中国人民保险集团股份有限公司

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

Stock Code：1339

Interim Report 2014

Company Profile

Founded in October 1949, The People's Insurance Company (Group) of China Limited (the "Company") is the first nation-wide insurance company in the People's Republic of China (the "PRC") and has developed into a leading large-scale integrated insurance financial group in the PRC, ranking 208th on the Global 500 (2014) published by the Fortune magazine.

The Company operates its property and casualty ("P&C") insurance business in the PRC through PICC Property and Casualty Company Limited ("PICC P&C") and in Hong Kong through The People's Insurance Company of China (Hong Kong), Limited ("PICC Hong Kong"), in which the Company holds approximately 68.98% and 75.0% equity interests, respectively. The Company operates its life and health insurance businesses through PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"), in which the Company, directly and indirectly, holds 80.0% and approximately 93.95% equity interests, respectively. The Company centrally and professionally manages most of its insurance assets through PICC Asset Management Company Limited ("PICC AMC"), in which the Company holds 81% of equity interest, and holds a 100% equity interest in PICC Investment Holding Co., Ltd ("PICC Investment Holding") which is a professional investment company specializing in real estate investments. The Company also carries out non-transactional businesses such as equity and debt investments in insurance and non-insurance capital within and outside the Group through PICC Capital Investment Management Company Limited ("PICC Capital") in which it holds a 100% equity interest. The Company has also made strategic investments in non-insurance financial businesses such as banking and trust.

The Company's principal competitive strengths include:

- We are the pioneer of the PRC insurance industry and possess a well-recognized brand with the longest history in the industry.
- We are an integrated insurance financial group focusing on our core business, taking a leading position in the rapidly developing Chinese insurance market.
- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to achieve rapid development in business and stable growth in profits.
- We have the capability to synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.
- We have implemented efficient management at the group level to effectively improve synergies among different business lines and improve our overall operational efficiency.
- We have strong professional technical skills as well as product and service innovation capabilities.
- We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas.
- We have an experienced and insightful management team.

Contents

Financial Highlights 2

Management Discussion and Analysis 3

Embedded Value 25

Report on Review of Condensed Consolidated Financial Statements 42

Condensed Consolidated Financial Statements and Notes 43

Other Information 84

Financial Highlights

	30 June 2014	31 December 2013	
	(RMB in millions, except for percentages)		(% of change)
Total assets	**810,360**	755,319	7.3
Total liabilities	**704,288**	660,518	6.6
Total equity	**106,072**	94,801	11.9
Net assets per share (RMB) [1]	**1.89**	1.69	12.1

	For the six months ended 30 June		
	2014	2013	
	(RMB in millions, except for percentages)		(% of change)
Gross written premiums	**204,544**	158,428	29.1
Net profit	**9,252**	9,858	(6.1)
Net profit attributable to equity holders of the Company	**6,614**	7,542	(12.3)
Earnings per share (RMB) – Basic and diluted [1]	**0.16**	0.18	(12.3)
Weighted average return on equity (annualised) (%)	**17.4**	22.1	Decrease of 4.7 pt

(1) As attributable to equity holders of the Company.

The Group divides its three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments for reporting purposes: P&C insurance business constitutes the P&C insurance segment and includes PICC P&C and PICC Hong Kong, in which the Company holds 68.98% and 75.0% equity interests, respectively; life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment, among which the life insurance segment includes PICC Life, in which the Company holds an 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health, in which the Company holds a 93.95% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC AMC, PICC Investment and PICC Capital, in which the Company holds 81.0%, 100.0% and 100.0%, respectively.

KEY OPERATING INDICATORS

(1) Key Operating Data

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Original Premiums Income [(1)]			
PICC P&C	**131,836**	115,341	14.3
PICC Life	**58,019**	37,731	53.8
PICC Health	**14,007**	4,990	180.7
Combined ratio of PICC P&C (%)	**94.4**	93.6	Increase of 0.8 pt
Value of half year's new business of PICC Life	**2,575**	2,431	5.9
Value of half year's new business of PICC Health	**404**	344	17.4
Total investment yield (annualised) (%)	**5.1**	5.6	Decrease of 0.5 pt

	As of 30 June 2014	As of 31 December 2013	(% of change)
	(RMB in millions, except for percentages)		
Market share [(2)]			
PICC P&C (%)	**34.5**	34.4	Increase of 0.1 pt
PICC Life (%)	**7.6**	7.0	Increase of 0.6 pt
PICC Health (%)	**1.8**	0.7	Increase of 1.1 pt
Embedded Value of PICC Life	**40,866**	36,863	10.9
Embedded Value of PICC Health	**4,563**	2,491	83.2
Solvency margin ratio of the Group (%)	**154**	148	Increase of 6 pt
Solvency margin ratio of the PICC P&C (%)	**181**	180	Increase of 1 pt
Solvency margin ratio of PICC Life (%)	**221**	202	Increase of 19 pt
Solvency margin ratio of PICC Health (%)	**167**	116	Increase of 51 pt

(1) According to the statistics and measurement of the Original Premiums Income in the PRC (excluding Hong Kong, Macau and Taiwan) published by the China Insurance Regulatory Commission (the "CIRC");

(2) The market share of PICC P&C represents its market share among all P&C insurance companies, and the market share of PICC Life and PICC Health represents their respective market share among all life and health insurance companies.

For the six months ended 30 June 2014, adhering to its key aspiration of "further reform and innovation, maintenance of stable growth and emphasizing value creation", the business of the Group has grown steadily with strengthening synergies, despite increasing pressure from the economic slowdown and intensifying industry competition. For the six months ended 30 June 2014, the market share of PICC P&C in the P&C insurance market was 34.5%, the market share of PICC Life in life and health insurance market was 7.6% and the market share of PICC Health in life and health insurance market was 1.8%, respectively. In terms of the total written premiums (the "TWPs"), the TWPs of the PICC P&C, PICC Life, PICC Health and PICC Hong Kong amounted to RMB131,836 million, RMB59,824 million, RMB15,762 million and HKD73 million, respectively, for the six months ended 30 June 2014. The Group has strengthened its teams, institutions and fundamentals, continuously promoted the diversification of channels and products, and further developed its cross-selling ability to strengthen its foundation. The TWPs generated by cross-selling among the Group's business lines grew by 32.3% to RMB14,349 million for the six months ended 30 June 2014 from RMB10,845 million for the same period in 2013. As of 30 June 2014, the number of policyholders who purchased any two or more types of insurance products in PICC P&C, PICC Life, PICC Health reached 3.047 million, a 26.8% increase compared to the same period in 2013, and the number of policies purchased by such policyholders increased to 4.55 per person on average.

(2) Key Financial Indicators

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Gross written premiums	**204,544**	158,428	29.1
P&C Insurance	**132,162**	115,710	14.2
Life Insurance	**58,375**	37,731	54.7
Health Insurance	**14,007**	4,990	180.7
Profit before tax	**11,962**	11,904	0.5
Net profit	**9,252**	9,858	(6.1)
Net profit attributable to equity holders of the Company	**6,614**	7,542	(12.3)
Earnings per share (RMB)	**0.16**	0.18	(12.3)
Weighted average return on equity (annualised) (%)	**17.4**	22.1	Decrease of 4.7 pt

	As of 30 June 2014	As of 31 December 2013	(% of change)
	(RMB in millions, except for percentages)		
Total assets	**810,360**	755,319	7.3
Total liabilities	**704,288**	660,518	6.6
Total equity	**106,072**	94,801	11.9
Net assets per share (RMB)	**1.89**	1.69	12.1
Gearing ratio[(1)] (%)	**86.9**	87.4	Decrease of 0.5 pt

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

The Group's capital base has been further strengthened in which total equity grew by 11.9% to RMB106,072 million as of 30 June 2014 from RMB94,801 million as of 31 December 2013. For the six months ended 30 June 2014, the Group realized gross written premiums ("GWPs") of RMB204,544 million, a 29.1% increase compared to the same period in 2013. Net profit decreased by 6.1% to RMB9,252 million for the six months ended 30 June 2014 from RMB9,858 million for the same period in 2013. Net profit attributable to equity holders of the Company decreased by 12.3% to RMB6,614 million for the six months ended 30 June 2014 from RMB7,542 million for the same period in 2013. The weighted average return on equity decreased by 4.7 percentage points to 17.4% for the six months ended 30 June 2014 from 22.1% for the same period in 2013.

Net assets per share of the Group increased by 12.1% to RMB1.89 as of 30 June 2014 from RMB1.69 as of 31 December 2013. Earnings per share decreased by 12.3% to RMB0.16 for the six months ended 30 June 2014 from RMB0.18 of the same period in 2013. Gearing ratio decreased by 0.5 percentage point to 86.9% as of 30 June 2014 from 87.4% as of 31 December 2013.

P&C INSURANCE BUSINESS

In the first half of 2014, the Group's P&C insurance segment positively responded to the complicated economic situation and market environment, continued to transform and upgrade, adopted "further reform and innovation, maintain its stable growth and emphasize on value creation" as its key aspiration, constantly improved its managerial and administrative expertise, enhanced its customer service capacity and strengthened its cost control, resulting in a continuous and rapid business development, stable growth in overall profitability with a notable improvement in its comprehensive strength.

(1) Analysis by Product

The following table sets forth the GWPs by product from P&C insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Motor vehicle insurance	**90,779**	79,323	14.4
Commercial property insurance	**8,194**	8,054	1.7
Liability insurance	**5,476**	4,619	18.6
Accidental injury and health insurance	**8,732**	5,302	64.7
Cargo insurance	**2,017**	2,087	(3.4)
Agricultural insurance	**10,943**	10,865	0.7
Other P&C insurance	**6,021**	5,460	10.3
Total	**132,162**	115,710	14.2

GWPs for the P&C insurance segment increased by 14.2% to RMB132,162 million for the six months ended 30 June 2014 from RMB115,710 million for the same period in 2013. The overall steady growth was largely driven by the rapid development in the motor vehicle insurance, liability insurance and accidental injury and health insurance.

GWPs for motor vehicle insurance increased by 14.4% to RMB90,779 million for the six months ended 30 June 2014 from RMB79,323 million for the same period in 2013. Motor vehicle insurance business grew rapidly, mainly due to the strengthened cooperation between the P&C insurance segment and the car manufacturers, the implementation of customer segmentation and differentiating market strategy, the deepening of value chain management for family car customers, the innovation of cooperation mode with group customers, and active expansion of the new-car markets and simultaneously dug into the inventory business resources to increase the number of motor vehicle policies. The growth was also attributable to higher risk awareness of customers, in-depth promotion of product portfolio, and the increase in average car premium driven by the rise of conservation and coverage ratio of motor vehicle insurance and the average car insured amounts.

GWPs for commercial property insurance increased by 1.7% to RMB8,194 million for the six months ended 30 June 2014 from RMB8,054 million for the same period in 2013. The increase was mainly attributable to the effort made by the P&C insurance segment in developing product sales channels and marketing, to actively cope with the complicated macroeconomic situation and the general slowdown of commercial property insurance in the industry.

GWPs for liability insurance increased by 18.6% to RMB5,476 million for the six months ended 30 June 2014 from RMB4,619 million for the same period in 2013. In deepening the society management function of the liability insurance system, government authorities introduced a series of laws and regulations and regulatory documents. The P&C insurance segment seized the opportunities arising from government policies, strengthened differentiated allocation of resources, and offered positive services to the national economy and society by increasing its capital input in high quality traditional businesses such as employers' liability insurance, natural disaster public liability insurance and dispersive liability insurance, and strengthening the promotion of new businesses such as those relating to environmental pollution and extended maintenance of motor vehicles, which facilitated more rapid development of high quality traditional and new businesses.

GWPs for accidental injury and health insurance increased by 64.7% to RMB8,732 million for the six months ended 30 June 2014 from RMB5,302 million for the same period in 2013. Accidental injury and health insurance business grew rapidly, mainly due to the fact that P&C insurance segment firmly seized opportunities arising from state medical and public health systems reform, and continuously developed its special health insurance businesses mainly focusing on critical illness insurance, thus improved the fast development of accidental injury and health insurance. The growth was also attributable to our continued strengthening of resources integration, exploring potential of customer resources, putting more effort on marketing through new telemarketing and online sales channels, strengthening policy issuance technique innovation, releasing the full potential of policy issuance platform, promoting rapid development of key risks such as group accident insurance and accident insurances for construction workers and drivers.

GWPs for cargo insurance decreased by 3.4% to RMB2,017 million for the six months ended 30 June 2014 from RMB2,087 million for the same period in 2013, mainly due to changes in macroeconomic situation and market landscape, decrease in shipment quantity of existing customers, fewer new major projects and decrease in GWPs.

GWPs for agricultural insurance increased by 0.7% to RMB10,943 million for the six months ended 30 June 2014 from RMB10,865 million for the same period in 2013.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 10.3% to RMB6,021 million for the six months ended 30 June 2014 from RMB5,460 million for the same period in 2013, mainly due to the active innovation by P&C insurance segment in product and sales model and the efforts that P&C insurance segment put in developing the market, thus driving the increase in credit and surety insurance, engineering insurance and family property insurance businesses.

(2) Analysis by Channel

The following table sets forth the breakdown of Original Premiums Income of PICC P&C by distribution channel for the reporting periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. As PICC P&C expedited the transformation of telemarketing and online sales, continued to deepen reform of sales system and incessantly strengthened ability of developing discrete individual customers, contributions from direct sales continued to increase and accounted for 38.3% of the total Original Premiums Income for the six months ended 30 June 2014, representing an increase of 3.5 percentage points from 34.8% for the same period in 2013. The Original Premiums Income from new direct sales such as telemarketing and online sales grew significantly to RMB23,044 million for the six months ended 30 June 2014, an increase of 24.2% compared to the same period in 2013, while the Original Premiums Income from traditional direct sales amounted to RMB27,439 million, an increase of 27.0% compared to the same period in 2013.

