business Management (Beijing) Co., Ltd. ("Xinhua Seniors")	Subsidiary of the Company
Xinhua Village Tanzhou (Beijing) Real Estate Co., Ltd. ("Tanzhou Real Estate")	Subsidiary of the Company
Xinhua Village Shanggu (Beijing) Real Estate Co., Ltd. ("Shanggu Real Estate")	Subsidiary of the Company
New China Life Excellent Health Investment Management Co., Ltd ("New China Health")	Subsidiary of the Company
New China Life Insurance (Wuhan) Clinic Co., Ltd ("Wuhan Clinic")	Subsidiary of the Company
New China Life Insurance (Xian) Clinic Co., Ltd("Xi'an Clinic")	Subsidiary of the Company
New China Asset Management(Hong Kong) Co., Ltd ("Hong-Kong Asset Management")	Subsidiary of the Company
Funding Plan	Subsidiary of the Company
MJ Health	Associate of the Company
Zijin Century	Associate of the Company
Minshengtonghui-Alibaba No.1 Asset Funding Plan	Associate of the Company
Petro China Oil Pipeline Project Entity	Associate of the Company
Huijin	Shareholders that has significant influence over the Company

(2) Transactions with significant related parties

The table set forth below summarises significant related parties' transactions:

	For the six months ended 30 June	
	2013 Unaudited	2012 Unaudited
Transactions between the Company and other related parties		
– Interests from bonds issued by the Huijin (i)	**6**	6
Transactions between the Company and its subsidiaries		
– Additional capital contribution to New China Xiadu	**–**	431
– Investment management fee to New China Asset Management (ii)	**117**	102
– Rent earned from New China Asset Management (iii)	**2**	2
– Commission charged to the Company from agencies (iv)	**1**	1

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Transactions with significant related parties (Continued)

(i) Bond interest from the Huijin

Huijin became a shareholder of the Company in 2009 and holds 31.31% of the Company's shares directly as of 30 June 2013. Huijin is a state-owned investment company approved by State Council. The function of Huijin is to hold specific equity investment on behalf of the State Council. Huijin exercises the obligation and rights on behalf of the State. The Group and Company conduct transactions with other entities that are controlled by, under common controls or significant influence of Huijin, including deposit, investment custody, agency sales of insurance products and re-insurance transactions. In 2010, the Company purchased bonds issued by Huijin at a par value of RMB300 million from inter-bank market. As of 30 June 2013, the carrying value of these bonds is RMB300 million (31 December 2012: RMB299 million). The recognised bond interests for the six months ended 30 June 2013 is RMB6 million (for the six months ended 30 June 2012 (Unaudited): RMB6 million).

(ii) Investment management service agreement

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investment in 2013. According to this agreement, New China Asset Management provides investment management services to the Company and independently makes investment decisions in accordance with investment guidance stipulated by the Company. The Company is entitled to all investment returns and bears all losses (subject to negotiation on a case by case basis) from the entrusted investment funds. The Company pays the basic service fee, floating management fee and performance management fee to New China Asset Management.

(iii) Office rental contracts

The Company leases a part of New China Life Building to New China Asset Management as its office space.

(iv) Agency contracts

Yunnan New China acted as agency for the Company's individual insurance business. According to the agency contract, Yunnan New China charged commissions at 1% (2012: 1%) of standard premiums they generated.

(All amounts in RMB million unless otherwise stated)

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Balance of related party transactions

Group

Balance of related party transactions	As of 30 June 2013 Unaudited	As of 31 December 2012
Interest receivables		
Receivable from investor that has significant influence on the Company		
Huijin	**10**	4
Payables		
Payable to investor that has significant influence on the Company		
Huijin (i)	**323**	312

Company

	As of 30 June 2013 Unaudited	As of 31 December 2012
Receivables from subsidiaries		
Xi'an Clinic	**21**	21
Wuhan Clinic	**20**	20
New China Xiadu	**10**	5
Chongqing New China	**9**	9
Yunnan New China	**8**	8
Xinhua Seniors	**8**	6
Excellent Health	**6**	–
Payables to subsidiaries		
New China Asset Management	**20**	21
Chongqing New China	**2**	1
Yunnan New China	**–**	1

(i) Payable to Huijin

Payable to Huijin are due to special dividends for shareholders in 2012.

