



新华保险

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Interim Report

2014



New China Life Insurance Company Ltd.
新华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



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 2014 Interim Report of the Company was considered and approved at the 21st meeting of the fifth session of the Board of the Company on 26 August 2014, 13 directors were required to attend the meeting and 13 of them attended, among which, 12 attended in person. Director ZHAO Haiying didn’t attend the meeting in person because of other work, and authorized director LIU Xiangdong to attend the meeting and vote on behalf of her.
3. The 2014 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 2014 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 Asset Management Company	New China Life Insurance Company Ltd.
Asset Management (Hong Kong)	New China Asset Management Co., Ltd., a subsidiary of the Company
Huijin	New China Asset Management (Hong Kong) Limited, a subsidiary of the Company
Baosteel Group	Central Huijin Investment Ltd.
CIRC	Baosteel Group Corporation
CSRC	China Insurance Regulatory Commission
SSF	China Securities Regulatory Commission
SSE	the National Council for Social Security Fund of the PRC
Hong Kong Stock Exchange or HKSE	Shanghai Stock Exchange
RMB	The Stock Exchange of Hong Kong Limited
PRC, China	Renminbi
	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
<i>Articles of Association</i>	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

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Address: 13th Floor, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing, PRC

Joint Company Secretary: MOK Ming Wai

Tel: 852-35898678

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

SECTION 2 – CORPORATE INFORMATION

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: Ernst & Young Hua Ming LLP

Address: Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, PRC

International Auditor: Ernst & Young

Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, 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 2014	January – June 2013	Increase/decrease over the corresponding period of last year (%)
Total revenues	80,204	61,943	29.5%
Gross written premiums and policy fees	66,927	51,628	29.6%
Net profit before income tax	4,523	2,496	81.2%
Net profit attributable to shareholders of the Company	3,748	2,187	71.4%
Net cash flows from operating activities	29,226	31,056	-5.9%

	30 June 2014	31 December 2013	Increase/decrease as compared to the end of last year (%)
Total assets	612,004	565,849	8.2%
Equity attributable to shareholders of the Company	43,291	39,312	10.1%

Key financial indicators	January – June 2014	January – June 2013	Increase/decrease over the corresponding period of last year (%)
Basic weighted average earnings per share attributable to shareholders of the Company (RMB)	1.20	0.70	71.4%
Diluted weighted average earnings per share attributable to shareholders of the Company (RMB)	1.20	0.70	71.4%
Weighted average return on equity attributable to shareholders of the Company (%)	9.04%	5.95%	N/A
Weighted average net cash flows from operating activities per share (RMB)	9.37	9.95	-5.8%

SECTION 3 – SUMMARY OF ACCOUNTING DATA AND OPERATING DATA

	30 June 2014	31 December 2013	Increase/decrease as compared to the end of last year (%)
Net assets per share attributable to shareholders of the Company (RMB/share)	13.88	12.60	10.2%

II. OTHER KEY FINANCIAL AND REGULATORY INDICATORS

Unit: RMB in millions

Indicator	January – June 2014/as of 30 June 2014	January – June 2013/as of 31 December 2013	Increase/ decrease (%)
Investment assets	594,762	549,596	8.2%
Annualized total investment yield ⁽¹⁾	5.1%	4.6%	N/A
Gross written premiums and policy fees	66,927	51,628	29.6%
Increase rate of gross written premiums and policy fees	29.6%	-8.0%	N/A
Benefits, claims and expenses	75,078	58,399	28.6%

Notes:

- Annualized total investment yield = (Total investment income- interest expense of financial assets sold under agreements to repurchase)/[(average monthly investment assets- average monthly financial assets sold under agreements to repurchase- average monthly receivable interests)]*2. The comparative figures have been recalculated on the base line of this period.

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 2014 and the consolidated equity of the Company as of 30 June 2014 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 the 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 subsidiaries Asset Management Company and Asset Management (Hong Kong).

Unless otherwise specified, the management discussion and analysis in this section is based on the condensed consolidated financial information of the Company.

I. KEY OPERATIONAL INDICATORS

Unit: RMB in millions

	January-June 2014	January-June 2013	Increase/ Decrease
Gross written premiums and policy fees	66,927	51,628	29.6%
Total investment income ⁽¹⁾	13,775	10,616	29.8%
Net profit attributable to shareholders of the Company	3,748	2,187	71.4%
Value of first half year's new business ⁽²⁾	2,472	2,091	18.2%
Market share ⁽³⁾	8.7%	8.2%	N/A
Persistency ratio			
Individual life insurance business 13-month persistency ratio ⁽⁴⁾	86.9%	89.6%	N/A
Individual life insurance business 25-month persistency ratio ⁽⁵⁾	85.1%	86.4%	N/A

	As of 30 June 2014	As of 31 December 2013	Increase/ Decrease
Total assets	612,004	565,849	8.2%
Net assets	43,296	39,318	10.1%
Investment assets	594,762	549,596	8.2%
Equity attributable to shareholders of the Company	43,291	39,312	10.1%
Embedded value	73,141	64,407	13.6%
Amount of customers (<i>in thousands</i>)	31,384	29,831	5.2%
individual customers	31,321	29,769	5.2%
institutional customers	63	62	1.6%

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

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 + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates.
2. Value of new business for the first half of 2013 was recalculated based on the assumptions as of 31 December 2013.
3. Market share: based on 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.

II. BUSINESS ANALYSIS

(I) Life insurance business

In the first half of 2014, the Company committed to a “customer-centric” development strategy and further established the strategic system of “ten major systems, three core capacities.”⁽¹⁾ Strategically, it further clarified the concept of and specific approaches to achieving strategic transition, and optimized the organizational reform of the sales management system. The Company also promoted the sale of products with market-oriented insurance premium rates, enhanced the performance of distribution channels and institutions, and optimized its resource allocation. Through the proactive adjustments and endeavors of the above strategies, the Company has been able to achieve rapid business growth, while continuing to optimize its business structure and further refine its management system.

In the first half of 2014, revenue from life insurance business amounted to RMB66.817 billion, representing an increase of 30.1% as compared to the same period of last year, which brought about an increase of 18.2% to the new business value. The market share of the Company was 8.7%, up 0.5 percentage point as compared to the same period of 2013 and ranked third in the PRC life insurance market. The direct factors that drove the rapid growth of our business in the first half of the year were mainly attributable to the following five aspects:

(1) Ten major systems: whole life-cycle service system, policy system, institution system, team system, training system, products system, operation system, IT system, risk management system and financial system.
Three core capacities: management capacity, investment capacity and innovation capacity.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Firstly, the Company seized the market trend and adopted a phase-based product strategy. The Company primarily focused on scale-oriented products in the first quarter, including products with market-oriented insurance premium rates, and thus achieved the highest jumpstart results for the same periods in recent years. In the second quarter, our focus shifted to value products with a view to optimizing structure. We increased the sales of traditional insurance, health insurance and regular premium products, to drive value growth. For example, health insurance products sold through individual insurance agent channel recorded a growth of 113% as compared to the same period of last year, and its proportion of the Company's insurance business increased by 27 percentage points accordingly.

Secondly, the Company has made significant efforts to enhance the performance standard and structure of its staff. In 2014, with respect to individual insurance agent channel, the Company promoted new growth, performance and structure centered on the Fundamental Management Measures on Individual Insurance Agents (2014 Edition) (《個人業務保險營銷員管理基本辦法(2014版)》). In terms of improvement of performance indicators, as of the end of the first half of the year, the effective activity rate increased by 9 percentage points as compared to the same period of last year, and the number of qualified individual insurance agents⁽¹⁾ and high performing individual insurance agents⁽²⁾ achieved a growth of 36% and 45%, respectively, as compared to the same period of last year. With respect to business service and business development channels⁽³⁾, we strove to enhance the number of individual insurance agents and their activity. In the first half of the year, the total number of individual insurance agents and the number of active individual insurance agents⁽⁴⁾ increased by 16% and 27%, respectively, as compared to the same period of last year.

- (1) Qualified individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB800.
- (2) High performing individual insurance agents refers to those who sold at least one insurance policy calculated on a monthly basis on an individual basis, of which the payment term is more than one year and individual insurance first year commission of not less than RMB2,000.
- (3) The service and business development channel, as a platform of existing customers and value developing of the Company, bears responsibilities of collection of renewal fees, value-adding and secondary development of customers, customer services, etc., while playing an important role in our "customer-centric" strategy. The service and business development channel enjoys rapid growth in business scale and list separately from the individual insurance agent channel.
- (4) Active individual insurance agents refers to those who were in-service and sold at least one insurance policy calculated on a monthly basis with first year commission of not less than RMB210.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Thirdly, our customer management proved to be effective to a certain extent. Through our continuous effort to establish a whole life-cycle customer service system, the Company's abilities to secure new customers and serve existing customers have been enhanced. During our large-scale customer referral activities in the jumpstart period, 14,000 individual insurance agents of our service and business development channels, through effective on-site visits and professional services, won the confidence of 60,000 existing customers and further secured 79,000 new customers by their referral, 27,000 of whom signed the insurance policy within this period.

Fourthly, the Company's various strategic transition measures have started to bear fruit. Based on our "customer-centric" principle and value management, the Company's strategic transition measures are comprised of team building, agency establishment, customer base building and system establishment. The implementation of these measures has enhanced our efficiency and, to a certain extent, provided support impetus to our business development. For instance, through vigorous promotion in 2014, the coverage of E-Insurance⁽¹⁾ increased to 36.25% for the first half of this year from 3.99% for the same period of last year. The Company has also strengthened the establishment of agencies and implemented differentiated establishment of agencies according to the actual development phase and operational basis of different agencies. The quantity and quality of agencies were both improved on a basis of geographic units.

Fifthly, other objective factors were involved. On one hand, changes in the external environment have led to a relatively encouraging growth of the PRC life insurance market in the first half of the year. On the other, a decline in business during the initial stage of the Company's transition in the same period of last year resulted in a relatively lower base for growth.

(1) E-Insurance is a portable underwriting platform of the Company. Coverage of E-Insurance = Number of institutional E-insurance policies/ Insurance policies of that institution in the current period × 100%. Total number of insurance policies of an institution includes the number of insurance policies from individual insurance agent channel and service and business development channel.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis by distribution channels

Unit: RMB in millions

	January-June 2014	January-June 2013	Increase/ Decrease
Individual life insurance	65,920	50,438	30.7%
Of which:			
Individual insurance agent channel	25,835	22,623	14.2%
First year premiums	5,261	3,635	44.7%
Regular premiums	4,187	3,006	39.3%
Single premiums	1,074	629	70.7%
Renewal premiums	20,574	18,988	8.4%
Bancassurance channel ⁽¹⁾	35,726	24,370	46.6%
First year premiums	22,369	7,151	212.8%
Regular premiums	1,575	2,001	-21.3%
Single premiums	20,794	5,150	303.8%
Renewal premiums	13,357	17,219	-22.4%
Service and business development channel ⁽²⁾	4,359	3,445	26.5%
First year premiums	1,335	846	57.8%
Regular premiums	1,116	756	47.6%
Single premiums	219	90	143.3%
Renewal premiums	3,024	2,599	16.4%
Group insurance	897	906	-1.0%
Total	66,817	51,344	30.1%

Notes:

1. The bancassurance channel absorbs the pre-existing wealth channel. The comparative figures have been recalculated on the base line of this period.
2. The service and business development channel was presented separately. The premiums of each channel have been adjusted accordingly. The comparative figures have been recalculated on the base line of this period.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

(1) Individual life insurance business

① Individual insurance agent channel

In the first half of 2014, the Company's gross written premiums ("GWP") generated from the Company's individual insurance agent channel amounted to RMB25.835 billion, representing an increase of 14.2% as compared to the same period of last year. Among these GWP, the first year premiums amounted to RMB5.261 billion, while renewal premiums amounted to RMB20.574 billion, representing an increase of 44.7% and 8.4%, respectively, as compared to the same period of last year. The first year premiums contributed by regular premium products with maturity of ten years or above amounted to RMB3.406 billion, which represents an increase of 41.7% as compared to the same period of last year. The first year premiums of traditional insurance is RMB370 million, representing an increase of 118% as compared to the same period of last year. The first year premiums of health insurance is RMB1.85 billion, representing an increase of 128% as compared to the same period of last year, among which, the first year regular premiums of health insurance is RMB1.71 billion, representing an increase of 148% as compared to the same period of last year. The first year premiums contributed by traditional insurance and health insurance as a percentage of the total increased to 42% from 27% for the first half of 2013.

The individual insurance agent channel was the Company's main channel for advancing value growth, with its core of development centered on continuous effort in team building.

In the first half of 2014, with "Team Building" and "Agency Establishment" as its priorities, the individual insurance agent channel optimized the team structure and enhanced staff productivity. As of the end of the first half year, the number of the Company's insurance agents was approximately 176,000, including approximately 36,000 high performing agents, representing a net increase of 11,000 as compared to the same period of last year. In terms of specific products, we have integrated the high average premium and high value products, promoting growth of business scale through "Fuxiangyisheng" (福享一生), a life annuity insurance product, while promoting optimization of structure through "Jiankangfuxing" (健康福星), a critical illness insurance product, and its upgraded versions. As a result, the value rate of this distribution channel has been greatly enhanced. With the push for this high average premium and high value product approach, the effective production per capita recorded a growth of 6% as compared to the same period of last year, and the effective number of master insurance per capita achieved an increase of 17% as compared to the same period of last year.

In the second half of 2014, the individual insurance agent channel of the Company will commit to promoting steady business growth through continuous and healthy development of its human resources. It will also endeavor to realize the dynamic growth of manpower through continuous and effective recruitment, retention and activities. In terms of products, on the basis of steady growth of value, the Company will promote the sale of annuity products as appropriate and promote team productivity.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

② Bancassurance channel

In the first half of 2014, the GWP contributed by the Company's bancassurance channel amounted to RMB35.726 billion, representing an increase of 46.6% as compared to the same period of last year. Of this GWP, the first year premiums amounted to RMB22.369 billion, representing an increase of 212.8% as compared to the same period of last year. The renewal premiums amounted to RMB13.357 billion, representing a decrease of 22.4% as compared to the same period of last year. The first year premiums contributed by regular premium products with maturity of five years or above amounted to RMB1.573 billion, representing a decrease of 11.6% as compared to the same period of last year.

The bancassurance channel was one of the main channels through which the Company secured customers and promoted growth in business scale. The Company will continue to explore better models for the development of the bancassurance channel.

In the first half of 2014, the Company promoted the sale of "Huifubao" (惠福寶), a single premium product with market-oriented insurance premium rate, and "Huixinbao" (惠鑫寶), a regular premium product with market-oriented insurance premium rate. As of 30 June 2014, the number of customers of the bancassurance channel increased by 444,000, and the total number of branch outlets and the number of active branch outlets of this channel rebounded, with total number of branch outlets of the Company's bancassurance channel amounting to 18,893, representing an increase of 7% as compared to the same period of last year, and a growth of 21% in the number of active branch outlets. The number of the active individual insurance agents has also improved, with 8,286 in the first half year, representing an increase of 3% as compared to the same period of last year. In the meantime, the regular premium platform saw monthly increase during the second quarter and reached a steady level.