	For the Six Months Ended 30 June				
	2014			2013	
	Amount	(% of total)	(% of change)	Amount	(% of total)
	(RMB in millions, except for percentages)				
Insurance agents	69,565	52.8	2.3	67,978	58.9
Among which:					
Individual insurance agents	40,379	30.6	4.3	38,704	33.6
Ancillary insurance agents	19,898	15.1	(16.4)	23,804	20.6
Professional insurance agents	9,288	7.1	69.8	5,470	4.7
Direct sales	50,483	38.3	25.7	40,165	34.8
Insurance brokerage	11,788	8.9	63.8	7,198	6.3
Total	131,836	100.0	14.3	115,341	100.0

(3) Financial Analysis

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

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Net earned premiums	99,953	87,718	13.9
Investment income	5,048	6,055	(16.6)
Other income	498	374	33.2
Total income	110,412	98,897	11.6
Claims and policyholders' benefits	62,387	53,936	15.7
Handling charges and commissions	11,421	9,651	18.3
Finance costs	923	974	(5.2)
Other operating and administrative expenses	25,983	23,693	9.7
Total benefits, claims and expenses	100,651	88,263	14.0
Profit before tax	10,938	11,027	(0.8)
Income tax expense	(2,479)	(2,006)	23.6
Net profit	8,459	9,021	(6.2)

Net earned premium

Benefiting from the relatively rapid development in the businesses of motor vehicle insurance, liability insurance and accidental injury and health insurance, net earned premiums from the P&C insurance segment increased by 13.9% to RMB99,953 million for the six months ended 30 June 2014 from RMB87,718 million for the same period in 2013.

Investment income

Investment income of the P&C insurance segment deceased by 16.6% to RMB5,048 million for the six months ended 30 June 2014 from RMB6,055 million for the same period in 2013. This was mainly attributable to the fact that the Group has been able to exercise significant influence on Industrial Bank since 8 May 2013 and therefore reclassified it from available-for-sale equity securities to investment in associates in the financial statements, and as a consequence recognize a corresponding unrealized gain, resulting in a larger base for the 2013 P&C insurance segment comparatives.

Claims and policyholders' benefits

Claims and policyholders' benefits for the P&C insurance segment increased by 15.7% to RMB62,387 million for the six months ended 30 June 2014 from RMB53,936 million for the same period in 2013. The loss ratio of PICC P&C increased by 0.9 percentage points to 62.4% for the six months ended 30 June 2014 from 61.5% the same period in 2013. Except for slight decrease in the loss ratios of motor vehicle insurance, commercial property insurance and other insurances, the loss ratios of all other insurance increased by different degree.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 18.3% to RMB11,421 million for the six months ended 30 June 2014 from RMB9,651 million for the same period in 2013. The increase was mainly due to the intensified market competition.

Finance costs

Finance costs of the P&C insurance segment decreased by 5.2% to RMB923 million for the six months ended 30 June 2014 from RMB974 million for the same period in 2013, which was mainly due to the decrease in the interest expenses on financial assets sold under agreements to repurchase.

Net Profit

Mainly attributable to the factors mentioned above, net profit of the P&C insurance segment decreased by 6.2% to RMB8,459 million for the six months ended 30 June 2014 from RMB9,021 million for the same period in 2013.

LIFE AND HEALTH INSURANCE

(1) Life insurance

In the first half of 2014, under the environment of fierce market competition, the Group's life insurance segment pushed forward a diversified development of its channels, marketing, teams, products and operations according to the changing market conditions, with a view to maintain a steady development while focusing more on value creation, strengthening team construction, consolidating development foundation and improving the management and control level. The business of life insurance segment increased steadily and continued to secure its market position. In terms of Original Premiums Income, PICC Life ranked fifth in the market and has continued to rank second in respect of first-year TWPs.

1. *Analysis by Product*

Income from various products of the life insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

	For the Six Months Ended 30 June			
	2014		2013	
Life insurance products	**Amount**	**% of total**	Amount	% of total
	(RMB in millions, except for percentages)			
Traditional life and health insurance	**46,825**	**80.7**	2,832	7.5
Participating life insurance	**9,626**	**16.6**	33,543	88.9
Universal life insurance	**41**	**0.1**	41	0.1
Accidental injury and short-term health insurance	**1,527**	**2.6**	1,315	3.5
Total	**58,019**	**100.0**	37,731	100.0

In terms of TWPs, for the six months ended 30 June 2014, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB46,825 million, RMB10,593 million, RMB879 million, RMB1,527 million, respectively, representing a change of 1,553.6%, -69.7%, -90.7%, 16.1%, respectively, compared to the same period in 2013.

2. *Analysis by Channel*

Income of life insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which can be further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Bancassurance	**37,717**	19,305	95.4
First-year business of long-term insurance	**35,338**	16,938	108.6
Single premiums	**34,760**	16,255	113.8
First-year regular premiums	**579**	683	(15.3)
Renewal business	**2,272**	2,270	0.1
Short-term insurance	**106**	97	9.3
Individual Insurance	**12,923**	13,819	(6.5)
First-year business of long-term insurance	**10,861**	12,279	(11.6)
Single premiums	**9,724**	11,512	(15.5)
First-year regular premiums	**1,137**	767	48.2
Renewal business	**1,634**	1,211	34.9
Short-term insurance	**428**	329	30.1
Group Insurance	**7,379**	4,606	60.2
First-year business of long-term insurance	**6,335**	3,664	72.9
Single premiums	**6,328**	3,647	73.5
First-year regular premiums	**7**	17	(59.2)
Renewal business	**52**	53	(2.3)
Short-term insurance	**992**	889	11.6
Total	**58,019**	37,731	53.8

In terms of TWPs, for the six months ended 30 June 2014, the TWPs from the bancassurance channel, individual insurance agent channel and group insurance sales channel amounted to RMB37,729 million, RMB13,716 million and RMB8,378 million, respectively.

By taking effective increase in manpower, networks building in rural areas and growth of regular premiums as key means, individual insurance agent channel gradually improved its embedded value, resulting in continuous increase in first-year regular premiums business. As at 30 June 2014, the number of salesman of the life insurance segment was 93,927. In the first half of 2014, the first-year TWPs per capita from salesman amounted to RMB10,566 with number of new life insurance policies per capita of 2.39 per month. As a major channel, bancassurance channel enhanced comprehensive development ability of its team and continuously increased its value contribution. The development of cooperative projects with corporate customers and governments was further promoted within the group insurance sales channel, leading to the continuous growth in business scale and further improvement of professional quality and sales abilities of its team.

3. *Persistency ratios of policies and premiums*

The following table sets forth the 13-month and 25-month policy and premium persistency ratios for individual life insurance customers for the life insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June	
Item	**2014**	2013
13-month policy persistency ratio (1) (%)	**58.9**	84.3
25-month policy persistency ratio (2) (%)	**79.8**	90.9
13-month premium persistency ratio (3) (%)	**87.6**	88.6
25-month premium persistency ratio (4) (%)	**81.2**	80.2

(1) The 13-month policy persistency ratio for a given year is the proportion of the total number of long-term individual life insurance policies issued in the preceding year that remain in force as of the 13th month following the issuance;

(2) The 25-month policy persistency ratio for a given year is the proportion of the total number of long-term individual life insurance policies issued in the penultimate year that remain in force as of the 25th month following the issuance;

(3) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(4) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual life insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following tables sets forth certain selected key financial data of the life insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Net earned premiums	**58,124**	37,566	54.7
Investment income	**7,926**	8,200	(3.3)
Other income	**154**	287	(46.3)
Total income	**66,219**	46,070	43.7
Claims and policyholders' benefits	**61,217**	40,466	51.3
Handling charges and commissions	**1,797**	1,447	24.2
Finance costs	**962**	1,200	(19.8)
Other operating and administrative expenses	**2,276**	2,254	1.0
Total benefits, claims and expenses	**66,208**	45,438	45.7
Profit before tax	**1,066**	933	14.3
Income tax expense	**(40)**	73	(154.8)
Net Profit	**1,026**	1,006	2.0

Net earned premiums

Net earned premiums for the life insurance segment increased by 54.7% to RMB58,124 million for the six months ended 30 June 2014 from RMB37,566 million for the same period in 2013, mainly due to introduction of products which better suit customers' needs and the increased efforts in promoting the business.

Investment income

The investment income of the life insurance segment decreased by 3.3% to RMB7,926 million for the six months ended 30 June 2014 from RMB8,200 million for the same period in 2013. This was mainly attributable to the fact that the Group has been able to exercise significant influence on Industrial Bank since 8 May 2013 and therefore reclassified it from available-for-sale equity securities to investment in associates in the financial statements, and as a consequence recognize a corresponding unrealized gain, resulting in a larger base for the 2013 life insurance segment comparatives.

Other income

Other income of the life insurance segment decreased by 46.3% to RMB154 million for the six months ended 30 June 2014 from RMB287 million for the six months ended 30 June 2013, mainly due to the decrease in policy initiation fees of certain universal products.

Claims and policyholders' benefits

Claims and policyholders' benefits for the life insurance segment increased by 51.3% to RMB61,217 million for the six months ended 30 June 2014 from RMB40,466 million for the same period in 2013, mainly due to the increase in claim reserves provided driven by increase in premiums income, and the increase in expiry and maturity benefits of policies.

Handling charges and commissions

Handling charges and commissions of the life insurance segment increased by 24.2% to RMB1,797 million for the six months ended 30 June 2014 from RMB1,447 million for the same period in 2013, which was mainly due to increase in premiums income as compared with the same period last year.

Finance costs

Finance costs of the life insurance segment decreased by 19.8% to RMB962 million for the six months ended 30 June 2014 from RMB1,200 million for the same period in 2013, which was mainly due to a decrease in interest expenses of financial assets sold under repurchase agreements.

Net profit

Mainly attributable to the factors mentioned above, the net profit of the life insurance segment increased 2.0% from RMB1,006 million for the six months ended 30 June 2013 to RMB1,026 million for the same period in 2014.

(2) Health Insurance

In the first half of 2014, under the guidance of "Speed up Transformation and Develop through Innovation", the Group's health insurance segment successively issued a number of reform measures in respect of business development, institution management and performance appraisal so as to strengthen cost control and enhance value-creation capabilities. The TWPs amounted to RMB15,762 million, representing an increase of 86.5% compared to the same period in 2013. PICC Health underwrote 267 government-commissioned projects, which covered 114 cities and municipalities in 23 provinces (autonomous region, municipality directly under the central government and municipalities with independent planning status), serving more than 82 million people. In terms of premiums income, PICC Health ranked eleventh among life insurance companies and first among professional health insurance companies.

1. *Analysis by Product*

Income from various products of the health insurance segment for the purpose of Original Premiums Income for the reporting periods is as follows:

	For the Six Months Ended 30 June			
	2014		2013	
Health insurance products	**Amount**	**% of total**	Amount	% of total
	(RMB in millions, except for percentages)			
Illness insurance	**141**	**1.0**	100	2.0
Medical insurance	**4,334**	**30.9**	3,665	73.4
Disability losses insurance	**60**	**0.4**	63	1.3
Nursing care insurance	**8,964**	**64.0**	148	3.0
Accidental injury insurance	**225**	**1.6**	214	4.3
Participating endowment insurance	**283**	**2.0**	800	16.0
Total	**14,007**	**100.0**	4,990	100.0

In terms of TWPs, the TWPs of illness insurance, medical insurance, nursing care insurance and accidental injury insurance for the six months ended 30 June 2014 amounted to RMB141 million, RMB5,755 million, RMB9,298 million, RMB225 million, respectively, representing an increase of 41.0%, 8.7%, 369.1%, 5.1% respectively as compared to the same period in 2013. The TWPs of disability losses insurance and participating endowment insurance amounted to RMB60 million and RMB283 million respectively, representing a drop of 4.8% and 64.6% respectively as compared to the same period in 2013.

.

2. *Analysis by Channel*

Income from various products of the health insurance segment by distribution channel for the purpose of Original Premiums Income for the reporting periods, which are further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel is as follows:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Bancassurance	**8,725**	812	974.5
First-year business of long-term insurance	**8,574**	728	1,077.7
Single premiums	**8,526**	641	1,230.1
First-year regular premiums	**48**	87	(44.8)
Renewal business	**150**	83	80.7
Short-term insurance	**1**	1	–
Individual Insurance	**640**	207	209.2
First-year business of long-term insurance	**515**	30	1,616.7
Single premiums	**453**	6	7,450.0
First-year regular premiums	**62**	24	158.3
Renewal business	**89**	70	27.1
Short-term insurance	**36**	107	(66.4)
Group Insurance	**4,642**	3,971	16.9
First-year business of long-term insurance	**7**	2	250.0
Single premiums	**7**	2	250.0
First-year regular premiums	**–**	–	–
Renewal business	**1**	2	(50.0)
Short-term insurance	**4,634**	3,967	16.8
Total	**14,007**	4,990	180.7

In terms of TWPs, the TWPs from the bancassurance, individual insurance and group insurance for the six months ended 30 June 2014 amounted to RMB8,909 million, RMB771 million and RMB6,082 million respectively.

In the health insurance segment, individual insurance agent channel focused on developing its sales team to drive the development of regular premiums business. The number of salesman was 12,801, first-year TWPs per capita amounted to RMB8,978 with number of new insurance policies per capita of 0.86 in a month. Bancassurance channel actively seized opportunities, strengthened basic work such as training, enhanced sale ability of its team and achieved significant growth in total TWPs. Group insurance channel increased effort in promoting the “Zhanjiang, Taicang, Pinggu” model in relation to the government entrusted business, implemented comprehensive development of “basic + critical illness” business and constantly strengthened competitive advantages, resulting in rapid growth in TWPs.

3. *Persistency Ratios of policies and premiums*

The following table sets forth the 13-month and 25-month policy and premium persistency ratios for individual health insurance customers of the health insurance segment of the Group for the reporting periods indicated:

	For the Six Months Ended 30 June	
Item	**2014**	2013
13-month policy persistency ratio (1) (%)	**93.9**	91.4
25-month policy persistency ratio (2) (%)	**89.7**	86.9
13-month premium persistency ratio (3) (%)	**82.9**	70.4
25-month premium persistency ratio (4) (%)	**64.3**	29.6

(1) The 13-month policy persistency ratio for a given year is the proportion of the total number of long-term individual health insurance policies issued in the preceding year that remain in force as of the 13th month following the issuance;

(2) The 25-month policy persistency ratio for a given year is the proportion of the total number of long-term individual health insurance policies issued in the penultimate year that remain in force as of the 25th month following the issuance;

(3) The 13-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the preceding year on the 13th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance;

(4) The 25-month premium persistency ratio for a given year is the proportion of actual TWPs of long-term regular premium individual health insurance policies issued in the penultimate year on the 25th month after they were issued and effective, to the actual TWPs of such policies in the year of their issuance.