The Company did not recognize the provision for bad debts for receivables from related party.

The balances between the Company and its subsidiaries have been eliminated in the consolidated statement of financial position.

(All amounts in RMB million unless otherwise stated)

21 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Key management's remuneration

Key management members include: directors, supervisors and senior management team members. Key management members' remuneration incurred by the Company is as follows:

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Payroll and welfare	**27**	23
Total	**27**	23

(5) Transactions with state-owned enterprises

Under IAS 24 (Amendment), business transactions between state-owned enterprises controlled by the PRC government are within the scope of related party transactions. The Group's key business is insurance relevant and therefore the business transactions with other state-owned enterprises are primarily related to insurance and investment activities. The related party transactions with other state-owned enterprises were conducted in the ordinary course of business. 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. Nevertheless, the Group believes that the following captures the material related parties and applied IAS 24 (amendment) exemption and discloses only qualitative information.

As of 30 June 2013 and 2012, most of bank deposits were with state-owned banks; the issuers of debt securities held by the Group were mainly state-owned enterprises; most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2013 and 2012, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; almost all of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; most of bank deposit interest income were from state-owned banks.

(All amounts in RMB million unless otherwise stated)

22 CONTINGENCIES

The Group is involved in estimates for contingencies and legal proceedings in the ordinary course of business, including, but not limited to, being the plaintiff or the defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies, other claims, and litigation matters. Provision has been made for probable losses to the Group, including those claims where management can reasonably estimate the outcome of the lawsuits taking into account any legal advice.

No provision has been made for pending assessments, lawsuits or possible violations of contracts when the outcome cannot be reasonably estimated or management believes the probability is low or remote. For these pending lawsuits, management also believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group or any of its subsidiaries.

23 COMMITMENTS

(1) Capital commitments

Capital commitments mainly related to purchase of property plant and equipment, and software. Management confirms that the Group has sufficient future income or funding to fulfil these capital commitments.

	As of 30 June 2013 Unaudited	As of 31 December 2012
Contracted but not provided for	**148**	125

(2) Operating lease commitments

The future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	As of 30 June 2013 Unaudited	As of 31 December 2012
Within 1 year (including 1 year)	**357**	335
Between 1 and 5 years (including 5 years)	**370**	363
More than 5 years	**5**	2
Total	**732**	700

(All amounts in RMB million unless otherwise stated)

24 INVESTMENT IN SUBSIDIARIES

For the period ended 30 June 2013, the Company's subsidiaries are as follow:

	Place of incorporation and operation	Principal activities	Registered/ Committed capital	Group's interest %
New China Asset Management	Beijing, China	Asset management	RMB100 million	97%
Chongqing New China(i)	Chongqing, China	Insurance agency	RMB5 million	100%
Yunnan New China	Kunming, China	Insurance agency	RMB5 million	100%
New China Xiadu(ii)	Beijing, China	Real estate property development and Training	RMB632 million	100%
Xinhua Seniors	Beijing, China	Service	RMB15 million	100%
Tanzhou Real Estate	Beijing, China	Real estate property development	RMB10 million	95%
Shanggu Real Estate	Beijing, China	Real estate property development	RMB15 million	100%
New China Health	Beijing, China	Investment Management, Management Consulting	RMB500 million	100%
Wuhan Clinic	Wuhan, China	Health Management	RMB20 million	100%
Xi'an Clinic	Xi'an, China	Health Management	RMB20 million	100%
Hong Kong Asset Management(iv)	Hong Kong,China	Asset management	HKD50 million	98%
Funding Plan(iv)	N/A	Project investment	RMB10,000 million	100%

(i) In 2011, the Company's shareholders' general meeting approved the application for dissolution of Chongqing New China. At the beginning of 2013, Chongqing New China began its liquidation proceedings.

(ii) In 2012, the Company injected RMB631 million to New China Xiadu. The registered capital of New China Xiadu is RMB632 million after capital injection.

(iii) Hong Kong Asset Management and Funding Plan were set up in 2013 and are included in the scope for consolidation.

All companies comprising the Group have adopted 31 December as their financial year end date.

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