In the second half of 2014, the bancassurance channel of the Company will focus on regular premium products and maintain an appropriate concentration on the business scale. Meanwhile, the Company will proactively explore future models and growth areas through various methods such as product innovation and innovation pilot programs for team models and customer service models.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

③ The service and business development channel

In the first half of 2014, the GWP contributed by the service and business development channel of the Company amounted to RMB4.359 billion, representing an increase of 26.5% as compared to the same period of last year. Of this GWP, the first year premium amounted to RMB1.335 billion, representing an increase of 57.8% as compared to the same period of last year. The renewal premium amounted to RMB3.024 billion, representing an increase of 16.4% as compared to the same period of last year. Of first year premiums, GWP of regular premium products with maturity of 10 years or more amounted to RMB778 million, representing an increase of 50.1% as compared to the same period of last year.

The service and business development channel is one of the main business and value improvement channels of the Company. Consequently, the service and business development channel will strive to build optimal teams and promote the quality of its services.

In the first half of 2014, through continuous deepening of this channel's customer management capacity, promotion of the team's comprehensive capacity and other measures, we advanced the healthy and stable development of our team. As of the end of the first half year, the number of agents of the the service and business development channel was approximately 27,000. The total number of agents of the service and business development team recorded an increase of 16% as compared to the same period of last year, while the net increase in headcount recorded a rise of 159% as compared to the same period of last year, and actual turnover rate increased by 10 percentage points as compared to the same period of last year.

In the second half of 2014, the service and business development channel of the Company will leverage on the new CRM⁽¹⁾ technology to customize and localize the whole life-cycle service for customers. In the meantime, the Company will continue to conduct activities aimed to further develop business with customers, promote the improvement of our team's customer management capability and explore customer value in-depth.

(2) *Group insurance business*

In the first half of 2014, the GWP contributed by the group insurance business of the Company was RMB897 million, representing a decrease of 1% as compared to the same period of last year.

Our Company's group insurance business channel emphasizes the balance of scale and efficiency, especially the efficiency of its core businesses in borrowers' accident insurance, public transportation accident insurance and students' safety insurance.

(1) CRM: Customers Relationship Management, which means managing the relationship with customers with the CRM skills.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis by types of insurance products

Unit: RMB in millions

	January-June 2014	January-June 2013	Increase/ Decrease
Gross written premium	66,817	51,344	30.1%
Traditional insurance	21,336	527	3,948.6%
First year premium	21,014	256	8,108.6%
Renewal premium	322	271	18.8%
Participating insurance ⁽¹⁾	39,357	46,679	-15.7%
First year premium	5,304	10,057	-47.3%
Renewal premium	34,053	36,622	-7.0%
Universal insurance	20	19	5.3%
First year premium	—⁽²⁾	—⁽²⁾	—
Renewal premium	20	19	5.3%
Unit-linked insurance	—⁽²⁾	—⁽²⁾	—
First year premium	—⁽²⁾	—⁽²⁾	—
Renewal premium	—⁽²⁾	—⁽²⁾	—
Health insurance	5,391	3,470	55.4%
First year premium	2,834	1,545	83.4%
Renewal premium	2,557	1,925	32.8%
Accident insurance	713	648	10.0%
First year premium	693	629	10.2%
Renewal premium	20	19	5.3%

Notes:

- Participating health insurance is included in the participating insurance.
- The amount for each period indicated was less than RMB500,000.
- Numbers may not be additive due to rounding.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, the Company earned GWP of RMB66.817 billion, representing a growth of 30.1% as compared to the same period of last year. The proportion of traditional insurance has increased dramatically. The GWP generated by participating life insurance, which was still the main source of our business revenue, was RMB39.357 billion, representing a decrease of 15.7% as compared to the same period of last year and accounting for 58.9% of the total GWP. The GWP generated by health insurance was RMB5.391 billion, representing an increase of 55.4% as compared to the same period of last year and accounting for 8.1% of the total GWP. The GWP generated by traditional insurance was RMB21.336 billion, representing a growth of 3,948.6% as compared to the same period of last year and accounting for 31.9% of the total GWP. The increase was mainly due to the sale of “Huifubao” products. The GWP generated by accident insurance was RMB713 million, representing an increase of 10.0% as compared to the same period of last year and accounting for 1.1% of the total GWP.

3. Analysis by geographic regions

Unit: RMB in millions

	January-June 2014	January-June 2013	Increase/ Decrease
GWP	66,817	51,344	30.1%
Eastern China	15,008	11,369	32.0%
Central China	13,525	10,033	34.8%
Northern China	11,841	10,388	14.0%
Southern China	9,613	6,540	47.0%
Other regions	16,830	13,014	29.3%

Note: The Company established seven regional management centres in 2013, and the details are as follows: Northern China covers branches of Beijing, Tianjin, Hebei, Inner Mongolia, Shanxi; Eastern China covers branches of Shanghai, Jiangsu, Zhejiang, Shandong, Ningbo, Qingdao; Southern China covers branches of Guangdong, Shenzhen, Fujian, Xiamen, Hainan, Guangxi; Central China covers branches of Henan, Hunan, Hubei, Anhui, Jiangxi; Northwestern China covers branches of Xinjiang, Shaanxi, Gansu, Ningxia, Qinghai; Southwestern China covers branches of Yunnan, Guizhou, Sichuan, Chongqing; Northeastern China covers branches of Heilongjiang, Jilin, Liaoning, Dalian.

In the first half of 2014, approximately 75% of the GWP of the Company were contributed by the four regions with relatively developed economy or larger population, namely, Eastern China, Central China, Northern China and Southern China.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

(II) Asset management business

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

In the first half of 2014, based on the liability nature of the insurance business and fluctuation cycles of capital markets, the Company proactively broadened and innovated investment channels and optimized its investment portfolio, properly increased the proportion of debt securities to enhance net investment yield and maintained stable and sustainable returns from the investment portfolio. Following the opening of New China Asset Management (Hong Kong) Limited, the Company is also actively and steadily expanding its overseas investment business.

The Company has stepped up allocation in high-yield non-standard assets since 2013, which effectively raised the level of the overall investment income of assets. As of the end of June 2014, the investment on non-standard assets of the Company amounted to RMB98.387 billion (RMB40.997 billion of which was made in 2014). In respect of the types of investment products, the Company's investment in non-standard assets included assembled fund trust plans, infrastructure, real estate investment plans, asset funding plans and special asset management plans. The assembled fund trust plans, which accounted for 49% of total investment in non-standard assets, was the most significant one. The Company's investment in non-standard assets mainly comprised of highly-rated financial products with fixed income. Categorized by types of the underlying assets, the Company's non-standard asset investments cover various areas such as financial institutions, infrastructure and real estate, among which financial institutions and infrastructure facilities combined account for 74%.

The non-standard assets invested by the Company generally possess high credit rating, of which AAA rating accounts for 95% and AA rating or above accounts for 99% (excluding equity financial products). The non-standard assets held by the Company incorporated a proper credit enhancement measure. In assembled fund trust plans, except where leading enterprises in the industry or parent companies of large financial institutions act as direct repayment parties, there are solid arrangement of credit enhancement by way of guarantee, security and repurchase terms to effectively safeguard the Company against credit risk. The infrastructure and real estate investment plans guaranteed by banks accounted for 94.86% of the total, and the remaining infrastructure and real estate investment plans were all provided with irrevocable guarantee of joint liability by large state-owned enterprises. All of asset funding plans and special asset management plans incorporated credit enhancement arrangement by way of repurchase agreement, joint management of assets and guarantee of joint liability.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

1. Investment portfolio

Unit: RMB in millions

	As of 30 June 2014	As of 31 December 2013	Increase/ Decrease
Investment assets	594,762	549,596	8.2%
Classified by investment type			
Term deposits ⁽¹⁾	162,173	163,137	-0.6%
Debt securities	335,605	305,558	9.8%
Equity securities	42,303	41,589	1.7%
– Funds	11,225	13,067	-14.1%
– Stocks	19,205	19,118	0.5%
– Investments in associates	10,148	9,404	7.9%
– Others ⁽²⁾	1,725	–	N/A
Cash and cash equivalents ⁽¹⁾	31,500	18,570	69.6%
Other investment assets ⁽³⁾	23,181	20,742	11.8%
Classified by investment purpose			
Securities at fair value			
through profit or loss	7,790	2,439	219.4%
Available-for-sale securities	144,516	127,895	13.0%
Held-to-maturity securities	176,667	183,008	-3.5%
Loans and other receivables ⁽⁴⁾	255,641	226,850	12.7%
Investments in associates	10,148	9,404	7.9%

Notes:

- Cash and cash equivalents include term deposits with maturity of three months or less, while term deposits exclude those with maturity of three months or less.
- Other equity securities include assembled asset management plans and private equity.
- Other investment assets mainly include statutory deposits, policy loans, financial assets purchased under agreements to resell and accrued investment income, etc.
- 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.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the reporting period, the Company had investment assets of RMB594,762 million, representing an increase of 8.2% as compared to the end of last year. This 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 27.3% of the total investment assets, representing a decrease of 2.4 percentage points as compared to the end of last year, which was mainly due to the maturity of certain term deposits of the Company.

As of the end of the reporting period, debt securities accounted for 56.4% of the total investment assets, representing an increase of 0.8 percentage point as compared to the end of last year, which was mainly due to the increase of investments in financial products such as infrastructure investment plans and assembled fund trust plans by the Company in view of the market trend.

As of the end of the reporting period, equity securities accounted for 7.1% of the total investment assets, representing a decrease of 0.5 percentage point as compared to the end of last year, which was mainly due to the decrease of fund investment among equity securities.

As of the end of the reporting period, cash and cash equivalents accounted for 5.3% of the total investment assets, representing an increase of 1.9 percentage points as compared to the end of last year, which was mainly due to the allocation of investment assets and the requirements for liquidity management.

As of the end of the reporting period, other investment assets accounted for 3.9% of the total investment assets, representing an increase of 0.1 percentage point as compared to the end of last year, which was mainly due to the increase in policy loans.

In terms of investment purposes, as of the end of the reporting period, investment assets of the Company were mainly allocated in loans and other receivables and held-to-maturity securities. Investments in loans and other receivables increased by 12.7% as compared to the end of last year, mainly due to the increase in infrastructure debt investment plans.

2. Investment income

Unit: RMB in millions

	January-June 2014	January-June 2013	Increase/ Decrease
Interest income from cash and cash equivalents	176	34	417.6%
Interest income from term deposits	4,220	4,450	-5.2%
Interest income from debt securities	8,343	5,814	43.5%
Dividend income from equity securities	550	645	-14.7%
Interest income from other investment assets ⁽¹⁾	357	161	121.7%
Net investment income ⁽²⁾	13,646	11,104	22.9%
Realized gains on investment assets	493	1,025	-51.9%
Unrealized gains/(losses)	121	(573)	N/A
Impairment losses on investment assets	(754)	(928)	-18.8%
Share of results of associates	269	(12)	N/A
Total investment income ⁽³⁾	13,775	10,616	29.8%
Annualized net investment yield (%) ⁽⁴⁾	5.1%	4.8%	N/A
Annualized total investment yield (%) ⁽⁴⁾	5.1%	4.6%	N/A

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

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 + unrealized gains/(losses) + impairment losses on investment assets + share of results of associates.
4. Annualized investment yield = (Investment income – Interest expense of items sold under agreements to repurchase)/[monthly average investment assets – monthly financial assets sold under agreements to repurchase – monthly interest receivables]*2. The comparative figures have been recalculated on the base line of this period.

The Company achieved a total investment income of RMB13.775 billion during the reporting period, representing an increase of 29.8% as compared to the same period of last year. The annualized total investment yield was 5.1%, representing an increase of 0.5 percentage points as compared to the same period of last year.

The Company achieved a net investment income of RMB13.646 billion, representing an increase of 22.9% as compared to the same period of last year; the annualized net investment yield was 5.1%, representing an increase of 0.3 percentage points as compared to the same period of last year, which was mainly due to the increase in interest income from debt securities.

The realized gains, unrealized gains and losses on investment assets and impairment losses on investment assets amounted to a loss of RMB140 million in aggregate, an improvement compared to the loss of RMB476 million in aggregate for the same period of last year. This was mainly because the Company had proper position control and made better use of band operations to turn losses into profits for unrealized gains/(losses) on securities at fair value through profit or loss.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

3. External Equity Securities

(1) Securities investment

No.	Type of securities	Security code	Abbreviated security name	Initial Investment amount (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	110020	Nanshan CB	395.24	3.97	376.79	47.71%	23.61
2	Stock	03366X	OCT (Asia) (Limited)	128.84	40.00	128.59	16.28%	4.06
3	Convertible bond	113001	BOC CB	45.76	0.47	47.23	5.98%	13.67
4	Stock	002299	Sunner Development	45.45	3.99	46.20	5.85%	0.74
5	Stock	601628	China Life	60.41	3.11	42.37	5.37%	-3.80
6	Stock	600079	HWHG	37.25	1.30	38.80	4.91%	1.95
7	Stock	002375	YASHA	31.85	1.13	25.40	3.22%	-3.63
8	Stock	600276	Hengrui Medicine	18.14	0.63	20.95	2.65%	-0.81
9	Stock	000333	Midea Group	10.96	0.60	11.59	1.47%	0.64
10	Stock	600261	ZHEJIANG YANKON	12.42	1.15	11.39	1.44%	-0.92
Investments in other securities held at the end of the reporting period				43.94	N/A	40.46	5.12%	-1.86
Profits/losses of investments in securities sold during the reporting period				N/A	N/A	N/A	N/A	15.51
Total				830.26	N/A	789.77	100.00%	49.16

Notes:

- 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. Of these, only the parts of securities at fair value through profit or loss attributable to the Company are presented for stock and convertible bonds.
- Investments in other securities represent investments in other securities apart from the top ten securities.
- Profits/losses during the reporting period in this table are comprised of interest income, dividend income, realized gains/(losses) and unrealized gains/(losses).

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

(2) Shareholding in other listed companies

Security code	Abbreviated security name	Initial investment amount (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
601989X	CSICL (Limited)	1,124.17	0.30%	1.41%	1,189.12	11.35	89.79	Available for sale	Purchase
600705X	AVIC CAPITAL (Limited)	631.70	0.45%	2.22%	664.63	-	46.54	Available for sale	Purchase
600887	Yili Industrial	370.93	1.72%	0.90%	609.01	278.26	-425.56	Available for sale	Purchase
002466X	Tianqi Lithium (Limited)	380.80	0.00%	5.26%	595.27	-	214.47	Available for sale	Purchase
000651	Gree Electric Appliances	578.70	0.54%	0.66%	580.47	30.07	-52.64	Available for sale	Purchase
000002	Vanke A	739.20	0.71%	0.62%	567.32	-6.66	49.55	Available for sale	Purchase
601318	Ping An	556.09	0.17%	0.17%	515.36	10.12	-35.60	Available for sale	Purchase
000333	Midea Group	438.27	0.45%	0.59%	480.22	19.89	1.56	Available for sale	Purchase
601098	CNS	387.83	1.56%	1.84%	478.32	6.62	114.03	Available for sale	Purchase
03328	Bank of Communications	510.29	0.17%	0.15%	471.60	-5.56	-1.53	Available for sale	Purchase
Other securities held at the end of the reporting period		14,906.40	N/A	N/A	12,687.35	-233.23	-121.72	N/A	N/A
Total		20,624.38	N/A	N/A	18,838.67	110.86	-121.11	N/A	N/A

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. The table presents the shareholding in other listed companies by the Company as classified under available-for-sale securities ordered in accordance with the carrying amount at the end of the reporting period.
2. The CSICL (Limited) stock includes a carrying amount of RMB215.94 million in the CSICL stock without selling restrictions.
3. The AVIC CAPITAL (Limited) stock includes a carrying amount of RMB110.21 million in the AVIC CAPITAL stock without selling restrictions.
4. Profits/losses during the reporting period in this table are comprised of dividend income, realized gains/(losses) and impairment losses on equity securities.