4. *Financial Analysis*

The following table sets forth certain selected key financial data of the health insurance segment for the reporting periods indicated:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Net earned premiums	**11,134**	2,297	384.7
Investment income	**718**	626	14.7
Other income	**44**	65	(32.3)
Total income	**12,023**	3,224	272.9
Claims and policyholders' benefits	**10,992**	2,125	417.3
Handling charges and commissions	**212**	95	123.2
Finance costs	**339**	365	(7.1)
Other operating and administrative expenses	**668**	703	(5.0)
Total benefits, claims and expenses	**12,210**	3,289	271.2
Profit/(loss) before tax	**(187)**	(65)	–
Income tax expense	**–**	–	–
Net profit/(loss)	**(187)**	(65)	–

Net earned premiums

Net earned premiums from the health insurance segment increased by 384.7% to RMB11,134 million for the six months ended 30 June 2014 from RMB2,297 million for the same period in 2013, primarily due to the rapid growth in long-term insurance.

Investment income

Investment income from the health insurance segment increased by 14.7% to RMB718 million for the six months ended 30 June 2014 from RMB626 million for the same period in 2013, mainly benefited from a rapid increase in the scale of capital utilisation as compared to the same period in 2013, a decrease in idle funds by strengthening liquidity management and an increase in the allocation of fixed income investment assets.

Other income

Other income from the health insurance segment decreased by 32.3% to RMB44 million for the six months ended 30 June 2014 from RMB65 million for the same period in 2013, primarily due to the decrease in policy initiation fee of universal products.

Claims and policyholders' benefits

Claims and policyholders' benefits from the health insurance segment increased by 417.3% to RMB10,992 million for the six months ended 30 June 2014 from RMB2,125 million for the same period in 2013, primarily due to rapid growth in long-term insurance business and increase in the amount of claim reserves.

Handling charges and commissions

Handling charges and commissions from the health insurance segment increased by 123.2% to RMB212 million for the six months ended 30 June 2014 from RMB95 million for the same period in 2013, primarily due to the rapid growth in long-term insurance business.

Finance costs

Finance costs from the health insurance segment decreased by 7.1% to RMB339 million for the six months ended 30 June 2014 from RMB365 million for the same period in 2013, primarily due to the decrease in interest expenses of financial assets sold under agreements to repurchase as well as the interest settlement costs of universal insurance.

Net loss

The net loss from the health insurance segment amounted to RMB187 million for the six months ended 30 June 2014 and the net loss for the same period in 2013 amounted to RMB65 million.

Analysis of Original Premiums Income by Region

The following table sets forth the Original Premiums Income from the insurance business of the Group in the PRC by region for the reporting periods indicated:

	For the Six Months Ended 30 June	
	2014	2013
	(RMB in millions)	
Guangdong Province	**17,041**	12,100
Jiangsu Province	**16,655**	12,368
Zhejiang Province	**13,455**	11,003
Shandong Province	**13,277**	11,038
Sichuan Province	**11,548**	8,188
Beijing	**10,888**	8,037
Hebei Province	**10,752**	9,784
Hubei Province	**8,093**	5,816
Fujian Province	**7,980**	6,010
Liaoning Province	**7,571**	6,148
Other regions	**86,602**	67,570
Total	**203,862**	158,062

Asset management business

Investment income of the asset management segment of the Group does not include the investment income generated by the investment assets managed by the asset management segment on behalf of the Group's insurance segments. The investment income generated by the investment assets managed by the asset management segment on behalf of the other segments are included in the investment income of the relevant segment.

PICC AMC is engaged in third-party asset management business and the enterprise annuity investment management business by implementing segregated account management and issuing investment products. It achieved registration of property investment plan product innovation capabilities with the CIRC during the first half of 2014. Competitiveness of alternative investment capabilities has been further enhanced as PICC Investment Holding issued its first property debt investment plan in the industry. PICC Capital has 7 registered infrastructure debt investment plans, ranking second in terms of registered scale at RMB28.6 billion, under which 78% of the issuance was subscribed by institutions outside the Group.

The following table sets forth the income statement data of the asset management segment for the reporting periods indicated:

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Investment income	194	283	(31.4)
Other income	393	337	16.6
Total income	587	620	(5.3)
Finance costs	7	1	600.0
Other operating and administrative expenses	244	286	(14.7)
Total expenses	251	288	(12.8)
Profit before tax	331	332	(0.3)
Income tax expense	(109)	(63)	73.0
Net profit	222	269	(17.5)

Investment income

Investment income from the asset management segment decreased by 31.4% to RMB194 million for the six months ended 30 June 2014 from RMB283 million for the same period in 2013, primarily due to the decrease in asset disposal gain by PICC Investment Holding as compared to the same period in 2013.

Other income

Other income from the asset management segment increased by 16.6% to RMB393 million for the six months ended 30 June 2014 from RMB337 million for the same period in 2013.

Finance costs

Finance costs for the asset management segment increased by 600.0% to RMB7 million for the six months ended 30 June 2014 from RMB1 million for the same period in 2013, primarily due to the increase in interest expenses of financial assets sold under agreements to repurchase.

Net profit

Net profit of the asset management segment was RMB222 million for the six months ended 30 June 2014, comparing to RMB269 million for the same period in 2013.

INVESTMENT PORTFOLIO AND INVESTMENT INCOME

(1) Investment portfolio

The following table sets forth certain information regarding the composition of the investment portfolio as of the dates indicated:

	As of 30 June 2014		As of 31 December 2013	
Investment assets	**Carrying amount**	**% of total**	Carrying amount	% of total
	(RMB in millions, except for percentages)			
Cash and cash equivalents	**44,425**	**6.4**	46,607	7.1
Fixed-income investments	**425,480**	**61.6**	396,558	60.8
Term deposits	**162,598**	**23.5**	137,607	21.1
Fixed-income securities	**247,848**	**35.9**	243,756	37.3
Government bonds	**15,764**	**2.3**	19,191	2.9
Financial bonds	**116,723**	**16.9**	115,660	17.7
Corporate bonds	**115,361**	**16.7**	108,905	16.7
Other fixed-income investments (1)	**15,034**	**2.2**	15,195	2.3
Equity and fund investments at fair value	**73,234**	**10.6**	69,200	10.6
Securities investment funds	**54,283**	**7.9**	49,169	7.5
Equity securities	**18,951**	**2.7**	20,031	3.1
Other investments	**147,694**	**21.4**	140,313	21.5
Subordinated debts and debt investment scheme	**79,107**	**11.4**	73,542	11.3
Investment in associates	**29,543**	**4.3**	28,268	4.3
Others (2)	**39,044**	**5.7**	38,503	5.9
Total investment assets	**690,833**	**100.0**	652,678	100.0

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) Primarily consist of investment properties, derivative financial assets and equity investments recorded at cost.

(2) Investment income

The following table sets forth certain information relating to the investment income of the Group for the reporting periods indicated:

Items	For the Six Months Ended 30 June 2014	2013
	(RMB in millions, except for percentages)	
Cash and cash equivalents	**189**	233
Fixed-income investment	**10,596**	8,782
Interest income	**10,562**	8,749
Net realized gains/(losses)	**(7)**	28
Net unrealized gains/(losses)	**41**	5
Impairment	**–**	–
Equity and fund investments at fair value	**797**	4,475
Dividend income	**2,114**	2,048
Net realized gains/(losses)	**30**	3,637
Net unrealized gains/(losses)	**79**	77
Impairment	**(1,426)**	(1,287)
Other investment income/(loss)	**5,098**	2,773
Total investment income	**16,680**	16,263
Total investment yield (annualised) [(1)] (%)	**5.1**	5.6
Net investment yield (annualised) [(2)] (%)	**5.5**	4.6

(1) Total investment yield (annualised) = (total investment income – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) x 2.

(2) Net investment yield (annualised) = (total investment income – net realized financial assets income – net unrealized financial assets income – impairment loss of financial assets – interest expenses on securities sold under agreements to repurchase)/(the average of total investment assets as of beginning and end of the period – the relevant liabilities of the securities sold under agreements to repurchase) x 2.

SPECIFIC ANALYSIS

(1) Liquidity Analysis

1. *Liquidity Analysis*

The liquidity of the Group was mainly derived from premiums, net investment income, and cash from sales or maturity of investment assets and its own financing activities. The demand for liquidity primarily arose from surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefits, payment of dividends to shareholders and cash required for payment of various ordinary expenses.

Since the Group generally collects premiums before the payment of insurance claims or benefits, the cash flow from operating activities of the Group generally records a net inflow. In addition, the Group maintains a certain proportion of assets with high liquidity in the investment assets through its strategic asset allocation management to meet the liquidity requirements. The Group also obtains additional liquidity from the disposal of securities sold under agreement to repurchase and other financing activities.

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

2. *Statement of Cash Flows*

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
	(RMB in millions, except for percentages)		
Net cash flow from operating activities	**20,268**	31,714	(36.1)
Net cash flow used in investment activities	**(20,394)**	(31,874)	(36.0)
Net cash flow used in financing activities	**(2,060)**	(13,272)	(84.5)

(2) Solvency

The Group calculated and disclosed the actual capital, minimum capital and solvency margin ratio in accordance with relevant CIRC requirements. According to CIRC requirements, the solvency margin ratio of domestic insurance companies in the PRC shall reach the required level.

	As of 30 June 2014	As of 31 December 2013	(% of change)
	(RMB in millions, except for percentages)		
PICC Group			
Actual capital	**103,854**	94,170	10.3
Minimum capital	**67,409**	63,491	6.2
Solvency margin ratio (%)	**154**	148	Increase of 6 pt
PICC P&C			
Actual capital	**55,425**	52,026	6.5
Minimum capital	**30,637**	28,867	6.1
Solvency margin ratio (%)	**181**	180	Increase of 1 pt
PICC Life			
Actual capital	**27,844**	24,992	11.4
Minimum capital	**12,627**	12,386	1.9
Solvency margin ratio (%)	**221**	202	Increase of 19 pt
PICC Health			
Actual capital	**2,902**	1,575	84.3
Minimum capital	**1,735**	1,356	27.9
Solvency margin ratio (%)	**167**	116	Increase of 51 pt

As of 30 June 2014, the solvency margin ratio of the Group was 154%, representing an increase of 6 percentage points as compared to 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 30 June 2014, the solvency margin ratio of PICC P&C was 181%, representing an increase of 1 percentage point as compared to 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 221%, representing an increase of 19 percentage points as compared to 31 December 2013 and remained in Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 167%, representing an increase of 51 percentage points as compared to 31 December 2013 and remained in the Adequate Solvency II category as classified by the CIRC.

PROSPECTS

(1) Market Environment

During the first half of 2014, China's insurance industry continued to maintain a stable and positive development trend. According to the information released by the CIRC, during the first half of 2014, the Original Premiums Income of China's insurance industry amounted to about RMB1.15 trillion, representing an increase of 20.8% as compared with the same period of last year, in which, the Original Premiums Income of the P&C insurance companies and life and health insurance companies recorded an increase of 16.7% and 22.9%, respectively, as compared with the same period of last year; by the end of June 2014, total insurance assets of the insurance industry in China amounted to RMB9.37 trillion, representing an increase of 13.1% as compared with the beginning of 2014.

At present, although the internal and external environments faced by the insurance industry are still complicated, the economic and social development of China is overall stable; especially along with the overall deepening reform of China and the gradual implementation of Several Opinions of the State Council on Accelerating the Development of Modern Insurance Service, China's insurance industry has a good economic and social foundation. First, affected by the double factors of the "micro-stimulation" and recovery of surrounding economies, the "troika" (consumption, investment and import and export) of China's economic growth will continue the trend of growth, the growth rate of industrial added value will stabilize, and the PMI index will continue to recover; it is expected that the annual economic growth rate will maintain a good level of 7.5%, providing a solid physical foundation for the development of insurance industry. Second, it is expressly required in the Number 1 document of the Central Government in 2014 to enhance the supports for agricultural insurance; in the first half of 2014, catastrophe insurance was officially carried out at local level; critical illness insurance for urban and rural residents spread more rapidly; these will be favorable for enhancing the good trend for the rapid development of fiscal supported insurance. Third, more than 20 ministries and departments such as the Ministry of Housing and Urban-Rural Development, the Ministry of Public Security, the China National Tourism Administration, the State Administration of Work Safety and the Ministry of Environmental Protection, in their documents issued, have introduced liability insurance into the fields of construction, road and transportation, tourism safety, safety production and environmental protection which will bring great opportunity to the development of liability insurance. Fourth, the decisions of the Third Plenary of the 18th Central Committee of the CPC and the policies of the State Council on accelerating the development of pension service and promoting the development of health service industry will be gradually carried out, and will be good for the commercial endowment insurance to play a better role in allocation of multi-level social security resources and for the commercial health insurance to play a better role in the course of new medical reform of the State. Fifth, as science and technology continues to progress and improve and the integration of the internet and insurance industry become more obvious, the technologies of Big Data and mobile interconnection will promote the transformation and upgrade of sales, service and operating modes of insurance and create new business patterns for insurance. Sixth, as the market reform progress of the insurance industry constantly deepens with a broadened market access, and with the implementation of the vehicle insurance rate and assumed interest rate of life insurance, a good market environment will be created for the long-term and healthy development of the insurance industry.

(2) Key Work

In the second half of 2014, the Company will continue to adhere to “further reform and innovation, maintenance of stable growth and emphasizing value creation” as the basis of work, focus on the annual operating targets and tasks, devote to the constant improvement of the business quality, optimize the business structure, improve the operating benefits and ability to create values. First, the Company will thoroughly promote the reform, innovation and resource integration of the Group to promote the collaboration of customers, products and channels in a better way and constantly improve the collaboration values of the Group. Second, the Company will thoroughly promote the activity of “fundamental construction year”, enhance the input for fundamental construction and training, make great effort to improve the ability of the fundamentals, inspire the vigor and enhance the cohesion. Third, the Company will thoroughly promote the construction of service type headquarters and create an open, efficient, transparent, and highly intellectualized operating and management system. Fourth, the Company will thoroughly promote the implementation of cost leadership strategy to determine the long-term, medium term and short-term targets of cost control, road maps, schedules and management tools, and carry out green activities such as low carbon environmental protection and cost reduction. Fifth, the Company will thoroughly promote the construction of an overall risk management system, set up a unified framework of risk appetite, explore and introduce economic capital and technology, rigorously prevent the compliance risks of policy-supported business and pay high attention to risks of natural disasters. Sixth, the Company will thoroughly promote the team construction, continue to focus on accelerating the construction of a top ranking insurance and finance group, enhance construction of a learning organization, improve the human resources management system and keep improving the organizing ability to guarantee the longevity of the business of the Company.

NO MATERIAL CHANGES

Save as disclosed in this interim report, from 1 January 2014 to 30 June 2014, no material changes affecting the Company’s performance need to be disclosed under paragraph 32 and 40 (2) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Embedded Value

Our consolidated financial statements set forth in our interim report are prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under IFRS, there is a time lag between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

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

Deloitte Consulting (Shanghai) Co. Ltd. Beijing Branch, independent consulting actuaries, have prepared actuarial consultants' review reports on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of 30 June 2014, and the value of half year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 6 months ended 30 June 2014, on a range of assumptions. Copies of consulting actuaries' review reports are included in our interim report. These reports do not constitute an audit opinion of the financial information used in the report.

The value of in-force business and the value of half year's new business in respect of new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis, which reflect the impact of different assumptions on these values. Moreover, the values do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of half year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE OF PICC LIFE INSURANCE COMPANY LIMITED

PICC Life has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 30 June 2014. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

Scope of Work

Our scope of work covers:

- Review the methodology of the embedded value and half year's new business value as of 30 June 2014;
- Review the assumptions of the embedded value and half year's new business value as of 30 June 2014;
- Review the various embedded value results as of 30 June 2014, including the embedded value, half year's new business value, and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions.
- Review the half year's new business value as of 30 June 2013 (based on the assumptions and required capital as of 31 December 2013).

BASIS OF OPINION, RELIANCES AND LIMITATION

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Life.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Life, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Life in accordance with the terms of our engagement letter. We have agreed that PICC Life can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Life for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Life to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;

- The economic assumptions used by PICC Life have been set with regard to current investment market conditions and the investment strategy of PICC Life;

- The operating assumptions used by PICC Life have been set with regard to past experiences and the expectation of future experiences;

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

For Deloitte Consulting (Shanghai) Co. Ltd.,
Beijing Branch

Eric Lu
FIAA, FCAA

30 JUNE 2014 EMBEDDED VALUE REPORT OF PICC LIFE INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business ("VIF"):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC's actuarial requirement instead of the accounting report basis;

- **Cost of Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of Half Year's New Business ("VHNB"):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified half-year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of Half Year's New Business;

- **Expense Overrun:** the amount of actual expense in excess of the assumed expense.

1.2 Methodology

PICC Life has determined the Embedded Value and Value of Half Year's New Business based on the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Life has used the traditional embedded value approach. Both Value of In-Force Business and Value of Half Year's New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of Half Year's New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. Results Summary

2.1 Overall Results

Table 2.1.1 Embedded Value of PICC Life as at 30 June 2014 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of In-Force Business before CoC	18,231
Cost of Capital	(833)
Value of In-Force Business after CoC	17,398
Adjusted Net Worth	23,469
Embedded Value	**40,866**

Note: Figures may not add up due to rounding.

Table 2.1.2 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2014 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	2,790
Cost of Capital	(215)
Value of Half Year's New Business after CoC	**2,575**

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2014 is based on the assumption and capital requirement as of 30 June 2014.

Table 2.1.3 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2013 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	2,621
Cost of Capital	(190)
Value of Half Year's New Business after CoC	2,431

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2013 is based on the assumption and capital requirement as of 31 December 2013.

2.2 *Results by Distribution Channels*

PICC Life split the Value of Half Year's New Business by distribution channel. The results of the Value of Half Year's New Business by distribution channel as of 30 June 2014 and 30 June 2013 are summarized in Table 2.2.1 and Table 2.2.2.

Table 2.2.1 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2014 by Distribution Channel *(Unit: RMB in millions)*

Risk Discount Rate	10.0%				
Distribution Channel	**Bancassurance channel**	**Individual insurance agent channel**	**Group sales channel**	**Reinsurance**	**Total**
Value of Half Year's New Business after CoC	1,346	842	374	13	2,575

Note: Figures may not add up due to rounding.

Table 2.2.2 Value of Half Year's New Business of PICC Life for the 6 months up to 30 June 2013 by Distribution Channel *(Unit: RMB in millions)*

Risk Discount Rate	10.0%			
Distribution Channel	**Bancassurance channel**	**Individual insurance agent channel**	**Group sales channel**	**Total**
Value of Half Year's New Business after CoC	1,251	841	339	2,431

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of Half Year's New Business, the expense assumptions used by PICC Life represent the expected long-term expense level in the future. As the operating history of PICC Life is not long, the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. Assumptions

The assumptions below are used for the valuation of the Embedded Value and Value of Half Year's New Business as of 30 June 2014.

3.1 Risk Discount Rate

A 10% risk discount rates has been used to calculate the Embedded Value and Value of Half Year's New Business.

3.2 Rate of Investment Return

A 5.75% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Life. The impact on the Value of In-Force Business and Value of Half Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity test.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Life's own experience and the reinsurance rates obtained by PICC Life.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 30% to 64% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 *Expenses and Commissions*

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Life and vary by business lines.

3.8 *Tax*

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. Sensitivity Tests

PICC Life has conducted sensitivity tests on the Embedded Value and Value of Half Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change. The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Life as at 30 June 2014 under Alternative Assumptions *(Unit: RMB in millions)*

Scenarios	Before CoC	After CoC
Base Scenario	18,231	17,398
Risk Discount Rate at 9%	19,250	18,482
Risk Discount Rate at 11%	17,334	16,448
Investment rate of return plus 50 bps	21,361	20,700
Investment rate of return less 50 bps	15,129	14,123
Expenses increased by 10%	18,048	17,215
Expenses reduced by 10%	18,413	17,580
Lapse rates increased by 10%	17,748	16,997
Lapse rates reduced by 10%	18,736	17,816
Mortality increased by 10%	18,150	17,318
Mortality reduced by 10%	18,312	17,478
Morbidity increased by 10%	18,230	17,397
Morbidity reduced by 10%	18,231	17,398
Short-term business claim ratio increased by 10%	18,182	17,349
Short-term business claim ratio reduced by 10%	18,279	17,446
Participating Ratio (80/20)	16,962	16,129
150% of Minimum Solvency Requirement	18,231	16,232
Taxable Income Based on China Accounting Standards	18,134	17,301

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

Table 4.2 Value of Half Year's New Business for the 6 months up to 30 June 2014 of PICC Life under Alternative Assumptions

(Unit: RMB in millions)

Scenarios	Before CoC	After CoC
Base Scenario	2,790	2,575
Risk Discount Rate at 9%	2,987	2,793
Risk Discount Rate at 11%	2,613	2,379
Investment rate of return plus 50 bps	3,715	3,539
Investment rate of return less 50 bps	1,866	1,611
Expenses increased by 10%	2,568	2,353
Expenses reduced by 10%	3,012	2,797
Lapse rates increased by 10%	2,604	2,421
Lapse rates reduced by 10%	2,982	2,734
Mortality increased by 10%	2,766	2,551
Mortality reduced by 10%	2,814	2,599
Morbidity increased by 10%	2,790	2,575
Morbidity reduced by 10%	2,790	2,575
Short-term business claim ratio increased by 10%	2,738	2,523
Short-term business claim ratio reduced by 10%	2,842	2,627
Participating Ratio (80/20)	2,716	2,500
150% of Minimum Solvency Requirement	2,790	2,308
Taxable Income Based on China Accounting Standards	2,715	2,500

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

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON THE EMBEDDED VALUE OF PICC HEALTH INSURANCE COMPANY LIMITED

PICC Health has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to review its embedded value as of 30 June 2014. The task is undertaken by Deloitte Actuarial and Insurance Solutions of Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we").

SCOPE OF WORK

Our scope of work covers:

- Review the methodology of the embedded value and half year's new business value as of 30 June 2014;
- Review the assumptions of the embedded value and half year's new business value as of 30 June 2014;
- Review the various embedded value results as of 30 June 2014, including the embedded value, half year's new business value, and the sensitivity tests of value of in-force business and value of half year's new business under alternative assumptions;
- Review the half year's new business value as of 30 June 2013 (based on the assumptions and required capital as of 31 December 2013).

BASIS OF OPINION, RELIANCES AND LIMITATION

We carried out our review work based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

In carrying out our work, we have relied upon the accuracy and completeness of the audited and unaudited data and information provided by PICC Health.

The determination of embedded value is based on a range of assumptions on future operations and investment performance. Among these assumptions, many are not within the control of PICC Health, and affected by many internal and external factors. Hence the actual experience may deviate from these assumptions.

This report is addressed solely to PICC Health in accordance with the terms of our engagement letter. We have agreed that PICC Health can provide this review report to the People's Insurance Company (Group) of China Limited to be disclosed in its interim report. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than PICC Health for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

OPINION

Based on our work, we concluded that:

- The methodology adopted by PICC Health to determine the embedded value results is in line with the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC. This method is one that is commonly used by life and health insurance companies in China;
- The economic assumptions used by PICC Health have been set with regard to current investment market conditions and the investment strategy of PICC Health;
- The operating assumptions used by PICC Health have been set with regard to past experiences and the expectation of future experiences;
- The embedded value results are consistent with its methodology and assumptions used. The overall result is reasonable.

For Deloitte Consulting (Shanghai) Co. Ltd.,
Beijing Branch

Eric Lu
FIAA, FCAA

30 JUNE 2014 EMBEDDED VALUE REPORT OF PICC HEALTH INSURANCE COMPANY LIMITED

1. Definition and Methodology

1.1 Definition

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV"):** this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;

- **Adjusted Net Worth ("ANW"):** this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;

- **Value of In-Force Business ("VIF"):** this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;

- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under accounting report basis is that the policy reserve is determined based on the CIRC's actuarial requirement instead of the accounting report basis;

- **Cost of Capital ("CoC"):** this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax investment earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;

- **Value of Half Year's New Business ("VHNB"):** this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in the specified half-year period less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of Half Year's New Business;

- **Expense Overrun:** the amount of actual expense in excess of the assumed expense.

1.2 *Methodology*

PICC Health has determined the Embedded Value and Value of Half Year's New Business based on the "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) issued by the CIRC.

PICC Health has used the traditional embedded value approach. Both Value of In-Force Business and Value of Half Year's New Business are calculated using the deterministic discounted cash flow method. Such approach is commonly used in the Embedded Value and Value of Half Year's New Business disclosed by the insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate.

2. Results Summary

2.1 *Overall Results*

Table 2.1.1 Embedded Value of PICC Health as at 30 June 2014 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of In-Force Business before CoC	1,931
Cost of Capital	(171)
Value of In-Force Business after CoC	1,759
Adjusted Net Worth	2,804
Embedded Value	4,563

Note: Figures may not add up due to rounding.

Table 2.1.2 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2014 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	436
Cost of Capital	(31)
Value of Half Year's New Business after CoC	404

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2014 is based on the assumption and capital requirement as of 30 June 2014.

Table 2.1.3 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2013 *(Unit: RMB in millions)*

Risk Discount Rate	10.0%
Value of Half Year's New Business before CoC	360
Cost of Capital	(16)
Value of Half Year's New Business after CoC	344

Note:

1. Figures may not add up due to rounding.

2. Value of Half Year's New Business for the 6 months up to 30 June 2013 is based on the assumption and capital requirement as of 31 December 2013.

2.2 *Results by Distribution Chanels*

PICC Health split the Value of Half Year's New Business by distribution channel. The results of the Value of Half Year's New Business by distribution channel as of 30 June 2014 and 30 June 2013 are summarized in Table 2.2.1 and Table 2.2.2.

Table 2.2.1 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2014 by Distribution Channel *(Unit: RMB in millions)*

Risk Discount Rate	10.0%			
Distribution Channel	**Bancassu-rance channel**	**Individual insurance agent channel**	**Group sales channel**	**Total**
Value of Half Year's New Business after CoC	90	25	290	404

Note: Figures may not add up due to rounding.

Table 2.2.2 Value of Half Year's New Business of PICC Health for the 6 months up to 30 June 2013 by Distribution Channel *(Unit: RMB in millions)*

Risk Discount Rate	10.0%			
Distribution Channel	**Bancassu-rance channel**	**Individual insurance agent channel**	**Group sales channel**	**Total**
Value of Half Year's New Business after CoC	70	22	252	344

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of Half Year's New Business, the expense assumptions used by PICC Health represent the expected long-term expense level in the future. As the operating history of PICC Health is not long, the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of the CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

3. Assumptions

The assumptions below are used for the valuation of the Embedded Value and Value of Half Year's New Business as of 30 June 2014.

3.1 Risk Discount Rate

A 10% risk discount rates has been used to calculate the Embedded Value and Value of Half Year's New Business.

3.2 Rate of Investment Return

A 5.75% p.a. investment return assumption has been used.

3.3 Policy Dividend

The expected level of participating policy dividend is derived based on the participating policy of PICC Health. The impact on the Value of In-Force Business and Value of Half Year's New Business that may be caused by the change in the level of participating policy dividend is illustrated in the sensitivity test.

3.4 Mortality and Morbidity

The assumptions on mortality and morbidity are set with due consideration of the prevailing experience of the industry, PICC Health's own experience and the reinsurance rates obtained by PICC Health.

3.5 Claim Ratio

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 30% to 115% of gross premium depending on the lines of business.