(3) *Shareholdings in unlisted financial enterprises*

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

(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	774.13	6,261.80	N/A
Sale	525.64	N/A	519.04

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

III. PRINCIPAL CONTENTS AND ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Analysis of principal components of balance sheet

1. Principal assets

Unit: RMB in millions

Component	30 June 2014	31 December 2013	Increase/ Decrease
Debt securities	335,605	305,558	9.8%
– Held-to-maturity	176,667	183,008	-3.5%
– Available-for-sale	113,231	96,449	17.4%
– At fair value through profit or loss	6,920	1,700	307.1%
– Loans and receivables	38,787	24,401	59.0%
Equity securities	32,155	32,185	-0.1%
– Available-for-sale	31,285	31,446	-0.5%
– At fair value through profit or loss	870	739	17.7%
Term deposits	162,173	163,137	-0.6%
Policy loans	12,468	8,841	41.0%
Financial assets purchased under agreements to resell	306	1,336	-77.1%
Premium receivables	2,593	1,581	64.0%
Cash and cash equivalents	31,500	18,570	69.6%
Other assets not included in the above assets	35,204	34,641	1.6%
Total	612,004	565,849	8.2%

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Debt securities

As of the end of the reporting period, debt securities increased by 9.8% as compared to the end of 2013, mainly due to the increase in trust plans under available-for-sale securities and the increase in debt plans included in loans and receivables.

Equity securities

As of the end of the reporting period, equity securities decreased by 0.1% as compared to the end of 2013, mainly due to the fluctuation of the capital markets and the Company's control of the scale of equity securities.

Term deposits

As of the end of the reporting period, term deposits decreased by 0.6% as compared to the end of 2013, mainly due to the maturity of certain term deposits of the Company.

Policy loans

As of the end of the reporting period, policy loans increased by 41.0% as compared to the end of 2013, mainly due to an 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 decreased by 77.1% as compared to the end of 2013, mainly due to the requirements for daily liquidity management.

Premium receivables

As of the end of the reporting period, premium receivables increased by 64.0% as compared to the end of 2013, mainly due to the uneven distribution of insurance business in various quarters and the cumulative growth of insurance business.

Cash and cash equivalents

As of the end of the reporting period, cash and cash equivalents increased by 69.6% as compared to the end of 2013, mainly due to the allocation of investment assets and the requirements for daily liquidity management.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

2. *Principal liabilities*

Unit: RMB in millions

Component	30 June 2014	31 December 2013	Increase/ Decrease
Insurance contracts	466,536	426,881	9.3%
Long-term insurance liabilities	464,901	425,394	9.3%
Short-term insurance liabilities			
– Outstanding claims	482	520	-7.3%
– Unearned premiums	1,153	967	19.2%
Investment contracts	27,302	25,933	5.3%
Financial assets sold under agreements to repurchase	52,117	52,211	-0.2%
Premiums received in advance	296	432	-31.5%
Reinsurance liabilities	97	54	79.6%
Current income tax liabilities	152	19	700.0%
Other liabilities not included in the above liabilities	22,208	21,001	5.7%
Total	568,708	526,531	8.0%

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Insurance contracts

As of the end of the reporting period, insurance liabilities increased by 9.3% as compared to the end of 2013, mainly due to the cumulative growth of the Company's insurance business and the accumulation of insurance obligations.

Investment contracts

As of the end of the reporting period, investment contracts increased by 5.3% as compared to the end of 2013, mainly due to the cumulative growth of 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 0.2% as compared to the end of 2013, mainly due to the allocation of investment assets and the requirements for liquidity management of the Company.

Premiums received in advance

As of the end of the reporting period, premiums received in advance decreased by 31.5% as compared to the end of 2013, mainly due to the difference in timing of underwriting policies of the insurance business.

Reinsurance liabilities

As of the end of the reporting period, the reinsurance liabilities increased by 79.6% as compared to the end of 2013, mainly 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 current income tax liabilities increased by RMB133 million or 700.0% as compared to the end of 2013, mainly due to the fact that at the end of 2013 the pre-paid income tax of the Company exceeded the payable tax.

3. *Shareholders' equity*

As of the end of the reporting period, equity attributable to shareholders of the Company amounted to RMB43.291 billion, representing an increase of 10.1% as compared to the end of 2013, mainly due to the cumulative growth of investment income and the insurance business.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

(II) Analysis of Principal Components of the Income Statement

1. Revenues

Unit: RMB in millions

Component	January-June 2014	January-June 2013	Increase/ Decrease
Gross written premiums and policy fees	66,927	51,628	29.6%
Less: premiums ceded out	(213)	(161)	32.3%
Net written premiums and policy fees	66,714	51,467	29.6%
Net change in unearned premiums liabilities	(195)	(242)	-19.4%
Net premiums earned and policy fees	66,519	51,225	29.9%
Investment income	13,506	10,631	27.0%
Other income	179	87	105.7%
Total	80,204	61,943	29.5%

Gross written premiums and policy fees

During the reporting period, gross written premiums and policy fees amounted to RMB66.927 billion, representing an increase of 29.6% as compared to the same period of last year, mainly due to the increase in income from first year premiums of new policies.

Premiums ceded out

During the reporting period, premiums ceded out represented an increase of 32.3% as compared to the same period of last year, mainly due to the growth of the reinsurance business and the decrease in policy surrenders recovered from reinsurers.

Investment income

During the reporting period, investment income represented an increase of 27.0% as compared to the same period of last year, mainly due to the increase in interest income of debt investments.

Other business income

During the reporting period, other business income increased by 105.7% as compared to the same period of last year, mainly due to the increase in income of asset management business and health management business of subsidiaries and government grants.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

2. Insurance business expenditures and other expenses

Unit: RMB in millions

Component	January-June 2014	January-June 2013	Increase/ Decrease
Insurance benefits and claims	(65,155)	(49,971)	30.4%
Claims and net change in outstanding claims liabilities	(508)	(554)	-8.3%
Life insurance death and other benefits	(26,421)	(17,458)	51.3%
Increase in long-term insurance contracts liabilities	(38,226)	(31,959)	19.6%
Investment contracts benefits	(510)	(344)	48.3%
Commission and brokerage expenses	(4,140)	(3,257)	27.1%
Administrative expenses	(5,181)	(4,492)	15.3%
Other expenses	(92)	(335)	-72.5%
Total	(75,078)	(58,399)	28.6%

Insurance benefits and claims

During the reporting period, insurance benefits and claims increased by 30.4% as compared to the same period of last year, mainly due to an increase in surrenders, maturities and annuities and the increase in long-term insurance contracts liabilities accrued according to the accounting policy of the Company.

Life insurance death and other benefits

During the reporting period, life insurance death and other benefits increased by 51.3% as compared to the same period of last year, mainly due to the increase in surrenders, maturities and annuities.

Increase in long-term insurance contracts liabilities

During the reporting period, increase in long-term insurance contracts liabilities increased by 19.6% as compared to the same period of last year, mainly due to the growth of insurance business.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Commission and brokerage expenses

During the reporting period, commission and brokerage expenses increased by 27.1% as compared to the same period of last year, mainly due to the increase in first year premiums.

Other expenses

During the reporting period, other expenses decreased by 72.5% as compared to the same period of last year, mainly due to the increase in exchange earning, as a result of the appreciation of US dollars against the RMB.

3. *Income tax*

During the reporting period, income tax expenses were RMB774 million as compared to income tax expenses of RMB308 million for the same period of last year, mainly due to the impact of the amount of payable income tax and deferred income tax.

4. *Net profit*

During the reporting period, the Company achieved RMB3.748 billion of the net profit attributable to the shareholders of the Company, representing an increase of 71.4% as compared to the same period of last year, mainly due to the growth of investment income and the cumulative increase in insurance business.

5. *Other comprehensive income/(losses)*

During the reporting period, other comprehensive income was a RMB697 million as compared to a loss of RMB375 million for the same period of last year, mainly due to the increase of other comprehensive income as a result of a decrease in the floating loss of available-for-sale securities in the reporting period.

(III) Analysis of consolidated statement of cash flows

Unit: RMB in millions

Component	January-June 2014	January-June 2013	Increase/ Decrease
Net cash flows from operating activities	29,226	31,056	-5.9%
Net cash flows from investing activities	(16,131)	(30,906)	-47.8%
Net cash flows from financing activities	(211)	(3,747)	-94.4%

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

1. *Net cash flows from operating activities*

Net cash flows from operating activities of the Company for the first half of 2014 and 2013 amounted to RMB29.226 billion and RMB31.056 billion, respectively. Cash inflows from operating activities of the Company were primarily comprised of cash premiums received. Cash premiums of existing insurance contracts received during the first half of 2014 and 2013 amounted to RMB65.734 billion and RMB49.978 billion, respectively.

Cash outflows from operating activities of the Company for the first half of 2014 and 2013 amounted to RMB37.732 billion and RMB26.736 billion, respectively. Cash outflows from operating activities of the Company were primarily comprised of claim payments in cash, commission and brokerage expenses in cash, cash paid to or for employees, and other cash payments related to operating activities. Claims expenses in cash of existing insurance contracts for the first half of 2014 and 2013 amounted to RMB26.896 billion and RMB18.032 billion, respectively. The above changes were mainly due to the Company's business growth and the increase of benefits and claims paid.

2. *Net cash flows from investing activities*

Net cash flows from investing activities of the Company for the first half of 2014 and 2013 amounted to negative RMB16.131 billion and negative RMB30.906 billion, respectively. Cash inflows from investing activities of the Company for the first half of 2014 and 2013 amounted to RMB130.096 billion and RMB72.444 billion, respectively. Cash inflows from investing activities of the Company were primarily comprised of cash received from recovery of investments, cash received from investment returns and cash received from the sale of financial assets purchased under agreement to resell, etc.

Cash outflows from investing activities of the Company for the first half of 2014 and 2013 amounted to RMB146.227 billion and RMB103.350 billion, 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 fixed assets, 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 2014 and 2013 amounted to negative RMB211 million and negative RMB3.747 billion respectively. Cash inflows from financing activities of the Company for the first half of 2014 and 2013 amounted to RMB2,160.718 billion and RMB2,255.795 billion respectively. Cash inflows from financing activities of the Company were primarily comprised of cash proceeds received from the sale of financial assets under agreements to repurchase, etc.

Cash outflows from financing activities of the Company for the first half of 2014 and 2013 amounted to RMB2,160.929 billion and RMB2,259.542 billion, respectively. Cash outflows from financing activities of the Company were primarily comprised of cash paid for the sale of financial assets under agreements to repurchase.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

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 2014	As of 31 December 2013	Reason(s) of Change
Actual capital	39,029	34,782	Gains for the current period, changes in fair value of investment assets and investment structure
Minimum capital	22,285	20,502	Growth in insurance business
Surplus	16,744	14,280	
Solvency margin ratio	175.14%	169.66%	

(II) Gearing Ratio

	As of 30 June 2014	As of 31 December 2013
Gearing ratio	92.9%	93.1%

Note: Gearing ratio = Total liabilities/Total assets.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

(III) Reinsurance Business

Currently the Company's reinsurance business mainly includes business cession through quota share, surplus and catastrophe excess of loss reinsurance contracts. The current reinsurance contracts cover almost all products with risk responsibilities. Reinsurers of the Company mainly include Swiss Reinsurance Company Ltd., Beijing Branch and China Life Reinsurance Company Ltd., etc.

During the first half of 2014, premiums ceded out of the Company were set out as follows:

Unit: RMB in millions

	January-June 2014	January-June 2013
Swiss Reinsurance Company Ltd., Beijing Branch	170	123
China Life Reinsurance Company Ltd.	37	33
Others ⁽¹⁾	6	5
Total	213	161

Notes:

1. Others primarily included Hannover Rueckversicherung 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 2014, China's life insurance industry has shown signs of recovery to a certain extent. As we look to the future, the development potential of the industry remains huge, which is mainly driven by three factors. Firstly, economic growth has been relatively stable and the wealth accumulation of urban and rural residents are enjoying sustained growth, providing a fundamental environment for business growth. Secondly, favorable policies for the industry, such as the introduction of the "New Ten Measures" for the insurance industry and full implementation of premium rate marketization, are expected to persist. Thirdly, efforts to transform the industry during the past few years have gradually shown results, including the buildup of asset management capability following the open-up of investment policies, the changes in the human resource development model and the enhancement of internal management efficiency.

However, following the fiercer and more complicated competition within the industry, the risks involved will also increase and the differentiation of competition will gradually become more substantial in the future. Firstly, differentiated investment capabilities will result in greater variation in asset management ability. Secondly, differences in team-building capabilities will result in greater discrepancies in operating capacity. Thirdly, the significant increase in cost and varied levels of management ability will give rise to larger differences in value creation ability.

SECTION 4 – MANAGEMENT DISCUSSION AND ANALYSIS

Future competition among insurance companies will mainly focus on three areas, namely customer, investment and management efficiency. In the face of future challenges, the Company is entering a phase of deepened transformation and will continue to implement its “customer-centric” development strategy. We will push forward the strategic transition of the Company based on the demand of our core customers groups, actively seek for innovation in business models, persistently promote the establishment of “Three Core Capabilities” and “Ten Major Systems” and continuously explore a suitable management practice for the Company. At the same time, the Company will step up its efforts in the development of senior care and health care businesses so as to realize greater synergy through capturing diverse market opportunities.

In the second half of 2014, based on its strategic system, the general concept of operation of the Company will continue to be customer-centric and return to the very baseline of insurance, in particular:

Firstly, the Company will strive to achieve stable and balanced business and value growth by adhering to value and returning to the very baseline of insurance. We will focus on the sustainable development of our business and the balance of short-term and long-term interests. We will also put emphasis on the linkage between businesses and strategies so as to optimize our business structure and achieve sustainable growth.

Secondly, we will continue to consolidate and develop the scale of human resources, team structure as well as the organizational structure based on the development foundation of our existing teams. We will focus on enhancing our channel and team performance, and in particular, the quantity and quality of the workforce, thus to promote the development of our business through improvement of performance. In addition, we will further promote the synergy between team building and agency development while also pushing forward the consolidation, quality enhancement, optimization, transformation and development of team building through the systematization of our management.