3.6 Lapse Rates

Lapse rate assumptions are based on the lapse experience and expectation of future experience. These assumptions vary by product line, payment mode and policy year. As the terms and conditions of the universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

3.7 Expenses and Commissions

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Health. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Health and vary by business lines.

3.8 Tax

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

4. Sensitivity Tests

PICC Health has conducted sensitivity tests on the Embedded Value and Value of Half Year's New Business. In each of these tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change.

The results of sensitivity tests are summarized in Table 4.1 and 4.2.

Table 4.1 Value of In-Force Business of PICC Health as at 30 June 2014 under Alternative Assumptions

(Unit: RMB in millions)

Scenarios	Before CoC	After CoC
Base Scenario	1,931	1,759
Risk Discount Rate at 9%	2,023	1,870
Risk Discount Rate at 11%	1,847	1,660
Investment rate of return plus 50 bps	2,236	2,086
Investment rate of return less 50 bps	1,627	1,434
Expenses increased by 10%	1,821	1,650
Expenses reduced by 10%	2,040	1,868
Lapse rates increased by 10%	1,800	1,648
Lapse rates reduced by 10%	2,083	1,889
Mortality increased by 10%	1,924	1,752
Mortality reduced by 10%	1,937	1,766
Morbidity increased by 10%	1,917	1,746
Morbidity reduced by 10%	1,944	1,772
Short-term business claim ratio increased by 10%	1,194	1,023
Short-term business claim ratio reduced by 10%	2,729	2,558
Participating Ratio (80/20)	1,897	1,725
150% of Minimum Solvency Requirement	1,931	1,630
Taxable Income Based on China Accounting Standards	1,886	1,714

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

Table 4.2 Value of Half Year's New Business for the 6 months up to 30 June 2014 of PICC Health under Alternative Assumptions

(Unit: RMB in millions)

Scenarios	Before CoC	After CoC
Base Scenario	436	404
Risk Discount Rate at 9%	451	423
Risk Discount Rate at 11%	421	387
Investment rate of return plus 50 bps	501	474
Investment rate of return less 50 bps	370	334
Expenses increased by 10%	394	363
Expenses reduced by 10%	477	446
Lapse rates increased by 10%	385	360
Lapse rates reduced by 10%	488	451
Mortality increased by 10%	436	405
Mortality reduced by 10%	436	404
Morbidity increased by 10%	435	404
Morbidity reduced by 10%	436	405
Short-term business claim ratio increased by 10%	235	204
Short-term business claim ratio reduced by 10%	637	605
Participating Ratio (80/20)	434	403
150% of Minimum Solvency Requirement	436	373
Taxable Income Based on China Accounting Standards	384	353

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

Report on Review of Condensed Consolidated Financial Statements

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

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

Introduction

We have reviewed the condensed consolidated financial statements of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 83, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 August 2014

Condensed Consolidated Income Statement

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Gross written premiums	4	**204,544**	158,428
Less: premiums ceded to reinsurers	4	**(18,163)**	(14,696)
Net written premiums	4	**186,381**	143,732
Change in unearned premium reserves		**(17,195)**	(16,154)
Net earned premiums		**169,186**	127,578
Reinsurance commission income		**5,055**	5,003
Investment income	5	**14,145**	15,339
Other income	6	**929**	878
TOTAL INCOME		**189,315**	148,798
Claims and policyholders' benefits	7	**134,596**	96,527
Life insurance death and other benefits paid		**43,928**	11,801
Claims incurred		**64,343**	55,378
Changes in long-term life insurance contract liabilities		**23,759**	27,519
Policyholder dividends		**2,566**	1,829
Handling charges and commissions		**13,311**	11,097
Finance costs	8	**2,770**	2,796
Exchange (gains)/losses, net		**(144)**	407
Other operating and administrative expenses		**29,355**	26,991
TOTAL BENEFITS, CLAIMS AND EXPENSES		**179,888**	137,818
Share of profits and losses of associates		**2,535**	924
PROFIT BEFORE TAX	9	**11,962**	11,904
Income tax expense	10	**(2,710)**	(2,046)
PROFIT FOR THE PERIOD		**9,252**	9,858
Attributable to:			
Equity holders of the parent		**6,614**	7,542
Non-controlling interests		**2,638**	2,316
		9,252	9,858
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
– Basic (in RMB)	12	**0.16**	0.18

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
PROFIT FOR THE PERIOD		**9,252**	9,858
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		**2,612**	(235)
– Reclassification of gains to profit on disposals		**(14)**	(3,675)
– Impairment losses	5(d)	**1,426**	1,287
Income tax effect		**(504)**	98
		3,520	(2,525)
Net gains/(losses) on cash flow hedges		**20**	(37)
Income tax effect		**(5)**	9
		15	(28)
Share of other comprehensive expenses of associates		**(145)**	(76)
Exchange differences on translating foreign operations		**9**	(16)
NET OTHER COMPREHENSIVE INCOME/(EXPENSE) MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**3,399**	(2,645)
Items that will not be reclassified to profit or loss:			
Gains on revaluation of properties and prepaid land premiums upon transfer to investment properties	20	**195**	87
Income tax effect		**(49)**	(22)
		146	65
Actuarial losses on pension benefit obligation		**(223)**	(34)
NET OTHER COMPREHENSIVE (EXPENSE)/INCOME WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(77)**	31
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX		**3,322**	(2,614)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**12,574**	7,244
Attributable to:			
– Equity holders of the parent		**9,092**	5,868
– Non-controlling interests		**3,482**	1,376
		12,574	7,244

Condensed Consolidated Statement of Financial Position

As at 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
ASSETS			
Cash and cash equivalents	13	44,425	46,607
Derivative financial assets	14	30	16
Debt securities	15	247,848	243,756
Equity securities	16	99,646	97,612
Insurance receivables, net	17	42,806	26,762
Reinsurance assets	18, 24	29,300	27,222
Term deposits		162,598	137,607
Restricted statutory deposits		9,346	8,992
Investments in associates	19	29,543	28,268
Investment properties	20	10,602	10,075
Property and equipment	21	21,214	22,054
Intangible assets		575	533
Prepaid land premiums		3,743	3,754
Deferred tax assets		852	1,545
Other assets	22	107,832	100,516
TOTAL ASSETS		810,360	755,319
LIABILITIES			
Securities sold under agreements to repurchase		46,269	44,448
Derivative financial liabilities	14	4	10
Income tax payable		737	57
Due to banks and other financial institutions	23	592	501
Subordinated debts		45,045	46,837
Insurance contract liabilities	24	510,228	461,776
Investment contract liabilities for policyholders	25	28,860	41,640
Policyholder dividends payable		8,260	7,806
Pension benefit obligation		2,768	2,614
Deferred tax liabilities		138	435
Other liabilities		61,387	54,394
TOTAL LIABILITIES		704,288	660,518
EQUITY			
Issued capital	26	42,424	42,424
Reserves		37,816	29,151
Equity attributable to equity holders of the parent		80,240	71,575
Non-controlling interests		25,832	23,226
TOTAL EQUITY		106,072	94,801
TOTAL EQUITY AND LIABILITIES		810,360	755,319

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent													
	Share capital *(note 26)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Asset revaluation	Cash flow hedge	Foreign exchange	Surplus reserve fund*	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance as at 1 January 2014 (Audited)	42,424	19,925	(6,313)	2,845	13	1,716	(3)	(105)	579	(14,989)	25,483	71,575	23,226	94,801
Profit for the period	–	–	–	–	–	–	–	–	–	–	6,614	6,614	2,638	9,252
Other comprehensive income/(expense)	–	–	2,712	–	(130)	102	10	7	–	–	(223)	2,478	844	3,322
Total comprehensive income/(expense)	–	–	2,712	–	(130)	102	10	7	–	–	6,391	9,092	3,482	12,574
Dividends paid to shareholders *(note 11)*	–	–	–	–	–	–	–	–	–	–	(352)	(352)	(976)	(1,328)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	25	25
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	(75)	–	(75)	75	–
Balance as at 30 June 2014 (Unaudited)	42,424	19,925	(3,601)	2,845	(117)	1,818	7	(98)	579	(15,064)	31,522	80,240	25,832	106,072

* This reserve contains both statutory and discretionary surplus reserves.

Condensed Consolidated Statement of Changes In Equity (continued)

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent													
	Share capital *(note 26)*	Share premium account	Available–for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Asset revaluation	Cash flow hedge	Foreign exchange	Surplus reserve fund*	Other reserves	Retained profits	Subtotal	Non-controlling interests	Total equity
Balance as at 1 January 2013 (Audited)	42,424	19,925	(4,457)	2,049	141	1,513	28	(84)	317	(14,889)	18,407	65,374	17,968	83,342
Profit for the period	–	–	–	–	–	–	–	–	–	–	7,542	7,542	2,316	9,858
Other comprehensive (expense)/income	–	–	(1,577)	–	(76)	46	(21)	(12)	–	–	(34)	(1,674)	(940)	(2,614)
Total comprehensive income/(expense)	–	–	(1,577)	–	(76)	46	(21)	(12)	–	–	7,508	5,868	1,376	7,244
Dividends paid to shareholders *(note 11)*	–	–	–	–	–	–	–	–	–	–	(163)	(163)	(8)	(171)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	2,915	2,915
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	(29)	–	(29)	29	–
Balance as at 30 June 2013 (Unaudited)	42,424	19,925	(6,034)	2,049	65	1,559	7	(96)	317	(14,918)	25,752	71,050	22,280	93,330

* This reserve contains both statutory and discretionary surplus reserves.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Net cash flows from operating activities	**20,268**	31,714
Net cash flows used in investing activities	**(20,394)**	(31,874)
Net cash flows used in financing activities	**(2,060)**	(13,272)
Net decrease in cash and cash equivalents	**(2,186)**	(13,432)
Cash and cash equivalents as at the beginning of the period	**46,607**	73,873
Effects of exchange rate changes on cash and cash equivalents	**4**	(321)
Cash and cash equivalents as at the end of the period	**44,425**	60,120

(Amounts in millions of Renminbi, unless otherwise stated)

1. CORPORATE INFORMATION

The People's Insurance Company (Group) of China Limited (the "Company") was established on 22 August 1996 in the People's Republic of China (the "PRC") and its registered office is located at No. 69, Dongheyan Street, Xuanwu District, Beijing 100052, PRC. The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the PRC government. The ultimate controlling party of the Company is the Ministry of Finance of the PRC ("MOF").

The Company is an investment holding company. During the six months ended 30 June 2014, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses. The Company and its subsidiaries are collectively referred to as the "Group".

2.1 BASIS OF PREPARATION

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

The condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties, certain financial instruments, which have been measured at fair value and insurance contract liabilities, which have been measured based on actuarial methods. The condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption, for the first time, of the following new interpretation and amendments to standards effective for the current period's condensed consolidated financial statements that are relevant to the Group.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

2.2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are simultaneous. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness. The amendments did not have significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

IFRIC 21 – *Levies*

IFRIC 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. The amendments did not have any significant impact on the financial position or performance of the Group for the six months ended 30 June 2014.

3. OPERATING SEGMENT INFORMATION

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

- The non-life insurance segment offers a wide variety of insurance products to both private and corporate customers including automobile insurance, non-automobile insurance and accident and health insurance.

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

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

- The asset management segment comprises asset management services.

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

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

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

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

Intersegment sales are transacted according to terms and conditions agreed by the relevant parties within the Group.

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

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2014:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	99,953	58,124	11,134	–	–	–	(25)	169,186
Reinsurance commission income	4,913	15	127	–	–	–	–	5,055
Investment income	5,048	7,926	718	194	2,617	2	(2,360)	14,145
Other income	498	154	44	393	7	183	(350)	929
TOTAL INCOME – SEGMENT REVENUE	110,412	66,219	12,023	587	2,624	185	(2,735)	189,315
– External income	110,378	66,181	12,012	315	322	107	–	189,315
– Intersegment income	34	38	11	272	2,302	78	(2,735)	–
Claims and policyholders' benefits	62,387	61,217	10,992	–	–	–	–	134,596
Handling charges and commissions	11,421	1,797	212	–	–	–	(119)	13,311
Finance costs	923	962	339	7	525	14	–	2,770
Exchange gains, net	(63)	(44)	(1)	–	(36)	–	–	(144)
Other operating and administrative expenses	25,983	2,276	668	244	236	211	(263)	29,355
TOTAL BENEFITS, CLAIMS AND EXPENSES	100,651	66,208	12,210	251	725	225	(382)	179,888
Share of profits and losses of associates	1,177	1,055	–	(5)	397	–	(89)	2,535
PROFIT/(LOSS) BEFORE TAX	10,938	1,066	(187)	331	2,296	(40)	(2,442)	11,962
Income tax (expense)/credit	(2,479)	(40)	–	(109)	(79)	–	(3)	(2,710)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	8,459	1,026	(187)	222	2,217	(40)	(2,445)	9,252

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

Segment revenue and results for the six months ended 30 June 2013:

(Unaudited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	87,718	37,566	2,297	–	–	–	(3)	127,578
Reinsurance commission income	4,750	17	236	–	–	–	–	5,003
Investment income	6,055	8,200	626	283	938	4	(767)	15,339
Other income	374	287	65	337	1	113	(299)	878
TOTAL INCOME – SEGMENT REVENUE	98,897	46,070	3,224	620	939	117	(1,069)	148,798
– External income	98,804	46,034	3,219	414	273	54	–	148,798
– Intersegment income	93	36	5	206	666	63	(1,069)	–
Claims and policyholders' benefits	53,936	40,466	2,125	–	–	–	–	96,527
Handling charges and commissions	9,651	1,447	95	–	–	–	(96)	11,097
Finance costs	974	1,200	365	1	245	11	–	2,796
Exchange losses, net	9	71	1	1	325	–	–	407
Other operating and administrative expenses	23,693	2,254	703	286	179	135	(259)	26,991
TOTAL BENEFITS, CLAIMS AND EXPENSES	88,263	45,438	3,289	288	749	146	(355)	137,818
Share of profits and losses of associates	393	301	–	–	323	–	(93)	924
PROFIT/(LOSS) BEFORE TAX	11,027	933	(65)	332	513	(29)	(807)	11,904
Income tax (expense)/credit	(2,006)	73	–	(63)	(54)	25	(21)	(2,046)
PROFIT/(LOSS) FOR THE PERIOD – SEGMENT RESULTS	9,021	1,006	(65)	269	459	(4)	(828)	9,858

(Amounts in millions of Renminbi, unless otherwise stated)

3. OPERATING SEGMENT INFORMATION *(continued)*

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

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
30 June 2014 (Unaudited)								
Segment assets	**365,086**	**376,414**	**38,058**	**7,723**	**103,659**	**5,461**	**(86,041)**	**810,360**
Segment liabilities	**298,573**	**351,144**	**35,052**	**1,715**	**21,445**	**1,742**	**(5,383)**	**704,288**
31 December 2013 (Audited)								
Segment assets	321,971	366,913	29,144	7,448	105,503	5,413	(81,073)	755,319
Segment liabilities	262,799	344,195	27,841	1,631	24,749	1,653	(2,350)	660,518

The headquarters, non-life insurance and life insurance segments hold equity interests of 0.91%, 4.98% and 4.98%, respectively, in an associate. These interests are accounted for as available-for-sale financial assets in the financial statements of the Company and a principal subsidiary. On consolidation, these interests in aggregate are accounted for as an associate and the impacts of relevant adjustments to the condensed consolidated financial statements are allocated to the respective segments according to their respective equity interest holding.

(Amounts in millions of Renminbi, unless otherwise stated)

4. GROSS AND NET WRITTEN PREMIUMS

		Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
(a)	Gross written premiums		
	Long-term life insurance premiums	**66,185**	37,430
	Short-term life insurance premiums	**6,197**	5,290
	Non-life insurance premiums	**132,162**	115,708
	Total	**204,544**	158,428
(b)	Premiums ceded to reinsurers		
	Long-term life insurance premiums ceded to reinsurers	**(134)**	(119)
	Short-term life insurance premiums ceded to reinsurers	**(1,438)**	(1,618)
	Non-life insurance premiums ceded to reinsurers	**(16,591)**	(12,959)
	Total	**(18,163)**	(14,696)
	Net written premiums	**186,381**	143,732

5. INVESTMENT INCOME

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Dividend, interest and rental income (a)	**15,406**	12,607
Realised gains/(losses) (b)	**42**	3,727
Fair value gains (c)	**123**	292
Impairment losses (d)	**(1,426)**	(1,287)
Total	**14,145**	15,339

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(a) Dividend, interest and rental income

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Operating lease income from investment properties	**122**	127
Interest income		
Current and term deposits	**4,535**	3,548
Debt securities		
– Held-to-maturity	**3,009**	2,958
– Available-for-sale	**2,873**	2,092
– Held for trading	**51**	40
Derivative financial assets	**3**	19
Loans and receivables	**2,669**	1,725
Subtotal	**13,140**	10,382
Dividend income		
Equity securities		
– Available-for-sale	**1,703**	2,011
– Held for trading	**441**	87
Subtotal	**2,144**	2,098
Total	**15,406**	12,607

(Amounts in millions of Renminbi, unless otherwise stated)

5. INVESTMENT INCOME *(continued)*

(b) Realised gains/(losses)

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Debt securities		
– Available-for-sale	**(7)**	10
– Held for trading	**–**	18
Equity securities		
– Available-for-sale	**21**	3,727
– Held for trading	**16**	(28)
– Gain on disposal of subsidiaries	**12**	–
Total	**42**	3,727

(c) Fair value gains

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Debt securities		
– Held for trading	**41**	5
Equity securities		
– Held for trading	**79**	77
Derivative financial instruments		
– Held for trading	**–**	8
Investment properties *(note 20)*	**3**	202
Total	**123**	292

(d) Impairment losses

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Equity securities		
– Available-for-sale	**(1,426)**	(1,287)

(Amounts in millions of Renminbi, unless otherwise stated)

6. OTHER INCOME

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Management fee charged to policyholders	135	293
Disposal gains from property and equipment	22	31
Government grants	107	37
Others	665	517
Total	929	878

7. CLAIMS AND POLICYHOLDERS' BENEFITS

	Six months ended 30 June 2014		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	43,931	3	43,928
Claims incurred	74,255	9,912	64,343
– Short-term life insurance	2,798	843	1,955
– Non-life insurance	71,457	9,069	62,388
Changes in long-term life insurance contract liabilities	23,753	(6)	23,759
Policyholder dividends	2,566	–	2,566
Total	144,505	9,909	134,596

	Six months ended 30 June 2013		
(Unaudited)	Gross	Ceded	Net
Life insurance death and other benefits paid	11,808	7	11,801
Claims incurred	63,101	7,723	55,378
– Short-term life insurance	2,324	881	1,443
– Non-life insurance	60,777	6,842	53,935
Changes in long-term life insurance contract liabilities	27,507	(12)	27,519
Policyholder dividends	1,829	–	1,829
Total	104,245	7,718	96,527

(Amounts in millions of Renminbi, unless otherwise stated)

8. FINANCE COSTS

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Interest expenses		
Securities sold under agreements to repurchase	**662**	787
Subordinated debts	**1,241**	893
Due to banks and other financial institutions	**21**	13
Interest credited to policyholders *(note 25)*	**793**	1,049
Pension benefit obligation unwound	**60**	55
Less: amounts capitalised in qualifying assets	**(7)**	(1)
Total	**2,770**	2,796

9. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Employee costs	**13,689**	11,739
Depreciation of property and equipment	**1,062**	1,014
Impairment losses recognised on insurance receivables *(note 17)*	**102**	175
Impairment losses recognised/(reversed) on other receivables	**–**	(2)
Minimum lease payments under operating leases in respect of land and buildings	**392**	320
Amortisation of intangible assets and prepaid land premiums	**120**	105

(Amounts in millions of Renminbi, unless otherwise stated)

10. INCOME TAX EXPENSE

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Current income tax		
– Charge for the period	2,848	2,133
– Adjustments in respect of current tax of previous periods	23	–
Deferred income tax	(161)	(87)
Total	2,710	2,046

In accordance with the relevant PRC income tax rules and regulations, the Company and the Company's subsidiaries registered in the PRC are subject to corporate income tax at the statutory rate of 25% (six months ended 30 June 2013: 25%) on their respective taxable income. Income taxes on taxable income elsewhere were calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. DIVIDEND

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Final dividends recognised as distribution during the period:		
Year 2012 Final-RMB 0.38458 cent per share	–	163
Year 2013 Final-RMB 0.83 cent per share	352	–

The Company has determined that no interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil) will be paid.

(Amounts in millions of Renminbi, unless otherwise stated)

12. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2014 and the six months ended 30 June 2013 is based on the profit attributable to equity holders of the parent and the number of ordinary shares in issue during the periods.

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Profit attributable to equity holders of the parent for the period	**6,614**	7,542
Number of ordinary shares (in million shares)	**42,424**	42,424
Basic earnings per share *(in RMB)*	**0.16**	0.18

No diluted earnings per share has been presented for the six months ended 30 June 2014 and 2013 as the Group had no potential ordinary shares in issue during the periods.

13. CASH AND CASH EQUIVALENTS

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Cash on hand	**3**	6
Securities purchased under resale agreements with original maturity of less than three months	**2,773**	6,583
Deposits with banks with original maturity of less than three months	**41,649**	40,018
Total	**44,425**	46,607

(Amounts in millions of Renminbi, unless otherwise stated)

14. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

(Unaudited)	30 June 2014 Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	**6,400**	**30**	**(4)**

(Audited)	31 December 2013 Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate swaps			
– Hedging instruments	6,380	16	(10)

Interest rate swaps are stated at fair values.

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

(Amounts in millions of Renminbi, unless otherwise stated)

15. DEBT SECURITIES

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Classification of debt securities		
Held for trading, at fair value		
– Government bonds	1,037	962
– Corporate bonds	708	178
– Financial bonds	1,320	827
Available-for-sale, at fair value		
– Government bonds	8,889	12,390
– Corporate bonds	80,041	73,638
– Financial bonds	30,852	30,945
Held-to-maturity, at amortised cost		
– Government bonds	5,838	5,839
– Corporate bonds	34,612	35,089
– Financial bonds	84,551	83,888
Total debt securities	247,848	243,756
Listed debt securities	41,574	41,724
Unlisted debt securities	206,274	202,032
Total debt securities	247,848	243,756

Unlisted debt securities are traded in interbank market in the Mainland China or other active over-the-counter market.

(Amounts in millions of Renminbi, unless otherwise stated)

16. EQUITY SECURITIES

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Investments, at fair value		
Mutual funds	54,283	49,169
Shares	18,951	20,031
Subtotal	73,234	69,200
Investments, at cost less impairment		
Shares	1,612	1,612
Trust schemes	24,800	26,800
Total equity securities	99,646	97,612
Classification of equity securities		
Held for trading, at fair value		
– issued by banks and other financial institutions	17,719	16,677
– issued by corporate entities	98	103
Available-for-sale, at fair value		
– issued by banks and other financial institutions	40,761	36,764
– issued by corporate entities	13,932	14,880
– issued by public sector entities	599	585
– issued by others	125	191
Available-for-sale, at cost less impairment		
– issued by banks and other financial institutions	26,272	28,272
– issued by corporate entities	140	140
Total equity securities	99,646	97,612
Listed equity securities	19,952	20,800
Unlisted equity securities	79,694	76,812
Total equity securities	99,646	97,612

Unlisted equity investments and trust schemes with a carrying amount of RMB26,412 million as at 30 June 2014 (31 December 2013: RMB28,412 million) were carried at cost less impairment, as their fair values cannot be measured reliably. Returns on these trust schemes are not fixed nor determinable and depend on the performance of underlying assets. Asset managers of these schemes do not publish any fair value of their underlying assets on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

17. INSURANCE RECEIVABLES, NET

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Insurance receivables	45,206	29,075
Less: impairment provision on insurance receivables	(2,400)	(2,313)
Total	42,806	26,762

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

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
At the beginning of the period	2,313	2,414
Impairment losses recognised *(note 9)*	102	175
Amount written off as uncollectible	(15)	(71)
At the end of the period	2,400	2,518

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Not yet due and within 3 months	32,689	24,813
3 to 6 months	7,318	1,031
6 to 12 months	2,107	671
1 to 2 years	487	177
Over 2 years	205	70
Total	42,806	26,762

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

(Amounts in millions of Renminbi, unless otherwise stated)

17. INSURANCE RECEIVABLES, NET *(continued)*

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

18. REINSURANCE ASSETS

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Reinsurers' share of		
Unearned premium reserves	**12,674**	11,200
Claim reserves	**16,564**	15,954
Long-term life insurance reserves	**62**	68
Total	**29,300**	27,222

19. INVESTMENTS IN ASSOCIATES

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Share of net assets:		
Listed investments in Mainland China	**23,683**	22,472
Unlisted investments	**5,860**	5,796
Total	**29,543**	28,268
Fair value of shares listed in Mainland China	**17,581**	18,679

As at 30 June 2014, except for the Industrial Bank Co., Ltd. ("Industrial Bank") which was listed on The Shanghai Stock Exchange, Mainland China, all other associates that the Group holds interests in are unlisted companies. Since Industrial Bank's shares are subject to a lock-up period of 36 months, in estimation of their fair values, the Group used quoted price of the shares taking into account of non-marketability discount estimated using Black-Scholes option pricing model.

(Amounts in millions of Renminbi, unless otherwise stated)

19. INVESTMENTS IN ASSOCIATES *(continued)*

For the year ended 31 December 2013, as permitted by International Accounting Standard 28 "Investments in Associates and Joint Ventures", the Group accounted for the share of profit of Industrial Bank from 8 May 2013 to 30 September 2013 (which the most recent financial information was publicly available when the Group announced its final results for the year ended 31 December 2013). Accordingly, for the six months ended 30 June 2014, the Group accounts for the share of profit of Industrial Bank from 1 October 2013 to 31 March 2014.

As at 30 June 2014, the Industrial Bank issued an announcement about the shareholders' general meeting's approval of the final dividend distribution in respect of the year ended 31 December 2013 and the Group recognises the dividend income on the same date. Therefore, when applying the equity method to this associate, the Group adjusted the carrying amount of the share of the net assets of this associate by the corresponding dividends receivable.

The Group recognised dividend income of RMB952 million (six months ended 30 June 2013: RMB787 million) and RMB146 million (six months ended 30 June 2013: RMB283 million) from Industrial Bank and China Credit Trust Company Limited ("China Credit Trust"), respectively, during the six months ended 30 June 2014.

20. INVESTMENT PROPERTIES

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Beginning of the period	**10,075**	8,450
Additions	**22**	4
Transfer from property and equipment	**491**	36
Transfer from prepaid land premiums	**38**	11
Gains on revaluation of properties upon transfer from property and equipment	**122**	74
Gains on revaluation of properties upon transfer from prepaid land premiums	**73**	13
Increase in fair value of investment properties *(note 5(c))*	**3**	202
Transfer to property and equipment	**(125)**	(178)
Transfer to prepaid land premiums	**(87)**	(91)
Disposals	**(10)**	(13)
End of the period	**10,602**	8,508

20. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties were revalued as at the end of the reporting period. Valuations were based on combination of the following two approaches:

(1) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or

(2) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The management or independent valuers determine the fair value of the investment properties as a weighted average of valuations produced by these two approaches according to their professional judgement.

The Group has not pledged any investment properties as at 30 June 2014 and 31 December 2013.

The Group's investment properties mainly pertain to properties located in Mainland China and are held under medium-term lease.

21. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired assets with a cost of RMB615 million (six months ended 30 June 2013: RMB965 million).

Assets with a net book value of RMB26 million were disposed of by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: RMB19 million), resulting in a net disposal gain of RMB22 million (six months ended 30 June 2013: RMB31 million).

During the six months ended 30 June 2014, construction in progress with an aggregate amount of RMB170 million (six months ended 30 June 2013: RMB2 million) was transferred to buildings.

Information on transfer to/from investment properties is set out in note 20.