Thirdly, the Company will advance the implementation of strategic transition measures. In particular, we will deepen the whole life-cycle management for customers, agency management and customer base establishment, further optimize the sales management system and product system and complete the establishment of customer centre and data centre, providing a more effective support from the middle-and back-office management to the frontline sales team.

SECTION 5 SIGNIFICANT EVENTS

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

(I) Profit Distribution Policies

According to Article 265 of the *Articles of Association*, the major dividend distribution policies are set out below:

1. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares. The Company may distribute interim profits.
2. If both the profits for the year and the accumulated undistributed profits of the Company are positive, the annual profit distribution plans will be formulated by the Board based on the Company's solvency margin ratio, business development and results of operations, subject to the laws and regulations and requirements promulgated by relevant competent authorities on solvency margin ratio in effect at that time; provided that the distributed profits in the form of cash each year shall be no less than 10% of the distributable profits of the parent company for the year.
3. The Company shall give priority to dividend distribution in the form of cash. Where the Company's operation is in a sound condition, and the Board is of the view that the share price of the Company fails to reflect its share capital scale and that the distribution of dividend in shares will be favorable to all shareholders of the Company as a whole, the Board may propose dividend distribution in shares, provided that the above conditions of cash dividend are fully met.
4. The Board shall thoroughly discuss the rationality of the profit distribution plan and produce a special resolution for submission to the general meeting for consideration. The independent non-executive directors ("INEDs") of the Company shall also express their independent opinions on the profit distribution plan. In considering the resolution of profit distribution plan at the general meeting, the Company shall maintain active communications and exchanges with shareholders, particularly medium and minority shareholders through various channels, listen carefully to the feedbacks and demands of the minority shareholders, and give timely response to the matters concerned by the medium and minority shareholders. Following a resolution on the profit distribution plan at the shareholders' general meeting, the Board shall implement the distribution of the dividends within two months from the convention of such general meeting.

The dividend distribution policies of the Company clarify the standards and percentage of dividend distribution, emphasize the roles of INEDs and pay attention to the communication with minority shareholders. The dividend distribution policies also stipulate in detail the conditions and procedures on the adjustments or changes of the dividend distribution policies and thus protect the legitimate rights of the minority shareholders.

(II) Implementation Of Profit Distribution Plan

The 17th meeting of the fifth session of the Board held on 26 March 2014 and the annual general meeting of 2013 held on 20 May 2014 considered and approved the *Proposal on the Profit Distribution Plan of the Year 2013*, respectively.

According to the above proposal, the net profit of the Company for the year 2013 in the audited financial statements is RMB4,578.274 million. Since there is no unrecovered deficit in the previous years, the distributable profit of the Company achieved within the year 2013 in the financial statements is RMB4,578.274 million. Based on a total of 3,119,546,600 issued shares, the Company distributed a cash dividend of RMB0.15 (including tax) per share to all shareholders of the Company, totaling RMB467,931,990, representing approximately 10.22% of the net profit of the Company for the year 2013 in accordance with the PRC GAAP. The undistributed amount will be retained as undistributed profit for distribution in future years.

The Company published the *Announcement on the 2013 Annual Dividend* on 9 May 2014, declaring the implementation of the 2013 dividend distribution plan, and completed the distribution of the 2013 dividend on 15 July 2014.

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

The Company will neither distribute interim dividend nor increase shares with the use of capital reserve for the six months ended 30 June 2014.

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., the particulars of which are as follows:

In order to enforce the award of Beijing Arbitration Commission and the judgment of Shenzhen Municipal Intermediate People's Court in Guangdong Province, New Industry Investment Co., Ltd., Orient Group Co., Ltd. and the Company entered into an agreement, pursuant to which the Company should pay the principal amount of RMB170 million and its interests to Orient Group Co., Ltd., and New Industry Investment Co., Ltd. should then pay the principal amount of RMB170 million and its interests to the Company. The agreement was under performance during the reporting period.

For details of other litigations regarding the recovery for monetary loss relating to the former chairman's misconduct during the reporting period, please refer to "XI. Other significant events – (V) 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.

SECTION 5 – SIGNIFICANT EVENTS

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. CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD

(I) Continuing connected transactions

During the reporting period, since 98% of the total issued shares of Hwabao Trust Co., Ltd. (“Hwabao Trust”) are directly held by Baosteel Group, which is a substantial shareholder of the Company, Hwabao Trust constitutes a connected person of the Company, and therefore the transaction under the *Framework Agreement on the Purchase of Assembled Fund Trust Plan* (《購買集合資金信託計劃框架協議》) (the “Original Agreement”) entered into between the Company and Hwabao Trust constitutes a continuing connected transaction of the Company, which is subject to the reporting, annual review and announcement requirements while exempt from the circular and shareholders’ approval requirements under Rule 14A.76(2) of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions.

The Company entrusts its holding subsidiary Asset Management Company for utilization of its insurance funds. In order to optimize fund allocation and in the ordinary course of business of the Company, the Company passed the *Proposal on the Contemplated Continuing Connected Transactions in respect of Entrusted Funds Utilization of the Company* (《關於公司委託資金運用相關事項預計日常關聯交易的議案》) of the years 2013 and 2014 at the tenth meeting of the fifth session of the Board convened on 27 August 2013 and entered into the Original Agreement with Hwabao Trust. Pursuant to the Original Agreement, the Company intends to subscribe for the assembled fund trust plan products to be issued by Hwabao Trust within a total transaction cap of RMB2.5 billion (the “Original Transaction Cap”) by utilizing the entrusted funds from 27 August 2013 to 27 August 2014. The pricing of the assembled fund trust plan products (including but not limited to the price of the products and administrative fee, if any) shall be jointly determined by the Company and Hwabao Trust through negotiation with reference to prevailing market price at the time of signing specific purchase contracts and shall be stipulated in such contracts. Hwabao Trust shall ensure that the pricing it offers to any third party shall not prevail over its offering to the Company under the same category of the same product at that time. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 27 August 2013.

During the reporting period, the validity period of the Original Agreement is about to expire. In order to streamline the consistency between the validity period of the aforesaid continuing connected transactions and the financial year of the Company, the Company passed the *Proposal on the Contemplated Continuing Connected Transactions in respect of Entrusted Funds Utilization of the Company* (《關於公司委託資金運用相關事項預計日常關聯交易的議案》) of the years 2014 and 2015 at the 21st meeting of the fifth session of the Board convened on 26 August 2014 and entered into *Supplementary Agreement of Framework Agreement on the Purchase of Assembled Fund Trust Plan* 《購買集合資金信託計劃框架協議之補充協議》 (the “Supplementary Agreement”) with Hwabao Trust for the purpose of supplementing and amending the Original Agreement. Pursuant to the Supplementary Agreement, the Company intends to continue to subscribe for the assembled fund trust plan products to be issued by Hwabao Trust within a total transaction cap of RMB2 billion (the “Annual Cap”), respectively, for years 2014 and 2015 by utilizing the entrusted funds. According to the Supplementary Agreement, the part of Original Transaction Cap has been replaced by the Annual Cap of 2014 starting from 1 January 2014. For details, please refer to the announcement titled *Continuing Connected Transaction – Proposed Purchase of Assembled Fund Trust Plan Products* published by the Company on 26 August 2014. The Supplementary Agreement is an indispensable part of the Original Agreement, and, other than the terms specifically supplemented or amended by the Supplemental Agreement such as the Original Transaction Cap and the period of the Original Agreement, the remainder of the Original Agreement shall continue to be valid.

During the reporting period, the Company has not subscribed for any assembled fund trust plan product issued by Hwabao Trust.

(II) Other connected transactions

During the reporting period, except for the aforesaid continuing connected transactions, the Company did not conduct any other connected transaction or continuing connected transaction which shall comply with the requirements of Chapter 14A Connected Transactions of the Hong Kong Listing Rules on reporting, announcement or shareholders' approval.

VII. SIGNIFICANT CONTRACTS AND THEIR PERFORMANCES

- (I) During the reporting period, there were no such events as custodying, contracting and leasing assets of other companies by the Company or custodying, contracting and leasing the Company's assets by other companies that brought the Company more than 10% (inclusive) of the Company's total profit for 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 cash asset management except for entrusting Asset Management Company and Asset Management (Hong Kong) with fund investment management;
- (IV) Except the report may otherwise disclose, the Company had no other material contract during the reporting period.

VIII. FULFILLMENT 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 the 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.

SECTION 5 – SIGNIFICANT EVENTS

(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.

During the reporting period, the commitment relating to the special dividend distribution has been fully fulfilled. The commitment relating to the special dividend distribution fund which 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 is still being fulfilled continuously and normally.

IX. **APPOINTMENT OF ACCOUNTING FIRMS**

The annual general meeting of 2013 of the Company held on 20 May 2014 passed the *Proposal regarding the Appointment of Auditors for the Year 2014*, and resolved to appoint Ernst & Young Hua Ming LLP as the domestic auditor and Ernst & Young as the International auditor of the Company for the year 2014, respectively. For details, please refer to the announcement titled *Proposed Appointment of Auditors* published by the Company on 22 January 2014 and the *Announcement on the Voting Results of the Annual General Meeting of 2013 and Distribution of 2013 Annual Dividend* published by the Company on 20 May 2014.

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. **OTHER SIGNIFICANT EVENTS**

(I) **Issuance of 2014 debt financing instruments**

To further enhance the Company's solvency adequacy ratio, according to the resolution of the annual general meeting of 2013 of the Company convened on 20 May 2014, the Company plans to issue debt financing instruments with a period of more than 5 years and a total amount not exceeding RMB5 billion in 2014. The issuance of 2014 debt financing instruments of the Company is subject to the approval of the regulatory authorities.

(II) **Issuance of 2014 subordinated term debts**

To further enhance the Company's solvency adequacy ratio, according to the resolution of the annual general meeting of 2013 of the Company convened on 20 May 2014, the Company plans to issue subordinated term debts with a period of more than 5 years and a total amount not exceeding RMB5 billion in 2014. The issuance of 2014 subordinated term debts of the Company is subject to the approval of the regulatory authorities.

(III) Proposed issuance of exchangeable bonds by a shareholder of the Company

On 3 April 2014, the Company received a written notice from Baosteel Group, a substantial shareholder of the Company, informing the Company that Baosteel Group proposes to issue certain bonds that are exchangeable into a portion of Baosteel Group's current shareholding in the Company's A Shares (the "Issue"). For details of the Issue, please refer to the *Announcement in Relation to Exchangeable Bonds Proposed to be Issued by a Substantial Shareholder of the Company* published on 3 April 2014.

(IV) Indirect investments in infrastructure projects

During the reporting period, the Company entrusted Asset Management Company to subscribe for the debt investment plans in infrastructure with a total amount of RMB8.061 billion.

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

1. To settle the 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 filed a lawsuit with Chongqing Municipal Higher People's Court against Beijing Tianhuan Real Estate Development Co., Ltd. and New China Trust Co., Ltd. on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Beijing Tianhuan Real Estate Development Co., Ltd. should repay the principal of RMB575 million and the interests of its debts owed by the Company and New China Trust Co., Ltd. was free from liability. Beijing Tianhuan Real Estate Development Co., Ltd. refused to accept the first-instance ruling and appealed to the Supreme People's Court. On 13 May 2014, the Supreme People's Court made the final instance ruling, which rejected the appeal instituted by Beijing Tianhuan Real Estate Development Co., Ltd. and sustained the the first instance ruling of Chongqing Municipal Higher People's Court.
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.

XII. CORPORATE GOVERNANCE

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, the 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.

SECTION 5 – SIGNIFICANT EVENTS

During the reporting period, the Company held one general meeting, five Board meetings and two Board of Supervisors' meetings in total. 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 performed their respective duties.

The Third Meeting of the Fifth Session of the Board held by the Company on 22 February 2013 resolved to establish the executive committee system and the role of CEO. Mr. KANG Dian was appointed as CEO concurrently as the Chairman of the Board. The Board of the Company is of the view that the roles of Chairman and CEO being performed by the same individual could further streamline the Company's management system, improve the Company's operation efficiency, and is conducive to the business development and strategy implementation of the Company. Meanwhile, the Company has established various roles and committees such as the President (Chief Operation Officer), executive committee and six functional committees, the duties of which have been clearly defined in the *Articles of Association*. Major events of the Company shall be subject to complete thorough deliberation and decision-making procedures. All the above shall guarantee that the Chairman of the Board and CEO performs his duties efficiently and diligently.

Except for the above, during the reporting period, the Company observed all the other code provisions in the Corporate Governance Code contained 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 fourth meeting of the Audit Committee of the Board in 2014.

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 2014 is as follows:

Unit: share

	31 December 2013		Increase or decrease during the reporting period (+ or -)					30 June 2014	
	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:

- "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.
- "State-owned shares" refer to the shares of the Company held by Huijin (not including the shares without selling restrictions acquired 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.

SECTION 6 – CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

(II) Table of shares with selling restrictions

The table below shows the shares with selling restrictions of the Company as of 30 June 2014:

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

SECTION 6 – CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

II. SHAREHOLDERS

(I) Number of shareholders and their shareholdings

As of the end of the reporting period, there are 23,302 shareholders of the Company, including 22,946 A shareholders and 356 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
HKSCC Nominees Limited ⁽¹⁾	Overseas legal person shares	32.13	1,002,410,413	+4,331,099	-	-	H
Central Huijin Investment Ltd.	State-owned shares	31.34	977,530,534	-	974,173,154	-	A
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	-	-	-	A
Tibet Shannan Xinshang Investment Management Limited	Domestic legal person shares	1.55	48,428,636	+36,392,400	-	23,618,600	A
Tibet Shannan Century Golden Resources Investment Management Limited	Domestic legal person shares	1.25	39,143,368	-	-	34,143,368	A
Shanghai Shangyan Investment Center (Limited Partnership)	Others	1.16	36,166,156	-	-	-	A
Vats Group Company Limited	Domestic legal person shares	1.02	31,745,000	-	-	31,745,000	A
Beijing Taiji Huaqing Information System Co., Ltd.	Domestic legal person shares	0.81	25,400,000	-600,000	-	-	A
CITIC Securities Co., Ltd.	Domestic legal person shares	0.69	21,391,274	+20,355,463	-	-	A

Description of connected relations or concerted action among the aforesaid shareholders: Tibet Shannan Xinshang Investment Management Limited is a subsidiary of CITIC Private Equity Funds Management Co., Ltd., and Shanghai Shangyan Investment Center (Limited Partnership) is the investment entity of a fund operated by CITIC Private Equity Funds Management Co., Ltd. CITIC Securities Co., Ltd. holds 35% shares of CITIC Private Equity Funds Management Co., Ltd. Save for the above, the Company is not aware of any related-party relationship among the shareholders or whether they are parties acting in concert.

Note:

- 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. 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.