(Amounts in millions of Renminbi, unless otherwise stated)

22. OTHER ASSETS

Carrying values of other assets are as follows:

	Note	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
Loans and debts	(a)	**81,107**	73,542
Other receivables		**1,485**	1,241
Amount due from MOF		**707**	707
Interests receivable		**10,864**	9,526
Dividends receivable		**1,413**	296
Policy loans		**5,688**	6,203
Others		**6,568**	9,001
Total		**107,832**	100,516

Policy loans are secured by cash values of the relevant insurance policies and carry interest rates at 6.00%-6.45% (31 December 2013: 6:00%-6.46%) per annum as at 30 June 2014.

(a) Loans and debts

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Subordinated debts held	**720**	1,420
Long-term debt investment schemes	**78,387**	72,122
Reinsurance arrangement classified as an investment contract	**2,000**	–
Total	**81,107**	73,542

The original terms of subordinated debts are 10 years with a redemption right exercisable by the issuer as at the end of fifth year after its issue. The interest rates of these debts are 4.65%-5.8% (31 December 2013: 4.2%-5.8%) per annum as at 30 June 2014.

Long-term debt investment schemes offer either fixed or variable interests. The interest rates of these schemes are 5.24%-7.5% (31 December 2013: 4.75%-7.5%) per annum as at 30 June 2014.

Included in the balance of reinsurance arrangement classified as an investment contract was an amount paid under a reinsurance arrangement which did not transfer significant insurance risk. This arrangement offered a fixed interest rate of 6.35% per annum. Both the Group and the reinsurer have a right to terminate the arrangement at the end of or subsequent to the fifth anniversary of the effective date of the reinsurance contract.

(Amounts in millions of Renminbi, unless otherwise stated)

23. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Short-term borrowings within one year	–	5
Long-term borrowings		
– Due more than 5 years	592	496
Total	592	501

Maturity profile of borrowings is disclosed in note 28.

24. INSURANCE CONTRACT LIABILITIES

	30 June 2014		
(Unaudited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	302,165	62	302,103
Short-term life insurance contracts			
– Claim reserves	2,295	587	1,708
– Unearned premium reserves	3,500	744	2,756
Non-life insurance contracts			
– Claim reserves	99,096	15,977	83,119
– Unearned premium reserves	103,172	11,930	91,242
Total insurance contract liabilities	510,228	29,300	480,928

	31 December 2013		
(Audited)	Insurance contract liabilities	Reinsurers' share	Net
Long-term life insurance contracts	278,412	68	278,344
Short-term life insurance contracts			
– Claim reserves	3,310	1,041	2,269
– Unearned premium reserves	1,392	188	1,204
Non-life insurance contracts			
– Claim reserves	92,051	14,913	77,138
– Unearned premium reserves	86,611	11,012	75,599
Total insurance contract liabilities	461,776	27,222	434,554

(Amounts in millions of Renminbi, unless otherwise stated)

25. INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Interest-bearing deposits	27,126	39,747
Non-interest-bearing deposits	1,734	1,893
Total	28,860	41,640

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

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Beginning of the period	41,640	50,312
Deposits received after deducting fees	3,633	15,322
Deposits withdrawn	(17,206)	(14,285)
Interest credited *(note 8)*	793	1,049
End of the period	28,860	52,398

26. SHARE CAPITAL

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Issued and fully paid ordinary shares of RMB 1 each (in million shares)		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424
Share capital		
Domestic shares	33,698	33,698
H shares	8,726	8,726
	42,424	42,424

27. RISK MANAGEMENT FRAMEWORK AND POLICY

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to adjust the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and borrowings. The Group also makes reinsurance arrangements to manage its regulatory capital requirements.

The Group has had no significant changes in its policies and processes in respect of its capital structure during the six months ended 30 June 2014.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitoring closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

(d) Risk management policy

Insurance risk

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

27. RISK MANAGEMENT FRAMEWORK AND POLICY *(continued)*

(d) Risk management policy *(continued)*

Insurance risk (continued)

When the underwriting risks principally are mortality risks, epidemics, widespread changes in lifestyle and natural disasters may result in earlier or more claims than expected; when the underwriting risks principally are longevity risks, continued improvement in medical science and social conditions that would improve longevity any may result in losses to annuity or similar contracts. For contracts with discretionary participation features, a significant portion of these insurance risks are shared with the insured parties. Insurance risk of life insurance contracts is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resultant insurance risk is subject to policyholders' behavior and decisions. For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities.

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Certain reinsurance arrangements contain profit commissions, sliding commissions and loss participation limits. Meanwhile, catastrophic reinsurance is used to limit the Group's exposure to certain severe disasters. Even though the Group may have reinsurance arrangements, it is not relieved of the its direct obligations to its policyholders and thus a credit exposure exists with respect of reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, subordinated debts, debt investment schemes, reinsurance arrangement classified as an investment contract, interests receivable, policy loans, other receivables, investments in debt securities, insurance receivables and reinsurance arrangements with reinsurers. Majority of the Group's financial assets are bond investments which include government bonds, financial bonds, corporate bonds with high credit ratings and term deposits with state-owned commercial banks. Therefore, the Group is exposed to relatively low credit risks for these financial assets. The Group evaluates its credit risks in investments by both qualitative and quantitative analysis, including studying the relevant industry, enterprise management, financial factors, company prospects, as well as the use of internal credit models. The Group mitigates credit risk by using a variety of methods including impositions of aggregate counterparty exposure limits and increasing the diversification of fixed income investment portfolios.

27. RISK MANAGEMENT FRAMEWORK AND POLICY *(continued)*

(d) Risk management policy *(continued)*

Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due. The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group manages liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

Currency risk

Currency risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's principal operations and transactions are conducted in RMB, and is also exposed to foreign exchange risk respect to United States dollar ("USD") because certain non-life insurance contracts are denominated in USD. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. The Group manages interest rate risk by monitoring the average duration and expiry dates as well as adjusting composition of portfolio.

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices. The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

(Amounts in millions of Renminbi, unless otherwise stated)

28. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The table below summarises the remaining contractual maturity profile of the financial assets, liabilities and pension benefit obligations of the Group based on undiscounted contractual cash flows.

	As at 30 June 2014 (Unaudited)						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	39,322	5,167	–	–	–	–	44,489
Derivative financial assets	–	1	19	5	–	–	25
Debt securities	–	7,454	18,923	102,975	252,957	–	382,309
– Held for trading	–	602	620	1,406	1,110	–	3,738
– Available-for-sale	–	6,516	15,161	72,646	74,718	–	169,041
– Held-to-maturity	–	336	3,142	28,923	177,129	–	209,530
Equity securities	–	–	–	23,300	1,500	74,846	99,646
Insurance receivables, net	22,557	11,578	7,250	1,319	102	–	42,806
Term deposits	–	5,840	10,274	159,724	10,154	–	185,992
Restricted statutory deposits	–	9	1,034	9,428	–	–	10,471
Other financial assets	3,327	9,999	15,768	58,808	41,416	–	129,318
Total financial assets	65,206	40,048	53,268	355,559	306,129	74,846	895,056
Securities sold under agreements to repurchase	–	46,296	–	–	–	–	46,296
Derivative financial liabilities	–	(1)	–	2	–	–	1
Due to banks and other financial institutions	–	10	39	606	206	–	861
Subordinated debts	–	225	1,740	14,189	49,184	–	65,338
Investment contract liabilities for policyholders	22,873	371	1,820	170	3,665	–	28,899
Policyholder dividends payable	8,260	–	–	–	–	–	8,260
Pension benefit obligation	–	51	152	781	3,516	–	4,500
Other financial liabilities	14,324	26,474	8,279	1,293	131	–	50,501
Total financial liabilities	45,457	73,426	12,030	17,041	56,702	–	204,656

(Amounts in millions of Renminbi, unless otherwise stated)

28. MATURITY PROFILE OF FINANCIAL INSTRUMENTS *(continued)*

	As at 31 December 2013 (Audited)						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
Cash and cash equivalents	34,534	12,181	–	–	–	–	46,715
Derivative financial assets	–	–	4	7	–	–	11
Debt securities	–	1,898	19,696	101,692	253,888	–	377,174
– Held for trading	–	435	415	992	353	–	2,195
– Available-for-sale	–	1,251	15,386	72,035	74,105	–	162,777
– Held-to-maturity	–	212	3,895	28,665	179,430	–	212,202
Equity securities	–	–	–	25,300	1,500	70,812	97,612
Insurance receivables, net	6,285	15,219	2,554	2,685	19	–	26,762
Term deposits	–	7,873	7,767	133,898	8,818	–	158,356
Restricted statutory deposits	–	13	73	10,170	–	–	10,256
Other financial assets	3,941	13,653	13,830	40,311	50,243	–	121,978
Total financial assets	44,760	50,837	43,924	314,063	314,468	70,812	838,864
Securities sold under agreements to repurchase	–	44,476	–	–	–	–	44,476
Derivative financial liabilities	–	2	2	(1)	–	–	3
Due to banks and other financial institutions	36	13	25	478	216	–	768
Subordinated debts	–	7	1,413	13,380	53,949	–	68,749
Investment contract liabilities for policyholders	35,141	792	1,523	632	3,591	–	41,679
Policyholder dividends payable	7,806	–	–	–	–	–	7,806
Pension benefit obligation	–	51	154	788	3,595	–	4,588
Other financial liabilities	9,358	24,905	4,666	1,183	126	–	40,238
Total financial liabilities	52,341	70,246	7,783	16,460	61,477	–	208,307

(Amounts in millions of Renminbi, unless otherwise stated)

29. FAIR VALUE AND FAIR VALUE HIERARCHY

This note provides information on how the Group determine the fair values of various financial assets and liabilities.

Fair value of financial instruments

Financial instruments that are measured at fair value subsequent to initial recognition or fair value has been disclosed, are grouped into three levels based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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

Item	Fair value		Fair value	
	30 June 2014	31 December 2013	hierarchy	Valuation technique(s) and key input(s)
Derivative financial assets				
– Interest rate swaps	30	16	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves as at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivative financial liabilities				
– Interest rate swaps	4	10	Level 2	Discounted cash flow with future cash flows that are estimated based on forward interest rates (from observable yield curves as at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Held for trading debt securities	12	12	Level 1	Quoted bid prices in an active market.
Held for trading debt securities	3,053	1,955	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Available-for-sale debt securities	34,030	34,180	Level 1	Quoted bid prices in an active market.
Available-for-sale debt securities	85,752	82,793	Level 2	Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.
Held for trading equity securities	17,817	16,780	Level 1	Quoted bid prices in an active market.
Available-for-sale equity securities	55,417	52,420	Level 1	Quoted bid prices in an active market.

During the six months ended 30 June 2014 and the six months ended 30 June 2013, the Group does not have any assets transferred between fair value hierarchy Level 2 and Level 3.

(Amounts in millions of Renminbi, unless otherwise stated)

29. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

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

The following table summarises the carrying values and the fair values of held-to-maturity financial assets, loans and debts held and subordinated debts issued, which are not carried at fair value. Except for those disclosed below, the fair values of the financial assets and financial liabilities are considered approximate to their carrying values recognised in these condensed consolidated financial statements.

	As at 30 June 2014	
	Carrying amounts	Fair value
Financial assets		
Held-to-maturity financial assets	**125,001**	**119,194**
Loans and debts	**81,107**	**84,199**
Financial liabilities		
Subordinated debts	**45,045**	**46,486**

	As at 31 December 2013	
	Carrying amounts	Fair value
Financial assets		
Held-to-maturity financial assets	124,816	111,579
Loans and debts	73,542	72,786
Financial liabilities		
Subordinated debts	46,837	46,422

30. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or an outflow of resources embodying economic benefits is not probable.

(2) The Company underwent restructuring and reorganisation during the period from 1996 and 1998. As a result of the restructuring and reorganisation, the Company and another insurance company were spun off from the predecessor company, the People's Insurance Company of China, and each spun-off entity inherited certain assets and liabilities. During the process, the Company owed certain amounts to that insurance company and settled these debts by cash payments, assets or by certain offsetting arrangements. Due to the long history and turnover of staff, the Company is not able to reach an agreement with that insurance company regarding the balances of debts that have been repaid in the form of assets or receivables. Potentially, certain receivables or payables may exist among these entities. However, the Company's management is of the opinion that the debts have been fully repaid, and therefore any contingent indebtedness will not significantly impact these condensed consolidated financial statements.

(3) As at the report date, there were various title defects for certain investment properties, property and equipment, prepaid land premiums and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Due to historical reasons, the Group owned a large number of branches and subsidiaries. Although these branches or subsidiaries may have been closed or liquidated, the Group may still have exposures to any non-compliance committed by these branches or subsidiaries.

Other than the above, as at 30 June 2014, the Group had no significant contingencies to disclose.

(Amounts in millions of Renminbi, unless otherwise stated)

30. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases

(1) Capital commitments

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Property and equipment commitments:		
Contracted, but not provided for	1,047	896
Authorised, but not contracted for	3,804	3,210
Total	4,851	4,106

(2) Operating leases

(i) As lessor

The Group leases its investment properties (note 20) under operating lease arrangements, with lease terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2014 and 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Within one year	183	216
In the second to third years, inclusive	199	206
After three years	158	143
Total	540	565

(Amounts in millions of Renminbi, unless otherwise stated)

30. CONTINGENCIES AND COMMITMENTS *(continued)*

(b) Capital commitments and operating leases *(continued)*

(2) Operating leases (continued)

(ii) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to ten years.

Future minimum lease payments under non-cancellable operating leases as at 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Within one year	329	425
In the second to third years, inclusive	578	517
After three years	385	470
Total	1,292	1,412

31. RELATED PARTY DISCLOSURES

(a) The Company is a state-owned enterprise and its controlling shareholder is MOF.

(b) During the six months ended 30 June 2014 and 30 June 2013, the Group had the following significant related party transactions:

Transactions with associates	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Gross written premiums		
Industrial Bank	171	–
Interest income		
Industrial Bank	26	16
Finance costs		
China Credit Trust	54	–
Industrial Bank	74	10

Transactions with these associates were conducted on a basis with reference to prevailing rates with other third parties.