SECTION 6 – CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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	1,002,410,413	H
Baosteel Group Corporation	471,212,186	A
Beijing Hony 2010 Equity Investment Center (Limited Partnership)	80,853,658	A
Tibet Shannan Xinshang Investment Management Limited	48,428,636	A
Tibet Shannan Century Golden Resources Investment Management Limited	39,143,368	A
Shanghai Shangyan Investment Center (Limited Partnership)	36,166,156	A
Vats Group Company Limited	31,745,000	A
Beijing Taiji Huaqing Information System Co., Ltd.	25,400,000	A
CITIC Securities Co., Ltd.	21,391,274	A
MA Debiao	15,963,414	A

Description of connected relations or concerted action among the aforesaid shareholders

Tibet Shannan Xinshang Investment Management Limited is a subsidiary of CITIC Private Equity Funds Management Co., Ltd., and Shanghai Shangyan Investment Center (Limited Partnership) is the investment entity of a fund operated by CITIC Private Equity Funds Management Co., Ltd.. CITIC Securities Co., Ltd. holds 35% shares of CITIC Private Equity Funds Management Co., Ltd.. Save for the above, the Company is not aware of any related-party relationship 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 2014, 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 reasonably aware of, as of 30 June 2014, the following persons (other than the directors, supervisors or chief executive of the Company) had interests or short positions 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:

SECTION 6 – CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

Name of substantial shareholders	Types of shares	Capacity	Number of shares	Percentage	Percentage	Percentage	Long Position/ Short Position/ Interest in a lending pool	
				of the total shares issued %	of the A shares issued %	of the H shares issued %		
1	Central Huijin Investment Ltd.	A share	Beneficial owner	974,347,488	31.23	46.72	–	Long Position
2	Norges Bank	H share	Beneficial owner	62,349,000	2.00	–	6.03	Long Position
3	JPMorgan Chase & Co.	H share	Beneficial owner	2,237,092	0.07	–	0.22	Long Position
			Beneficial owner	31,400	0.00	–	0.00	Short Position
			Investment manager	3,691,300	0.12	–	0.36	Long Position
			Custodian Corporation/ Approved lending agent	87,326,675 (Note 3)	2.80	–	8.44	Long Position
4	Swiss Re Ltd	H share	Interests of Controlled Corporation	152,857,800 (Note 4)	4.90	–	14.78	Long Position
5	Overseas-Chinese Banking Corporation Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 5)	3.32	–	10.01	Long Position
6	Great Eastern Holdings Limited	H share	Interests of Controlled Corporation	103,538,600 (Note 5)	3.32	–	10.01	Long Position
7	The Great Eastern Life Assurance Company Limited	H share	Beneficial owner	63,158,500 (Note 5)	2.02	–	6.11	Long Position
8	Temasek Holdings (Private) Limited	H share	Interests of Controlled Corporation	78,000,000 (Note 6)	2.50	–	7.54	Long Position
9	China International Capital Corporation Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 7)	2.08	–	6.29	Long Position
10	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 7)	1.72	–	5.20	Short Position
11	CICC Investment Group Company Limited	H share	Interests of Controlled Corporation	65,000,000 (Note 7)	2.08	–	6.29	Long Position
12	CICC Growth Capital Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 7)	2.08	–	6.29	Long Position
13	CICC Principal Fund GP, Ltd.	H share	Interests of Controlled Corporation	65,000,000 (Note 7)	2.08	–	6.29	Long Position
14	CICC Principal Fund I, L.P.	H share	Interests of Controlled Corporation	65,000,000 (Note 7)	2.08	–	6.29	Long Position
15	CICC Securities (HK) Limited	H share	Beneficial owner	65,000,000 (Note 7)	2.08	–	6.29	Long Position
16	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 7)	1.72	–	5.20	Short Position

SECTION 6 – CHANGES IN SHARE CAPITAL AND SHAREHOLDERS' PROFILE

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. JPMorgan Chase & Co. holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
4. Swiss Re Ltd holds equity interest in the shares of the Company through the companies controlled or indirectly controlled by it.
5. 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.
6. As of the publication date of this report, Temasek Holdings (Private) Limited does not hold any shares of the Company.
7. 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. controls 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 2014, 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

Mr. WANG Chengran and Mr. CHEN Johnny tendered their resignations to the Fifth Session of the Board on 15 January 2014, and resigned as non-executive directors and Board committee members of the Company. Please refer to the *Announcement on Resignation of Director and Board Committee Members* published on 15 January 2014 by the Company for details.

Mr. WU Kunzong, Mr. DACEY John Robert and Mr. LIU Lefei were elected as non-executive directors of the Fifth Session of the Board at the annual general meeting of 2013 held on 20 May 2014. Mr. WU Kunzong's qualification as director was approved by the CIRC on 8 July 2014. Please refer to *Approval of Director's and Supervisor's Qualification by CIRC* published by the Company on 11 July 2014 for details. Mr. LIU Lefei's qualification as director was approved by the CIRC on 30 July 2014. Please refer to *Approval of Director's Qualification by CIRC* published by the Company on 8 August 2014 for details. Mr. DACEY John Robert's qualification as director was approved by the CIRC on 25 August 2014. Please refer to *Approval of Director's Qualification by CIRC* published by the Company on 1 September 2014 for details.

The 21st meeting of the Fifth Session of the Board of the Company held on 26 August 2014 passed the *Proposal on the Candidate for Director of the Fifth Session of the Board*, and resolved to nominate Mr. WAN Feng as the candidate for executive director of the Fifth Session of the Board. The proposal is subject to the approval of the general meeting.

(II) Supervisors

Mr. CHEN Jun tendered his resignation to the Fifth Session of the Board of Supervisors on 28 April 2014, and resigned as a shareholder representative supervisor and the Chairman of the Board of Supervisors of the Company. Please refer to the *Announcement on Resignation of Supervisor* published by the Company on 29 April 2014 for details.

Mr. WANG Chengran was elected as a shareholder representative supervisor of the Fifth Session of the Board of Supervisors at the annual general meeting of 2013 held on 20 May 2014. His qualification as supervisor was approved by the CIRC on 8 July 2014. Please refer to *Approval of Director's and Supervisor's Qualification by CIRC* published by the Company on 11 July 2014 for details.

The eighth meeting of the Fifth Session of the Board of Supervisors held on 25 July 2014 passed the *Proposal on the Election of Chairman of the Fifth Session of the Board of Supervisors*, and resolved to elect Mr. WANG Chengran as the Chairman of the Board of Supervisors of the Company.

(III) Members of senior management

During the reporting period, there was no change of the members of senior management of the Company.

The 21st meeting of the Fifth Session of the Board of the Company held on 26 August 2014 passed the *Proposal on the Appointment of the President (Chief Operation Officer) of the Company*, and resolved to appoint Mr. WAN Feng as the President (Chief Operation Officer) of the Company. The qualification of Mr. WAN Feng as senior management is subject to the approval of the CIRC.

SECTION 7 – DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

During the reporting period, no directors, supervisors or members of senior management currently in office or resigned during the reporting period held any of the Company's A shares directly or indirectly.

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

At of 30 June 2014, 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 73,000 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). Except for the aforesaid, there are no interests or short positions (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) 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 will be required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO or which shall be notified to the Company and the HKSE pursuant to the Model Code for Securities Transactions.

SECTION 8 EMBEDDED VALUE

TOWERS WATSON'S REVIEW OPINION REPORT ON EMBEDDED VALUE

To the Directors of New China Life Insurance Company Ltd.

New China Life Insurance Company Ltd. ("NCL") has prepared embedded value results for the first half year ended 30 June 2014 ("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.

NCL has engaged Towers Watson Management (Shenzhen) Consulting Co. Ltd, Beijing Branch ("Towers Watson") to review its EV Results. This report is addressed solely to NCL 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 NCL 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 2014 and the value of one year's new business and the first half year's new business as at 30 June 2014 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 and the Value of New Business as at 30 June 2014; and
- A review of the results of NCL's calculation of the EV Results, comprising:
 - the embedded value and the Value of New Business as at 30 June 2014;
 - the sensitivity tests of the value of in-force business and value of one year's new business as at 30 June 2014; and
 - the analysis of change of the embedded value from 31 December 2013 to 30 June 2014.

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

SECTION 8 – EMBEDDED VALUE

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 2014 interim report are consistent with those reviewed by Towers Watson.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA

26 August 2014

1. 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 2014 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 CIRC 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.

SECTION 8 – EMBEDDED VALUE

2. 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.

3. KEY ASSUMPTIONS

In determining the embedded value and the value of new business as at 30 June 2014, 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 2014 are shown below for the different funds respectively:

	Investment Return Assumptions for VIF and VNB as at 30 June 2014			
	2014	2015	2016	2017+
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.

SECTION 8 – EMBEDDED VALUE

Morbidity

Morbidity assumptions have been developed based on the Company's past morbidity experience and expectations of current and future experience. Morbidity assumptions are expressed as a percentage of "China Life Insurance Experienced Critical Illness Table (2006 to 2010)".

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 2013 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, as well as handling fees, have been set based on the levels currently being paid.

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 5.0% 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.

4. EMBEDDED VALUE RESULTS

The table below shows our embedded value and value of new business as at 30 June 2014 and their corresponding results as at prior valuation date:

Unit: RMB in millions

Valuation Date	30 June 2014	31 December 2013
Adjusted Net Worth	33,554	29,077
Value of In-Force Business Before Cost of Capital	51,143	46,320
Cost of Capital	(11,555)	(10,990)
Value of In-Force Business After Cost of Capital	39,588	35,330
Embedded Value	73,141	64,407
Value of One Year's New Business		
Value of One Year's New Business Before Cost of Capital	5,878	5,334
Cost of Capital	(1,259)	(1,099)
Value of One Year's New Business After Cost of Capital	4,620	4,236

Note 1: Numbers may not be additive due to rounding.

Note 2: The first year premiums used to calculate the Value of One Year's New Business as at 30 June 2014 and 31 December 2013 were RMB49,608 million and RMB40,068 million, respectively.

Note 3: The impact of major reinsurance contracts have been reflected in the Embedded Value and Value of One Year's New Business.

Unit: RMB in millions

Valuation Date	30 June 2014	30 June 2013
Value of First Half Year's New Business by Distribution Channel		
Individual insurance agent channel	2,400	1,807
Bancassurance channel	116	344
Group insurance channel	(45)	(61)
Total	2,472	2,091

Note 1: Numbers may not be additive due to rounding.

Note 2: Value of First Half Year's New Business as at 30 June 2013 is recalculated using assumptions as at 31 December 2013.

Note 3: The first year premiums used to calculate the Value of First Half Year's New Business as at 30 June 2014 and 30 June 2013 were RMB29,100 million and RMB19,500 million respectively.

Note 4: The impact of major reinsurance contracts have been reflected in Value of First Half Year's New Business.

Note 5: Value of First Half Year's New Business of the service and business development channel is included in the individual insurance agent channel. Value of First Half Year's New Business of the wealth management channel is included in the bancassurance channel.

SECTION 8 – EMBEDDED VALUE

5. ANALYSIS OF CHANGE

The analysis of change in Embedded Value from 31 December 2013 to 30 June 2014, calculated at a risk discount rate of 11.5%, is shown below:

Unit: RMB in millions

Analysis of Change in EV from 31 December 2013 to 30 June 2014 at a Risk Discount Rate of 11.5%

1.	EV at the beginning of period	64,407
2.	Impact of Value of New Business	2,472
3.	Expected Return	3,166
4.	Operating Experience Variances	(434)
5.	Economic Experience Variances	3,678
6.	Operating Assumption Changes	–
7.	Economic Assumption Changes	–
8.	Capital Injection/Shareholder Dividend Payment	(468)
9.	Others	292
10.	Value Change other than Life Insurance Business	28
11.	EV at the end of period	73,141

Note: Numbers may not be additive due to rounding.

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

2. Value of New Business as measured 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.

6. SENSITIVITY TESTS

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

Unit: RMB in millions

VIF and Value of One Year's New Business Sensitivity Results as at 30 June 2014		
Scenarios	VIF after CoC	VNB after CoC
Base Scenario	39,588	4,620
Risk Discount Rate at 12%	37,528	4,274
Risk Discount Rate at 11%	41,787	4,992
Investment Return 0.5% higher	46,328	5,613
Investment Return 0.5% lower	32,830	3,622
Expenses 10% higher (110% of Base)	38,400	4,030
Expenses 10% lower (90% of Base)	40,775	5,209
Discontinuance Rates 10% higher (110% of Base)	39,066	4,339
Discontinuance Rates 10% lower (90% of Base)	40,114	4,903
Mortality 10% higher (110% of Base)	39,404	4,595
Mortality 10% lower (90% of Base)	39,772	4,644
Morbidity and Loss Ratio 10% higher (110% of Base)	38,589	4,406
Morbidity and Loss Ratio 10% lower (90% of Base)	40,590	4,834
Profit Sharing between Participating Policyholders and Shareholders is assumed to be 75%/25% instead of 70%/30%	34,778	4,342
Statutory Minimum Solvency Margin 50% higher (150% of Base)	38,215	3,990
Taxable Income Based on China Accounting Standards	37,051	4,055

SECTION 9 APPENDIX

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERNATIONAL AUDITOR'S INDEPENDENT REVIEW REPORT

To the Board of Directors of New China Life Insurance Company Ltd.

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

Introduction

We have reviewed the interim condensed consolidated financial statements, set out on pages 60 to 118, which comprise 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 2014 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

(All amounts in RMB million unless otherwise stated)

	<i>Notes</i>	As at 30 June 2014 Unaudited	As at 31 December 2013
ASSETS			
Property, plant and equipment		4,778	4,471
Investment properties		1,626	1,594
Intangible assets		1,496	1,512
Investments in associates	7	10,148	9,404
Financial assets			
Debt securities		335,605	305,558
– Held-to-maturity	8(1)	176,667	183,008
– Available-for-sale	8(2)	113,231	96,449
– At fair value through profit or loss	8(3)	6,920	1,700
– Loans and receivables	8(4)	38,787	24,401
Equity securities		32,155	32,185
– Available-for-sale	8(2)	31,285	31,446
– At fair value through profit or loss	8(3)	870	739
Term deposits	8(5)	162,173	163,137
Statutory deposits		716	716
Policy loans		12,468	8,841
Financial assets purchased under agreements to resell		306	1,336
Accrued investment income		9,691	9,849
Premiums receivable		2,593	1,581
Deferred tax assets	19	795	1,040
Reinsurance assets		2,950	2,954
Other assets		3,004	3,101
Cash and cash equivalents		31,500	18,570
Total assets		612,004	565,849

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

(All amounts in RMB million unless otherwise stated)

	<i>Notes</i>	As at 30 June 2014 Unaudited	As at 31 December 2013
LIABILITIES AND EQUITY			
Liabilities			
Insurance contracts			
Long-term insurance contracts liabilities	9	464,901	425,394
Short-term insurance contracts liabilities			
– Outstanding claims liabilities	9	482	520
– Unearned premiums liabilities	9	1,153	967
Financial liabilities			
Investment contracts	10	27,302	25,933
Borrowings	11	15,000	15,000
Financial assets sold under agreements to repurchase	12	52,117	52,211
Benefits, claims and surrenders payable		1,125	959
Premiums received in advance		296	432
Reinsurance liabilities		97	54
Provisions	13	459	458
Other liabilities		5,624	4,584
Current income tax liabilities		152	19
Total liabilities		568,708	526,531
Shareholders' equity			
Share capital	14	3,120	3,120
Reserves	15	26,602	25,903
Retained earnings		13,569	10,289
Total shareholders' equity		43,291	39,312
Non-controlling interests		5	6
Total equity		43,296	39,318
Total liabilities and equity		612,004	565,849

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

	Notes	For the six months ended 30 June	
		2014 Unaudited	2013 Unaudited
REVENUES			
Gross written premiums and policy fees	16	66,927	51,628
Less: premiums ceded out		(213)	(161)
Net written premiums and policy fees		66,714	51,467
Net change in unearned premiums liabilities		(195)	(242)
Net premiums earned and policy fees		66,519	51,225
Investment income	17	13,506	10,631
Other income		179	87
Total revenues		80,204	61,943
BENEFITS, CLAIMS AND EXPENSES			
Insurance benefits and claims			
Claims and net change in outstanding claims liabilities		(508)	(554)
Life insurance death and other benefits		(26,421)	(17,458)
Increase in long-term insurance contracts liabilities		(38,226)	(31,959)
Investment contracts benefits		(510)	(344)
Commission and brokerage expenses		(4,140)	(3,257)
Administrative expenses	18	(5,181)	(4,492)
Other expenses		(92)	(335)
Total benefits, claims and expenses		(75,078)	(58,399)
Share of results of associates		269	(12)
Finance cost		(872)	(1,036)
Net profit before income tax		4,523	2,496
Income tax	19	(774)	(308)
Net profit for the period		3,749	2,188
Net profit for the period attributable to:			
– Shareholders of the Company		3,748	2,187
– Non-controlling interests		1	1
Earnings per share (RMB)			
Basic and diluted	20	1.20	0.70

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2014 Unaudited	2013 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	1,955	(528)
Losses/(gains) transferred to profit or loss from other comprehensive income	(522)	(1,214)
Impairment transferred to profit or loss from other comprehensive income	754	928
Changes in liabilities for insurance and investment contracts arising from net unrealized (gains)/losses	(1,266)	315
Currency translation differences	1	–
Share of other comprehensive income of associates under the equity method	5	–
Income tax relating to components of other comprehensive income	(230)	124
Total other comprehensive income/(losses)	697	(375)
Total comprehensive income	4,446	1,813
Total comprehensive income for the period attributable to:		
– Shareholders of the Company	4,445	1,812
– Non-controlling interests	1	1

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June 2013 (Unaudited)					
	Attributable to shareholders of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling Interests	Total Equity
As at 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 at 30 June 2013	3,120	25,592	8,970	37,682	9	37,691

	For the six months ended 30 June 2014 (Unaudited)					
	Attributable to shareholders of the Company					
	Share capital	Reserves	Retained earnings	Total	Non-controlling Interests	Total Equity
As at 1 January 2014	3,120	25,903	10,289	39,312	6	39,318
Net profit for the period	-	-	3,748	3,748	1	3,749
Other comprehensive income	-	697	-	697	-	697
Total comprehensive income	-	697	3,748	4,445	1	4,446
Effect on capital injection to subsidiary	-	2	-	2	(2)	-
Dividends paid	-	-	(468)	(468)	-	(468)
Total transactions with owners	-	-	(468)	(468)	-	(468)
As at 30 June 2014	3,120	26,602	13,569	43,291	5	43,296

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

	For the six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Operating Activities		
Cash generated from operating activities	30,723	31,771
Tax paid	(1,497)	(715)
Net cash inflow from operating activities	29,226	31,056
Investing Activities		
Cash paid for investing activities	(30,288)	(40,880)
Proceeds from disposal of property and equipment, intangible assets and other assets	2	5
Purchases of property and equipment, intangible assets and other assets	(520)	(162)
Interest received	13,154	10,049
Dividends received	457	550
Financial assets purchased under agreements to resell, net	1,064	(468)
Net cash outflow from investing activities	(16,131)	(30,906)
Financing Activities		
Dividends paid	(4)	–
Financial assets sold under agreements to repurchase, net	(207)	(3,747)
Net cash outflow from financing activities	(211)	(3,747)
Effects of exchange rate changes on cash and cash equivalents	46	(60)
Cash and cash equivalents at beginning of period	18,570	25,066
Cash and cash equivalents at end of period	31,500	21,409
Analysis of balances of cash and cash equivalents		
Cash at banks and in hand	26,204	20,739
Short-term bank deposits	5,296	670
Cash and cash equivalents at end of period	31,500	21,409

The notes on pages 66 to 118 form an integral part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

1 BACKGROUND AND PRINCIPAL ACTIVITIES

New China Life Insurance Company Ltd. (the "Company") was established 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 A shares in the Shanghai Stock Exchange and 358,420,000 H shares 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 business scope of the Company is: life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; insurance consulting; and engaging in capital operations in accordance with relevant regulations. There has not been any major change of business scope of the Company during the reporting period.

As at 30 June 2014, the Company has equity interests in subsidiaries as detailed in Note 26. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

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

The unaudited interim condensed consolidated financial statements have been approved for issue by Board of Directors on 26 August 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(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 2014 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 2013, 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 2013, as described in those annual financial statements.

New accounting standards, amendments and interpretation

(a) New accounting standards, amendments and interpretation adopted by the Group

The following new accounting standards, amendments and interpretation are mandatory for the first time for the financial year beginning 1 January 2014.

Standards/Amendments/ interpretation	Content	Effective for annual period beginning on or after
IAS 32 Amendment	<i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
IAS 36 Amendment	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
IAS 39 Amendment	<i>Novation of Derivatives and Continuing of Hedge Accounting</i>	1 January 2014
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	<i>Investment Entities</i>	1 January 2014
IFRIC 21	<i>Levies</i>	1 January 2014

IAS 32 Amendment – *Offsetting Financial Assets and Financial Liabilities*

The amendment to IAS 32 clarifies the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendment has no significant impact on the Group’s consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

New accounting standards, amendments and interpretation (Continued)

(a) *New accounting standards, amendments and interpretation adopted by the Group (Continued)*

IAS 36 Amendment – Recoverable Amount Disclosures for Non-Financial Assets

The amendment to IAS 36 removes the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, the amendment requires disclosure of the recoverable amounts for the assets or each cash-generating unit for which impairment loss has been recognised or reversed during the period, and expands the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendment has no significant impact on the Group's consolidated financial statements.

IAS 39 Amendment – Novation of Derivatives and Continuing of Hedge Accounting

The amendment to IAS 39 provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment has no significant impact on the Group's consolidated financial statements, since the Group has not applied hedge accounting during the current period.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments – Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statement*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendment has no significant impact on the Group's consolidated financial statements.

IFRIC 21 – Levies

This amendment is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that on liability is recognised before the specific minimum threshold is reached. The amendment has no material impact on the Group's consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

New accounting standards, amendments and interpretation (Continued)

(b) *New accounting standards and amendments issued but are not effective for the financial year beginning 1 January 2014*

Standards/Amendments	Content	Effective for annual period beginning on or after
IAS 19 Amendment	<i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	<i>Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38</i>	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	<i>Amendments to IFRS 1, IFRS 3, IFRS 13, and IAS 40</i>	1 July 2014
IFRS 14	<i>Regulatory Deferral Accounts</i>	1 January 2016
IFRS 11 Amendment and IFRS 1 Amendment	<i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
IAS 16 Amendment and IAS 38 Amendment	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2017
IFRS 9	<i>Financial Instruments</i>	1 January 2018
IAS 27 Amendments	<i>Equity Method in Separate Financial Statements</i>	1 January 2016

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

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 risk margins. Assumptions about mortality rates, morbidity rates, lapse rates, discount rate, policy dividend 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, policy dividend 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 9.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(2) Financial assets and financial liabilities

The Group's principal investments are debt securities, equity securities and term deposits. 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, modified price or cash flow ratio reflecting the specific circumstances of the issuer.
- Term deposits, statutory deposits, financial assets purchased under agreements to resell, financial assets sold under agreements to repurchase, policy loans, etc.: Carrying amounts approximate fair values. Their fair value hierarchy is Level 3.
- 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 financial assets: The fair value of other financial assets, including investment clearing account and litigation deposit, approximates their 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 13). Provisions have been made on those claims when losses are probable and can be reasonably estimated taking into consideration of legal advice. No provision has been made for events whose outcome cannot be reasonably estimated or contingencies that are unlikely to happen. Because contingency events develop over time, provisions recognized currently may be significantly different from final settlement amounts actually paid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

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 based on 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 (the “Off-balance Sheet Accounts”) and used for unauthorized lending. 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 partially settle the amounts owed to the Company. In addition, in March 2011, the Company received approximately RMB354 million from New Industry Investment Co., Ltd. (the “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 shares of China Minzu Securities Co., Ltd. (the “Minzu Securities”) of RMB170 million, 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 interest. On 9 November 2012, the Shenzhen Municipal Court accepted the conclusion of the arbitration and adjudicated that the Company has to repay Orient Group the principal of RMB170 million plus interest. Accordingly, the Company signed a tripartite agreement with New Industry and Orient Group at the end of 2012. According to the agreement, New Industry paid interest of RMB112 million to the Company in 2013, and agreed to repay the principal of RMB170 million plus further accrued interest due to the Company by January 2015. New Industry has pledged its shares in Minzu Securities as collateral. According to the same agreement, the Company paid Orient Group the principal of RMB170 million plus interest of RMB112 million 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(4) Former Chairman Irregularities (Continued)

To settle fund transactions and clarify the debtor-creditor relationship between the Company and Beijing Tianhuan Real Estate Development Co., Ltd. (the "Tianhuan Real Estate") during the term of office of the Former Chairman, the Company filed a lawsuit with Chongqing Municipal Higher People's Court against Tianhuan Real Estate and New China Trust Co., Ltd. (the "New China Trust") on 18 March 2013. On 25 December 2013, Chongqing Municipal Higher People's Court ruled that Tianhuan Real Estate should repay the principal of RMB575 million and the interest of its debts owed by the Company and New China Trust was not responsible for the repayment. During the reporting period, Tianhuan Real Estate refused to accept the first-instance ruling and has appealed to the Supreme People's Court.

On 13 May 2014, the Supreme People's court rejected Tianhuan Real Estate's appeal and upheld verdict. On 8 July 2014, Chongqing Municipal Higher People's Court issued final order to Tianhuan Real Estate. Up to the date when this unaudited interim condensed consolidated financial statements is approved for issue by Board of Directors, the Company has not collected any amount from Tianhuan Real Estate in this respect.

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 2014.

(5) Taxation

The Group pays business tax, corporate 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

4 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, policy dividend and expenses assumption.

These assumptions are determined by the Group on basis of information obtained at balance sheet date. The Group resets these assumptions, when necessary, based on current information available at the balance sheet date. For the six months ended 30 June 2014, changes in assumption are impact of change in discount rate. 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 2014, long-term insurance contract liabilities decreased by RMB454 million, and net profit before income tax increased by RMB454 million due to the change in accounting estimates.

The above change in accounting estimates has been approved by Board of Directors of the Company on 26 August 2014.

5 RISK MANAGEMENT

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 2013. There have been no changes in the Group's risk management process or in relevant risk management policies since 31 December 2013.

(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 types 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(1) Insurance risk (Continued)

(a) Types of insurance risk (Continued)

The Group offers long term life insurance, critical illness insurance, annuity, short term accident and 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, such as the 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 and 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. 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 bonds, arranging reinsurance, improving the performance of branches, optimizing business structure, and establishing competitive cost structure.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(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, financial department and actuarial 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.

(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 capital markets of Mainland China. 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 arises from the volatility of fair values or future cash flows of financial instruments resulting from changes in foreign currency exchange rates. The Group operates principally in Mainland China with limited exposure to foreign exchange rate risk arising primarily with respect to financial assets denominated in United States dollar or Hong Kong dollar.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(2) Financial risk (Continued)

(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 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, trust products, asset funding plans, asset management plans and debt investment plans. In term of credit risk, the Group mainly uses credit concentration as monitoring Measure in order to ensure the whole credit risk exposure manageable.

In response to counterparties' credit risk, the Company mainly took the following measures: (1) Internal rating system was strictly implemented, and credit investment varieties were strictly controlled. (2) Accounting classification of investment varieties were clearly defined in the investment guidelines and risky assets were avoided into the classification of held-to-maturity. (3) The bond market value was monitored, and the possible credit defaults were analysed and evaluated in order to enhance the predictability. In term of counterparties, the majority of Group's counterparties are state policy-related banks, state-owned bank, other national commercial banks or state-owned asset management companies. 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.

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 majority of debt investment plans and trust products and asset management plans are guaranteed by third parties, or use the budgeted financial income of central government as the source of funding for repayment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(2) Financial risk (Continued)

(b) Credit risk (Continued)

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, subordinated bonds, trust products, asset funding plans, asset management plans and debt investment plans. The credit rating of bond/debt is assessed by qualified rating agencies in the PRC at the time of their issuance. Most of the Group's bank deposits are with the four largest state-owned commercial banks and other national commercial banks in the PRC. The majority of the Group's reinsurance agreements are with state-owned reinsurance companies or large international reinsurance companies. The Group believes these commercial banks and reinsurance companies have high credit quality. The trustees of trust products or the asset managers of assets funding plans, asset management plans and debt investment plans are well-known trust companies and asset management companies in the PRC.

(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.

(d) **Risks relating to investments in trust products, debt investment plans, equity investment plans, asset funding plans and asset management plans**

The Group's investments in trust products, debt investment plans, equity investment plans, asset funding plans and asset management plans are subject to the terms and conditions of the respective offering documentation. The investment manager makes investment decisions after extensive due diligence of those underlying trust products, debt investment plans, equity investment plans, asset funding plans and asset management plans, their strategies and the overall quality of the underlying assets' managers. The Group continuously monitors the overall quality of those trust products, debt investment plans, equity investment plans, asset funding plans and asset management plans after initial investment, and periodically reviews their extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

The carrying amount of investments in those trust products, debt investment plans, equity investment plans, asset funding plans and asset management plans is the best representation of the Group's maximum exposure to loss from those investments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(3) Capital management

The Company's objectives of 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, and 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 at 30 June 2014 Unaudited	As at 31 December 2013
Actual capital	39,029	34,782
Minimum capital	22,285	20,502
Solvency margin ratio	175.14%	169.66%

According to "Solvency Regulations of Insurance Companies", the solvency margin ratio is computed by dividing the actual capital by the minimum required 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 significant solvency risk would be required to take necessary rectification action even with the solvency margin ratio above 100%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, loans and receivables, term deposits, statutory deposits, policy loans and financial assets purchased under agreements to resell.

The Group's financial liabilities mainly include financial assets sold under agreements to repurchase, borrowings and investment contracts.

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 values 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, 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 receive 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.