(Amounts in millions of Renminbi, unless otherwise stated)

31. RELATED PARTY DISCLOSURES *(continued)*

(c) Balances with related parties

Receivables from related parties	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Cash and cash equivalents		
Industrial Bank	**369**	301
Debt securities		
Industrial Bank	**3,243**	2,138
Equity securities		
China Credit Trust *(Note)*	**23,300**	25,300
Term deposits		
Industrial Bank	**1,111**	1,774
Other assets		
The MOF	**707**	707
China Credit Trust	**439**	294
Industrial Bank	**1,020**	67
Total	**30,189**	30,581

Payables to related parties	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Subordinated debts		
Industrial Bank	**2,840**	2,835
Other liabilities		
China Credit Trust	**–**	687
Industrial Bank	**41**	54
Total	**2,881**	3,576

Note: The Group invests in a trust scheme that is controlled by China Credit Trust. This trust scheme is classified as an equity investment and further details are set out in note 16 to these condensed consolidated financial statements.

(d) Key management personnel

Key management personnel include directors, supervisors and senior management team members.

No transactions have been entered with the key management personnel during the six months ended 30 June 2014 other than the emoluments paid to them (being the key management personnel compensation).

31. RELATED PARTY DISCLOSURES *(continued)*

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

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

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

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

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board of Directors of the Company on 22 August 2014.

Other Information

INTERESTS IN SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 30 June 2014, none of the Directors, Supervisors and senior management of the Company had any interests or short positions in any shares, underlying shares or securities of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directions of Listed Issues as set out in the Appendix 10 to the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

CHANGE IN THE BOARD OF DIRECTORS AND THE BOARD OF SUPERVISORS

During the reporting period, the changes in Directors were as follows:

On 27 December 2013, the Company held the second extraordinary general meeting of the Company in 2013 for the purpose of electing Mr. Wu Yan, Mr. Wang Yincheng, Ms. Zhuang Chaoying and Mr. Zhou Liqun as the Executive Directors for the second session of the Company's board of directors (the "Board"); electing Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Li Shiling, Ms. Zhang Hanlin and Mr. Ma Qiang as the Non-executive Directors for the second session of the Board; and electing Mr. Xiang Huaicheng, Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Xu Dingbo and Mr. Luk Kin Yu, Peter* as the Independent Non-executive Directors for the second session of the Board. The qualifications of Ms. Zhuang Chaoying, Mr. Zhou Liqun, Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Li Shiling and Mr. Ma Qiang as the Directors of the Company have been approved by the CIRC in March 2014.

Mr. Li Liangwen, Mr. Cao Guangsheng, Mr. Liu Yeqiao and Mr. Qi Shaojun retired from office with effect from March 2014.

In March 2014, the Company convened the first meeting of the second session of the Board, at which Mr. Wu Yan was elected as the chairman of the second session of the Board, and Mr.Wang Yincheng was elected as the Vice chairman of the second session of the Board.

On the date of this interim report, the members of the Board are:

Mr. Wu Yan *(chairman of the Board and Executive Director)*
Mr. Wang Yincheng *(Vice chairman of the Board and Executive Director)*
Ms. Zhuang Chaoying *(Executive Director)*
Mr. Zhou Liqun *(Executive Director)*
Mr. Yao Zhiqiang *(Non-executive Director)*
Mr. Wang Qiao *(Non-executive Director)*
Ms. Li Shiling *(Non-executive Director)*
Ms. Zhang Hanlin *(Non-executive Director)*
Mr. Ma Qiang *(Non-executive Director)*
Mr. Xiang Huaicheng *(Independent Non-executive Director)*
Mr. Lau Hon Chuen *(Independent Non-executive Director)*
Mr. Mr Du Jian *(Independent Non-executive Director)*
Mr. Luk Kin Yu, Peter* *(Independent Non-executive Director)*
Mr. Xu Dingbo *(Independent Non-executive Director)*

In March 2014, Mr. Xiang Huaicheng was elected as the chairman of the nomination and remuneration committee, and Mr. Du Jian, Mr. Xu Dingbao, Mr. Luk Kin Yu, Peter* and Mr. Wang Qiao were elected as the members of the nomination and remuneration committee, at the first meeting of the second session of the Board.

In March 2014, Mr. Xu Dingbo was elected as the chairman of the audit committee, Mr. Lau Hon Chuen, Mr. Luk Kin Yu, Peter* and Mr. Yao Zhiqiang were elected as members of the audit committee, at the second meeting of the second session of the Board.

Pursuant to the articles of association of the Company (the "Articles of Association"), Mr. Wu Yan, the chairman of the Board, acts as the chairman of the strategy and investment committee of the second session of the Board. In March 2014, Mr. Wang Yincheng, Mr. Xiang Huaicheng, Mr. Yao Zhiqiang and Ms. Zhang Hanlin were elected as the members of the strategy and investment committee, at the second meeting of the second session of the Board.

In March 2014, Mr. Lau Hon Chuen was elected as the chairman of the risk management committee, and Ms. Zhuang Chaoying, Mr. Zhou Liqun, Mr. Wang Qiao, Ms. Li Shiling and Mr. Ma Qiang were elected as the members of the risk management committee, at the second meeting of the second session of the Board.

In August 2014, pursuant to the relevant regulation on retired party and political leaders and cadres working part-time (holding office) in enterprises, Mr. Du Jian resigned as an independent non-executive director of the Company and a member of the Nomination and Remuneration Committee under the Board. According to relevant laws, regulations and the Articles of Association, Mr. Du Jian shall continue to perform his duties and responsibilities as an independent non-executive director and a member of the Nomination and Remuneration Committee under the Board.

Note (*): Since the qualification of Mr. Luk Kin Yu, Peter as a Director of the Company is still subject to the approval of the CIRC, Mr. Cai Weiguo therefore continues to serve as a Director of the Company. Mr. Luk Kin Yu, Peter shall become a member of the audit committee and a member of the nomination and remuneration committee upon receiving approval from the CIRC in relation to his qualification as a Director.

During the reporting period, the changes in Supervisors were as follows:

On 27 December 2013, the Company convened the second extraordinary shareholders' general meeting in 2013, at which Mr. Lin Fan, Mr. Yu Ning and Mr. Xu Yongxian were elected as the Supervisors for the second session of the Company's board of supervisors (the "Board of Supervisors"). On 21 August 2013, the Company convened the fifth general meeting of the first session of employee representatives and elected Ms. Li Yongmei and Ms. Yao Bo as the employee representative Supervisors of the second session of the Board of Supervisors. In March 2014, the CIRC approved the qualifications of Mr. Yu Ning, Mr. Xu Yongxian, Ms. Li Yongmei and Ms. Yao Bo as Supervisors.

In March 2014, the Company convened the first meeting of the second session of the Board of Supervisors, at which Mr. LIN Fan was elected as the chairman of the Board of Supervisors.

On the date of this interim report, the members of the Board of Supervisors are:

Mr. Lin Fan *(chairman of the Board of Supervisors)*
Mr. Yu Ning *(Independent Supervisor)*
Mr. Xu Yongxian *(shareholder representative Supervisor)*
Ms. Li Yongmei *(employees representative Supervisor)*
Ms. Yao Bo *(employees representative Supervisor)*

In March 2014, the Company convened the second meeting of the second session of the Board of Supervisors at which members of the due diligence supervision committee and the finance and internal control supervision committee were elected. The members of the due diligence supervision committee are Mr. Lin Fan (chairman), Mr. Xu Yongxian and Ms. Yao Bo. The members of finance and internal control supervision committee are Mr. Yu Ning (chairman), Mr. Xu Yongxian (vice chairman) and Ms. Li Yongmei.

CHANGES IN THE INFORMATION OF DIRECTORS AND SUPERVISORS

Except for the information of new Directors and Supervisors as disclosed in 2013 annual report of the Company, from 1 January 2014 to the date of this interim report, there are no changes in the information of the Directors and Supervisors of the Company that are required to be disclosed under Rule 13.51B (1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In the first half of 2014, the Company and its subsidiaries did not purchase, sale or redeem any listed securities of the Company or its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has formulated guidelines on transactions of the Company's securities that apply to Directors, Supervisors and all employees, and the terms of the guidelines are not less exacting than the Model Code. Following enquiries made by the Company, all the Directors and Supervisors confirmed that they had complied with the standards set out in the Model Code and such measures during the first half of 2014.

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

As far as the Directors of the Company are aware, as at 30 June 2014, the following persons (other than the Directors and Supervisors of the Company) had an interest or short position in the shares or underlying shares of the Company which is required to be disclosed to the Company pursuant to Sections 2 and 3 of Part XV of the SFO, or required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of domestic shares	Nature of interests	Percentage of total issued domestic shares (Note 4)	Percentage of total issued shares (Note 5)
MOF	Beneficial owner	29,896,189,564	Long position	88.72%	70.47%
NSSF	Beneficial owner	3,801,567,019	Long position	11.28%	8.96%

INTERESTS AND SHORT POSITIONS REQUIRED TO BE DISCLOSED BY SHAREHOLDERS UNDER THE SFO *(continued)*

Name of shareholder	Capacity	Number of H shares	Nature of interests	Percentage of total issued H shares (Note 6)	Percentage of total issued shares (Note 5)
American International Group, Inc. ("AIG") *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
SAFG Retirement Services, Inc. *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
SunAmerica Financial Group, Inc. *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
AGC Life Insurance Company *(Note 1)*	Interest of controlled corporation	1,113,405,000	Long position	12.76%	2.62%
American General Life Insurance Company *(Note 1)*	Beneficial owner	1,113,405,000	Long position	12.76%	2.62%
State Grid Corporation of China *(Note 2)*	Interest of controlled corporation	668,043,000	Long position	7.66%	1.57%
State Grid Yingda International Holdings Group Limited *(Note 2)*	Beneficial owner	668,043,000	Long position	7.66%	1.57%
GF Securities Co., Ltd. *(Note 2)*	Asset Manager, nominee	668,043,000	Long position	7.66%	1.57%
NSSF *(Note 3)*	Beneficial owner	615,735,000	Long position	7.06%	1.45%

Note:

1. The interests of AIG above represent the latest notice of interest disclosure made by AIG under the SFO. SAFG Retirement Services, Inc. is 100% controlled by AIG. SunAmerica Financial Group, Inc. is 100% controlled by SAFG Retirement Services, Inc. AGC Life Insurance Company is 100% controlled by SunAmerica Financial Group, Inc. American General Life Insurance Company is 100% controlled by AGC Life Insurance Company. Accordingly, AIG is deemed to be interested in 1,113,405,000 H shares directly owned by American General Life Insurance Company. On 15 August 2014, American General Life Insurance Company has transferred its shareholding of 1,113,405,000 H shares to AIG.

2. State Grid Yingda International Holdings Group Limited, as the beneficial owner, holds 668,043,000 H shares and holds such shares via GF Securities Co., Ltd. as the qualified domestic institutional investor, asset manager and its nominees. State Grid Yingda International Holdings Group Limited is 100% controlled by State Grid Corporation of China. Accordingly, State Grid Corporation of China is deemed to be interested in 668,043,000 H shares owned by State Grid Yingda International Holdings Group Limited.

3. NSSF, as the beneficial owner, holds 602,279,000 H shares. In addition, it also holds 13,456,000 H shares via State Street Global Advisors ("SSGA"), as the asset manager and trustee. Accordingly, NSSF is deemed to be interested in13,456,000 H shares owned by SSGA.

4. As at 30 June 2014, the total issued domestic shares of the Company was 33,697,756,583 shares.

5. As at 30 June 2014, the total issued shares of the Company was 42,423,990,583 shares.

6. As at 30 June 2014, the total issued H shares of the Company was 8,726,234,000 shares.

Save as disclosed above, as at 30 June 2014, the Company is not aware of any other persons having any interest or short positions in the shares or underlying shares of the Company, that is required to be entered into the register under Section 336 of the SFO.

CORPORATE GOVERNANCE

During the reporting period, the Company has amended the Articles of Association, changed the composition of the Board and the Board of Supervisors (including adding new position for vice chairman and Independent Supervisor), set up rules and systems to clarify the duties and responsibilities for two committees under the Board of Supervisors, and to improve the corporate governance system.

Save for the following, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code") in the first half of 2014, and adopted recommended best practices under appropriate circumstances.

Since the qualification of Mr. Luk Kin Yu, Peter as a Director of the Company is still subject to the approval of the CIRC, Mr. Cai Weiguo therefore continues to serve as a Director of the Company. The company fails to meet the requirement that "every Director should be subject to retirement by rotation at least once every three years" under the code provision A.4.2 of the Corporate Governance Code during the reporting period. Please refer to the change of Directors and Supervisors announcement of the Company dated 11 March 2014 for relevant details

DIVIDEND

The Company dose not declare any interim dividend for the first half of 2014.

REVIEW OF INTERIM RESULTS

The audit committee of the Board has reviewed, in the presence of the external auditor, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

Corporate Information

REGISTERED NAME

Chinese Name: 中國人民保險集團股份有限公司
Abbreviation of Chinese name: 中國人保集團

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

Abbreviation of English name: PICC Group

REGISTERED OFFICE

No. 69 Dong He Yan Street, Xuanwu District,
Beijing 100052, the PRC

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited

TYPE OF STOCK

H Share

STOCK NAME

PICC Group

STOCK CODE

1339

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

WEBSITE

http://www.picc.com

LEGAL REPRESENTATIVE

Wu Yan

SECRETARY OF THE BOARD

Li Tao

COMPANY SECRETARY

Tai Chi Shan Psyche

INFORMATION INQUIRY DEPARTMENT

Secretariat of the Board
Tel: (8610) 6261 2533
Fax: (8610) 6262 4880
Email: ir_group@picc.com.cn

AUDITORS

International Auditors:
Deloitte Touche Tohmatsu

Domestic Auditors:
Deloitte Touche Tohmatsu
Certified Public Accountants LLP

Consulting Actuaries:
Deloitte Consulting (Shanghai) Limited Beijing Branch

LEGAL ADVISORS

as to Hong Kong law
Davis Polk & Wardwell

as to PRC law
King & Wood Mallesons

PICC

中国人民保险集团股份有限公司

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