Level 3 fair value is based on the Group's valuation models, such as discounted cash flows. The Group also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary for factors such as extension, early redemption, liquidity, default risk and changes in market, economic or company specific conditions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities measured at fair value:

	As at 30 June 2014 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
– Equity securities	27,617	3,545	123	31,285
– Debt securities	1,185	62,564	49,482	113,231
At fair value through profit or loss				
Held for trading				
– Equity securities	726	15	–	741
– Debt securities	424	3,908	–	4,332
Designation as at fair value through profit or loss				
– Preferred stock	–	129	–	129
– Asset management plans	–	–	2,588	2,588
Total	29,952	70,161	52,193	152,306
Liabilities				
Unit-linked contracts	–	226	–	226
Total	–	226	–	226

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

	As at 31 December 2013			Total
	Level 1	Level 2	Level 3	
Assets				
Available-for-sale securities				
– Equity securities	29,183	2,263	–	31,446
– Debt securities	3,574	57,135	35,740	96,449
At fair value through profit or loss				
Held for trading				
– Equity securities	605	7	–	612
– Debt securities	946	754	–	1,700
Designation as at fair value through profit or loss				
– Preferred stock	–	127	–	127
Total	34,308	60,286	35,740	130,334
Liabilities				
Unit-linked contracts	–	232	–	232
Total	–	232	–	232

The Group recognized the transfers between each level at the time when transfers occurred.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The following table presents the transfers between Level 1 and Level 2 for the six months ended 30 June 2014 and for the year ended 31 December 2013:

For the six months ended 30 June 2014 (Unaudited)	Level 1	Level 2
Available-for-sale securities		
Equity securities		
– Transfer in	402	696
– Transfer out	(696)	(402)
Debt securities		
– Transfer in	1,003	3,036
– Transfer out	(3,036)	(1,003)
Securities at fair value through profit or loss		
Held for trading		
Equity securities		
– Transfer in	–	14
– Transfer out	(14)	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

For the year ended 31 December 2013	Level 1	Level 2
Available-for-sale securities		
Equity securities		
– Transfer in	64	77
– Transfer out	(77)	(64)
Debt securities		
– Transfer in	1,853	465
– Transfer out	(465)	(1,853)
Securities at fair value through profit or loss		
Held for trading		
Equity securities		
– Transfer in	–	6
– Transfer out	(6)	–

The above transfers are mainly caused by changes of market conditions that affect 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 2014 and for the year ended in 31 December 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(a) Assets and liabilities measured at fair value (Continued)

The changes in Level 3 financial assets are analysed below:

	Available for sale			At fair value through profit or loss	Total
	Debt securities	Equity securities	Subtotal	Designation as at fair value through profit or loss	
1 January 2013	583	–	583	–	583
Purchase	66,184	–	66,184	–	66,184
Maturity	(31,027)	–	(31,027)	–	(31,027)
31 December 2013	35,740	–	35,740	–	35,740
1 January 2014	35,740	–	35,740	–	35,740
Purchase	31,012	123	31,135	2,588	33,723
Maturity	(17,262)	–	(17,262)	–	(17,262)
Total losses recorded in other comprehensive income	(8)	–	(8)	–	(8)
30 June 2014 (Unaudited)	49,482	123	49,605	2,588	52,193

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(b) Assets and liabilities for which disclosed at fair value

The Group's financial assets and liabilities disclosed but not measured at fair value include term deposits, statutory deposits, policy loans, cash and cash equivalents, financial assets purchased under agreements to resell, held-to-maturity financial assets, loans and receivables, securities sold under agreements to repurchase, investment contracts and borrowings.

Carrying amounts of financial assets and liabilities not measured at fair value approximates their fair values, except for held-to-maturity financial assets and borrowings.

	As at 30 June 2014 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	5,790	164,557	–	170,347
Loans and receivables	–	12	38,775	38,787
Total	5,790	164,569	38,775	209,134
Liabilities				
Borrowings	–	(14,941)	–	(14,941)
Total	–	(14,941)	–	(14,941)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

5 RISK MANAGEMENT (CONTINUED)

(4) Fair value hierarchy (Continued)

(b) Assets and liabilities for which disclosed at fair value (Continued)

	As at 31 December 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Held-to-maturity	15,119	151,610	–	166,729
Loans and receivables	–	11	24,390	24,401
Total	15,119	151,621	24,390	191,130
Liabilities				
Borrowings	–	(14,386)	–	(14,386)
Total	–	(14,386)	–	(14,386)

The Group has not disclosed fair values for certain investment contract liabilities with discretionary participation features ("DPF") because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION

The Group's operating segments for the six months ended 30 June 2014 are the same with the segments of the Group for the six months ended 30 June 2013 and the year ended 31 December 2013.

	For the six months ended 30 June 2014 (Unaudited)				Total
	Insurance		Others	Elimination	
	Individual	Group			
Revenues					
Gross written premiums and policy fees	65,993	934	-	-	66,927
Less: premiums ceded out	(123)	(90)	-	-	(213)
Net written premiums and policy fees	65,870	844	-	-	66,714
Net change in unearned premiums liabilities	(54)	(141)	-	-	(195)
Net premiums earned and policy fees	65,816	703	-	-	66,519
Investment income	13,245	231	30	-	13,506
Other income	91	7	230	(149)	179
Including: inter-segment revenue	2	-	147	(149)	-
Total revenues	79,152	941	260	(149)	80,204
Benefits, claims and expenses					
Insurance benefits and claims					
Claims and net change in outstanding claims liabilities	(231)	(277)	-	-	(508)
Life insurance death and other benefits	(26,355)	(66)	-	-	(26,421)
Increase in long-term insurance contracts liabilities	(38,156)	(70)	-	-	(38,226)
Investment contracts benefits	(486)	(24)	-	-	(510)
Commission and brokerage expenses	(3,976)	(164)	-	-	(4,140)
Including: inter-segment expenses	-	-	-	-	-
Administrative expenses	(4,703)	(459)	(168)	149	(5,181)
Including: inter-segment expenses	(134)	(13)	(2)	149	-
Other expenses	6	(25)	(73)	-	(92)
Total benefits, claims and expenses	(73,901)	(1,085)	(241)	149	(75,078)
Share of results of associates	273	5	(9)	-	269
Finance cost	(831)	(41)	-	-	(872)
Net profit before income tax	4,693	(180)	10	-	4,523
Income tax	-	-	(774)	-	(774)
Net profit for the period	4,693	(180)	(764)	-	3,749
Other segment information:					
Depreciation and amortization	174	17	6	-	197
Interest income	12,856	220	20	-	13,096
Impairment	(746)	(8)	-	-	(754)
Share of profit of associates under equity method	273	5	(9)	-	269

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

	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)
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	(918)	(10)	–	–	(928)
Share of profit of associates under equity method	–	–	(12)	–	(12)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities as at 30 June 2014 and 31 December 2013:

Unaudited	As at 30 June 2014				Total
	Insurance		Others	Elimination	
	Individual	Group			
Segment assets	592,623	6,601	12,802	(22)	612,004
Segment liabilities	543,779	6,244	18,707	(22)	568,708

	As at 31 December 2013				Total
	Insurance		Others	Elimination	
	Individual	Group			
Segment assets	544,376	6,434	15,060	(21)	565,849
Segment liabilities	502,451	6,047	18,054	(21)	526,531

7 INVESTMENTS IN ASSOCIATES

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

	As at 30 June 2014 Unaudited	As at 31 December 2013
Associates – no quoted market price available		
Petro China Oil Pipeline Project Entity	8,787	8,523
Beijing Zijin Century Real Estate Co., Ltd. ("Zijin Century")(i)	765	767
Minshengtonghui-Alibaba No.1 Asset Funding Plan	103	100
Minshengtonghui-Alibaba No.2 Asset Funding Plan	481	–
Beijing MJ Health Screening Center Co., Ltd. ("MJ Health")	12	14
Total	10,148	9,404

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS

(1) Held-to-maturity securities

	As at 30 June 2014 Unaudited	As at 31 December 2013
Debt securities		
Government bonds	46,040	46,063
Financial bonds	26,768	26,779
Corporate bonds	44,718	51,025
Subordinated bonds	59,141	59,141
Total	176,667	183,008
Debt securities		
Listed	25,150	33,395
Unlisted	151,517	149,613
Total	176,667	183,008

The unlisted debt securities refer to debt securities not traded on stock exchanges and include both debt securities traded in the interbank market 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 at 30 June 2014 Unaudited	As at 31 December 2013
Within 1 year (including 1 year)	1,752	8,868
After 1 year but within 3 years (including 3 years)	3,917	3,909
After 3 years but within 5 years (including 5 years)	18,186	19,077
After 5 years	152,812	151,154
Total	176,667	183,008

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (CONTINUED)

(2) Available-for-sale securities

	As at 30 June 2014 Unaudited	As at 31 December 2013
Debt securities		
Government bonds	87	1,111
Financial bonds	6,439	8,191
Corporate bonds	37,027	31,732
Subordinated bonds	20,196	19,675
Trust products	48,971	25,641
Wealth investment products	431	10,019
Asset management plans	80	80
Subtotal	113,231	96,449
Equity securities		
Funds	10,721	12,688
Stock	18,839	18,758
Asset management plans	1,602	–
Private equity	123	–
Subtotal	31,285	31,446
Total	144,516	127,895
Debt securities		
Listed	8,338	8,482
Unlisted	104,893	87,967
Subtotal	113,231	96,449
Equity securities		
Listed	20,135	20,747
Unlisted	11,150	10,699
Subtotal	31,285	31,446
Total	144,516	127,895

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

8 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 at 30 June 2014 Unaudited	As at 31 December 2013
Within 1 year (including 1 year)	24,162	18,271
After 1 year but within 3 years (including 3 years)	29,070	25,214
After 3 years but within 5 years (including 5 years)	21,284	13,791
After 5 years	38,715	39,173
Total	113,231	96,449

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (CONTINUED)

(3) Securities at fair value through profit or loss

	As at 30 June 2014 Unaudited	As at 31 December 2013
Held for trading		
Debt securities		
Financial bonds	47	301
Corporate bonds	3,894	1,015
Subordinated bonds	391	384
Debt securities subtotal	4,332	1,700
Equity securities		
Funds	504	379
Stocks	237	233
Equity securities subtotal	741	612
Subtotal	5,073	2,312
Designation as at fair value through profit or loss		
Preferred stock	129	127
Asset management plans	2,588	-
Subtotal	2,717	127
Total	7,790	2,439
Debt securities		
Listed	566	946
Unlisted	6,354	754
Subtotal	6,920	1,700
Equity securities		
Listed	324	391
Unlisted	546	348
Subtotal	870	739
Total	7,790	2,439

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (CONTINUED)

(4) Loans and receivables

	As at 30 June 2014 Unaudited	As at 31 December 2013
Government bonds	12	11
Asset funding plans (i)	20,000	20,000
Debt investment plans (ii)	18,265	4,380
Others	510	10
Total	38,787	24,401

- (i) Asset funding plans represent New China Life – Orient No.1 Asset Funding Plan (“Orient No.1 Funding Plan”) and New China Life – Huarong No.1 Asset Funding Plan (“Huarong No.1 Funding Plan”).

Under the Orient No.1 Funding Plan, China Orient Asset Management Co. (“Orient Asset”) should repay the principal and interest when due in 10 years. Orient Asset has the right to redeem the debts at the end of the 7th year. The title documents of certain assets owned by Orient Asset, 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.

Under the Huarong No.1 Funding Plan, China Huarong Asset Management Co. (“Huarong Asset”) should repay the principal and interest when due in 7 years. Huarong Asset has the right to redeem the debts at the end of the 5th year. The title documents of certain assets owned by Huarong Asset, which were verified by the plan manager of the funding plan, are co-managed by Huarong Asset, Huarong International Trust Co. and the plan manager. This co-management serves as a credit enhancement for the funding plan.

- (ii) Debt investment plan mainly consists of infrastructure funding projects. All debt investment plans are fixed-term projects with a period usually between 3 years to 10 years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

8 FINANCIAL ASSETS (CONTINUED)

(5) Term deposits

The due dates of the term deposits are as follows:

Maturity	As at 30 June 2014 Unaudited	As at 31 December 2013
Within 1 year (including 1 year)	21,742	8,046
After 1 year but within 3 years (including 3 years)	121,603	108,063
After 3 years but within 5 years (including 5 years)	18,828	47,028
Total	162,173	163,137

The Group did not hold any structured deposits as at 30 June 2014 and 31 December 2013.

9 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 assumption reflects the future economic outlook as well as the Group's investment strategy. The expected discount rate assumption is as follows:

Discount rate assumption	
30 June 2014 (Unaudited)	4.75%-5.23%
31 December 2013	4.75%-5.23%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) Process used to determine assumptions (Continued)

(a) Discount rate assumption (Continued)

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 the “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 2014 (Unaudited)	3.73%-6.18%
31 December 2013	3.67%-5.94%

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.

(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 the insured and types of contracts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(1) Process used to determine assumptions (Continued)

(c) Expense assumption

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

	Individual life insurance		Group life insurance	
	RMB per Policy	% of Premium	RMB per Insured	% of Premium
30 June 2014 (Unaudited)	70-95	0.83%-1.03%	30	0.38%
31 December 2013	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 accounts, 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.

(e) Lapse rate and other assumptions

The lapse rate 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

9 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(2) Net liabilities of insurance contracts

	As at 30 June 2014 Unaudited	As at 31 December 2013
Gross		
Long-term insurance contracts liabilities	464,901	425,394
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	482	520
– Unearned premiums liabilities	1,153	967
Total, gross	466,536	426,881
Recoverable from reinsurers		
Long-term insurance contracts	(2,784)	(2,760)
Short-term insurance contracts		
– Outstanding claims liabilities	(25)	(23)
– Unearned premiums liabilities	(70)	(79)
Total, ceded	(2,879)	(2,862)
Net		
Long-term insurance contracts liabilities	462,117	422,634
Short-term insurance contracts liabilities		
– Outstanding claims liabilities	457	497
– Unearned premiums liabilities	1,083	888
Total, net	463,657	424,019

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

10 LIABILITIES OF INVESTMENT CONTRACTS

	As at 30 June 2014 Unaudited	As at 31 December 2013
Non-unit-linked contracts	27,076	25,701
Unit-linked contracts	226	232
Total liabilities of investment contracts	27,302	25,933

11 BORROWINGS

Upon the approval of the CIRC in September 2011, the Company completed an offering of 10-year subordinated bond 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 or partly 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 bond in an aggregated principal amount of RMB10,000 million 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 interest of the subordinated bond is subordinated to policy liabilities and other liabilities but prior to the Company's equity capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

12 FINANCIAL ASSETS SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 30 June 2014 Unaudited	As at 31 December 2013
By market		
Inter-bank market	37,874	37,597
Stock exchange	14,243	14,614
Total	52,117	52,211
By collateral		
Bond	52,117	52,211
Total	52,117	52,211

Maturity:

	As at 30 June 2014 Unaudited	As at 31 December 2013
Within 3 months (including 3 months)	52,117	52,211

- (1) As at 30 June 2014, bonds with a par value of RMB42,156 million (31 December 2013: RMB42,950 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 transactions.
- (2) For debt repurchase transactions through exchange, the Group is required to deposit certain exchange-traded bonds into a collateral pool and the fair values converted at a standard rate pursuant to stock exchange's regulation should be no less than the balances of the related repurchase transactions.

As at 30 June 2014, the amount of securities deposited in the collateral pool was RMB32,236 million (31 December 2013: RMB39,467 million). The collateral is restricted during the period of the repurchase transaction. The Group can withdraw the exchange-traded bonds from the collateral pool in a short period of time under the condition that the value of such bonds is no less than the balance of the related repurchase transactions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

13 PROVISIONS

	Lawsuits and disputes	Others	Total
As at 1 January 2014	458	–	458
Increase	–	1	1
Decrease	–	–	–
As at 30 June 2014 (Unaudited)	458	1	459

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 for those lawsuits and disputes depend on the outcome of the final investigation, judgement and settlement amount, thus they may differ from the current provision.

14 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 at 30 June 2014 Unaudited	As at 31 December 2013
Number of shares registered, issued and fully paid at RMB1 per share (million)	3,120	3,120

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

15 RESERVES

	As at 30 June 2014 Unaudited	As at 31 December 2013
Share premium	23,962	23,962
Other capital surplus		
Fair value change on available-for-sale securities	(1,014)	(3,201)
Liabilities of insurance and investment contracts relating to available-for-sale securities	573	1,839
Income tax relating to available-for-sale securities	110	340
Changes of other comprehensive income of associates under equity method	5	–
Effect on capital injection to subsidiary	2	–
Currency translation differences	–	(1)
Others	48	48
Surplus reserve	1,458	1,458
Reserve for general risk	1,458	1,458
Total	26,602	25,903

16 GROSS WRITTEN PREMIUMS AND POLICY FEES

	For the six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Gross written premiums		
– Long-term insurance contracts	65,305	49,867
– Short-term insurance contracts	1,512	1,477
Subtotal	66,817	51,344
Policy fees		
– Investment contracts	110	284
Gross written premiums and policy fees	66,927	51,628

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

17 INVESTMENT INCOME

	For the six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Interest income from bank deposits	4,409	4,498
Held-to-maturity securities		
– Interest income	4,189	4,109
Available-for-sale securities		
– Interest income	3,051	1,471
– Dividend income	538	580
– Net realized gains	522	1,214
– Impairment losses on equity securities	(754)	(928)
Interest income from loans and receivables	958	202
Interest income from policy loans	317	143
Securities at fair value through profit or loss		
– Interest income	145	32
– Fair value gains/(losses)	121	(573)
– Dividend income	12	65
– Net realised losses	(29)	(189)
Interest income from financial assets purchased under agreements to resell	27	4
Others	–	3
Total	13,506	10,631

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

18 ADMINISTRATIVE EXPENSES

	For the six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Employee benefit expenses (including directors' emoluments)	3,591	3,035
Operating lease expense	331	326
Travel and conference fees	202	183
Entertainment expense	201	174
Depreciation and amortization	197	164
Insurance guarantee fund	111	100
Office miscellaneous expense	107	111
Promotional printing cost	69	72
Advertising fees	59	58
Postal fees	51	51
Supervision fees	41	36
Vehicle usage fees	31	29
Electronic equipment operating costs	23	17
Auditors' remuneration	5	8
Others	162	128
Total	5,181	4,492

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

19 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 Mainland China 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	
	2014 Unaudited	2013 Unaudited
Current tax	759	227
Deferred tax	15	81
Total income tax	774	308

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

	For the six months ended 30 June	
	2014 Unaudited	2013 Unaudited
Profit before income tax	4,523	2,496
Tax computed at the statutory tax rate	1,131	624
Non-taxable income (i)	(392)	(347)
Expenses not deductible for tax purpose (i)	25	24
Effect on unrealized deferred tax assets arising from deductible losses and deductible temporary differences	11	7
Effect on different tax rate used by a subsidiary	(1)	–
Income taxes at effective tax rate	774	308

- (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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

19 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 at 1 January 2013	(171)	1,034	863
Charged to net profit	143	(224)	(81)
Charged to other comprehensive income	204	(80)	124
As at 30 June 2013 (Unaudited)	176	730	906
As at 1 January 2014	546	494	1,040
Charged to net profit	(31)	16	(15)
Charged to other comprehensive income	(547)	317	(230)
As at 30 June 2014 (Unaudited)	(32)	827	795

As at 30 June 2014, the Company's management anticipates that the Group would have sufficient taxable profits to utilize deductible losses and deductible temporary differences, deductible losses and unused tax credits in the future, therefore, the Group recognized deferred income tax assets to the extent that it was probable that future taxable profits would be available against which the temporary differences could be utilized.

(4) The deductible losses and deductible temporary differences that are not recognized as deferred tax assets by the Group are as follows:

	As at 30 June 2014 Unaudited	As at 31 December 2013
deductible losses	208	139
deductible temporary differences	475	475
Total	683	614

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

20 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	
	2014 Unaudited	2013 Unaudited
Net profit attributable to shareholders of the Company (RMB in millions)	3,748	2,187
Weighted average number of ordinary shares issued (in millions)	3,120	3,120
Basic earnings per share (RMB)	1.20	0.70

(2) Diluted

The Company has no diluted potential ordinary shares. Diluted earnings per share was the same as basic earnings per share for the six months ended 30 June 2014 (for the six months ended 30 June 2013 (Unaudited): same).

21 DIVIDEND

Pursuant to a resolution passed at shareholders' general meeting on 20 March 2014, a final dividend of RMB0.15 per ordinary share (including tax) totalling RMB468 million was declared.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

22 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
Xinhua Village Health Technology (Beijing) Co., Ltd. ("Health Technology")	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 (Xi'an) 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
New China Life Excellent Health (Yantai) Clinic Co., Ltd. ("Yantai Clinic")	Subsidiary of the Company
New China Life Excellent Qingdao Clinic Co., Ltd. ("Qingdao Clinic")	Subsidiary of the Company
New China Life Excellent Baoji Clinic Co., Ltd. ("Baoji Clinic")	Subsidiary of the Company
New China Life Excellent Chongqing Clinic Co., Ltd. ("Chongqing Clinic")	Subsidiary of the Company
New China Life Excellent (Changsha) Health Management Co., Ltd. ("Changsha Clinic")	Subsidiary of the Company
Chengdu Jinjiang New China Life Excellent Clinic Co., Ltd. ("Chengdu Clinic")	Subsidiary of the Company
Zhengzhou New China Life Excellent Health Management Co., Ltd. ("Zhengzhou Clinic")	Subsidiary of the Company
Hefei Shushan New China Life Excellent Clinic Co., Ltd. ("Hefei Clinic")	Subsidiary of the Company
Hohhot New China Life Excellent Clinic Co., Ltd. ("Hohhot Clinic")	Subsidiary of the Company
New China Electronic Commerce Co., Ltd. ("Electronic Commerce")	Subsidiary of the Company
New China Life Supporting Construction Operation Management Co., Ltd. ("Supporting Operation")	Subsidiary of the Company
Orient No.1 Funding Plan	Structured entity controlled by the Company
Huarong No.1 Funding Plan	Structured entity controlled by 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
Minshengtonghui-Alibaba No.2 Asset Funding Plan	Associate of the Company
Petro China Oil Pipeline Project Entity Investment Plan	Associate of the Company
Central Huijin Investment Ltd. ("Huijin")	Shareholders that has significant influence over the Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Transactions with significant related parties

The table set forth below summarises significant related parties transactions:

	For the six months ended 30 June	
	2014 Unaudited	2013 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 Asset Management (Note 26(i))	465	–
– Investment management fee to New China Asset Management (ii)	146	117
– Rent earned from New China Asset Management (iii)	2	2
– Commission charged to the Company from Yunnan New China (iv)	–	1

(i) Bond interest from the Huijin

Huijin became a shareholder of the Company in 2009 and held 31.34% of the Company's shares directly as at 30 June 2014. Huijin is a state-owned investment company approved by State Council. The function of Huijin is to hold specific equity investments 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 deposits, 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 at 30 June 2014, the carrying value of these bonds was RMB300 million (31 December 2013: RMB300 million). The recognised bond interests for the six months ended 30 June 2014 was RMB6 million (for the six months ended 30 June 2013 (Unaudited): RMB6 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Transactions with significant related parties (Continued)

(ii) *Investment management service agreement*

The Company and New China Asset Management entered into an annual investment management service agreement for entrusted investment in 2014. 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. The Company has the right to deduct fees based on the performance of New China Asset Management or reasons like the violation of the agreement.

(iii) *Office rental contracts*

The Company leases a part of New China Life Building at 12 Jianguomenwai Avenue, Chaoyang District, Beijing to New China Asset Management as its office space. The annual rent is approximately RMB5 million. The accrued rent revenue for the six months ended 30 June 2014 was RMB2 million (for the six months ended 30 June 2013 (Unaudited): RMB2 million).

(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% (2013: 1%) of standard premiums they generated.

The office rent of New China Asset Management is based on the price agreed by transaction parties. The investment management fee to New China Asset Management is calculated being based on the negotiated service charge rate and the scale of investments. Commission charged to the Company from Yunnan New China is calculated being based on the negotiated commission rate and the agency premium.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Balance of related party transactions

Group

	As at 30 June 2014 (Unaudited)	As at 31 December 2013
Balance of related party transactions		
Interest receivables		
Receivable from an investor that has significant influence on the Company		
Huijin	10	4
Payables		
Payable to an investor that has significant influence on the Company		
Huijin (i)	336	330
Dividend Payables		
Huijin (ii)	147	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Balance of related party transactions (Continued)

Company

	As at 30 June 2014 (Unaudited)	As at 31 December 2013
Balance of related party transactions		
Receivables from subsidiaries		
Supporting Operation	35	–
Xinhua Seniors	31	16
Xi'an Clinic	22	22
Wuhan Clinic	20	20
Health Technology	17	14
Chongqing New China	9	9
New China Health	5	5
Yunnan New China	3	3
Electronic Commerce	2	–
New China Asset Management	–	465
Dividends receivable		
New China Asset Management	–	141
Payables to subsidiaries		
New China Asset Management	22	21
Chongqing New China	2	2

(i) Payables to Huijin

Payables to Huijin are due to special dividends for shareholders.

(ii) Dividend payable to Huijin

Dividend payable to Huijin is due to cash dividend for shareholders (Note 21).

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

22 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	
	2014 Unaudited	2013 Unaudited
Payroll and welfare	24	27

(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 life insurance 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 at 30 June 2014 and 2013, most of bank deposits were with state-owned banks; the issuers of debt and equity securities held by the Group were mainly state-owned enterprises; and most investments were entrusted to state-owned enterprises. For the six months ended 30 June 2014 and 2013, 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 agencies; some of the reinsurance agreements of the Group were entered into with a state-owned reinsurance company; and most of bank deposit interest income were from state-owned banks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

23 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 provisions for 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.

24 COMMITMENTS

(1) Capital commitments

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

	As at 30 June 2014 Unaudited	As at 31 December 2013
Contracted but not provided for (i)	2,201	336
Approved but not contracted	15	–

- (i) The capital commitment included the Group's investment in Boao Senior Project amounted RMB1,909 million (Note 25).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

24 COMMITMENTS (CONTINUED)

(2) Operating lease commitments

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

	As at 30 June 2014 Unaudited	As at 31 December 2013
Within 1 year (including 1 year)	370	322
Between 1 and 5 years (including 5 years)	488	360
More than 5 years	151	6
Total	1,009	688

(3) Investment commitments

As at 30 June 2014, the investment commitment, which has been engaged by the Group and has not been recognized in the financial statements, was RMB1,123 million (31 December 2013: RMB920 million).

25 SUBSEQUENT EVENTS

On 16 May 2014, the Company invested in Boao Senior Project by establishing a project company Xinhua Village Seniors Investment Management (Hainan) Co., Ltd. ("Xinhua Seniors (Hainan)") with the registered capital of RMB760 million. On 28 July 2014, the Company injected the initial registered capital of approximately RMB535 million into Xinhua Seniors (Hainan). According to the regulations of the articles of association of Xinhua Seniors (Hainan), the Company should inject the remaining registered capital of approximately RMB225 million by 15 May 2015.

There are no other significant subsequent events that need to be disclosed by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014
(All amounts in RMB million unless otherwise stated)

26 INVESTMENT IN SUBSIDIARIES

The basic information of the Company's subsidiaries at 30 June 2014, all unlisted, is as follow:

	Place of incorporation and operation	Principal activities	Registered/ committed capital	Group's interest %
New China Asset Management (i)	Beijing, China	Asset management	RMB500 million	99.4%
Chongqing New China	Chongqing, China	Insurance agency	RMB5 million	100%
Yunnan New China	Kunming, China	Insurance agency	RMB5 million	100%
Health Technology	Beijing, China	Real estate property development and training	RMB632 million	100%
Xinhua Seniors	Beijing, China	Business management	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 and 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%
Qingdao Clinic	Qingdao, China	Health management	RMB20 million	100%
Yantai Clinic	Yantai, China	Health management	RMB20 million	100%
Baoji Clinic	Baoji, China	Health management	RMB16 million	100%
Chongqing Clinic	Chongqing, China	Health management	RMB22 million	100%
Changsha Clinic	Changsha, China	Health management	RMB22 million	100%
Chengdu Clinic	Chengdu, China	Health management	RMB20 million	100%
Zhengzhou Clinic	Zhengzhou, China	Health management	RMB20 million	100%
Hefei Clinic (ii)	Hefei, China	Health management	RMB20 million	100%
Hohhot Clinic (ii)	Hohhot, China	Health management	RMB20 million	100%
Hong Kong Asset Management	Hong Kong, China	Asset management	RMB40 million	99.64%
Orient No.1 Funding Plan	N/A	Project investment	RMB10,000 million	100%
Huarong No.1 Funding Plan	N/A	Project investment	RMB10,000 million	100%
Electronic Commerce (ii)	Beijing, China	Electronics commerce	RMB100 million	100%
Supporting Operation (ii)	Hefei, China	Real estate property investment and management	RMB8 million	100%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2014

(All amounts in RMB million unless otherwise stated)

26 INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (i) According to the resolution of 11th meeting of the Company's 5th Board of Directors in 2013, the Company injected RMB465 million to New China Asset Management. After the capital injection, New China Asset Management's registered capital increased to RMB500 million. CIRC has approved the increase of registered capital in March 2014.
- (ii) Hefei Clinic, Hohhot Clinic, Electronic Commerce and Supporting Operation were set up in the six months ended 30 June 2014.

On 26 March 2014, the Board of Directors approved the investment in Boao Senior Project by establishing Xinhua Seniors (Hainan) at the 17th meeting of the Company's 5th Board of Directors. On 16 May 2014, the Company set up Xinhua Seniors (Hainan). The Administrative Bureau for Industry and Commerce of Qionghai City, Hainan Province issued a business license No.469002000038274 to Xinhua Seniors (Hainan). The registered capital is RMB760 million. The legal representative is Zou Youjun. Xinhua Seniors (Hainan) registered at Qionghai City, Hainan Province. As at 30 June 2014, the Company has not injected any registered capital to Xinhua Seniors (Hainan).

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



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