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PICC

中国人民保险集团股份有限公司

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

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

(Stock Code: 1339)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the "Board") of The People's Insurance Company (Group) of China Limited (the "Company") announces the following unaudited interim consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013, together with the comparative figures for the previous period, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2013

(RMB in millions)

	Notes	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Gross written premiums	*5*	**158,428**	149,224
Less: Premiums ceded to reinsurers	*5*	**(14,696)**	(16,168)
Net written premiums	*5*	**143,732**	133,056
Change in unearned premium reserves		**(16,154)**	(13,803)
Net earned premiums		**127,578**	119,253
Reinsurance commission income		**5,003**	5,608
Investment income	*6*	**15,339**	10,258
Other income		**878**	1,036
TOTAL INCOME		**148,798**	136,155
Claims and policyholders' benefits		**96,527**	90,783
Life insurance death and other benefits paid		**11,801**	6,818
Claims incurred		**55,378**	46,673
Changes in long-term life insurance contract liabilities		**27,519**	35,750
Policyholder dividends		**1,829**	1,542
Handling charges and commissions		**11,097**	10,701
Finance costs		**2,796**	2,629
Exchange losses/(gains), net		**407**	(32)
Other operating and administrative expenses		**26,991**	22,758
TOTAL BENEFITS, CLAIMS AND EXPENSES		**137,818**	126,839
Share of profits and losses of associates		**924**	263
PROFIT BEFORE TAX	*7*	**11,904**	9,579
Income tax expense	*8*	**(2,046)**	(2,435)
PROFIT FOR THE PERIOD		**9,858**	7,144
Attributable to:			
– Equity holders of the parent		**7,542**	4,923
– Non-controlling interests		**2,316**	2,221
		9,858	7,144
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic and diluted (in RMB)		**0.18**	0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2013
(RMB in millions)

	Note	six months ended 30 June 2013 (unaudited)	six months ended 30 June 2012 (audited)
PROFIT FOR THE PERIOD		**9,858**	7,144
OTHER COMPREHENSIVE INCOME	*10*		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Fair value (losses)/gains on available-for-sale Investments		**(2,623)**	5,024
Income tax effect		**98**	(444)
Net losses on cash flow hedges		**(37)**	(39)
Income tax effect		**9**	10
Share of other comprehensive income of associates		**(76)**	158
Exchange differences on translating foreign operations		**(16)**	3
NET OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**(2,645)**	4,712
Items not to be reclassified to profit or loss in subsequent periods:			
Gains on revaluation of investment properties		**87**	116
Income tax effect		**(22)**	(29)
Actuarial losses on pension benefit obligation		**(34)**	(214)
NET OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS		**31**	(127)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(2,614)**	4,585
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**7,244**	11,729
Attributable to:			
– Equity holders of the parent		**5,868**	8,389
– Non-controlling interests		**1,376**	3,340
		7,244	11,729

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2013
(RMB in millions)

	Notes	**30 June 2013 (unaudited)**	31 December 2012 (audited)
ASSETS			
Cash and cash equivalents		**60,120**	73,873
Derivative financial assets		**42**	73
Debt securities		**235,440**	217,369
Equity securities		**96,807**	119,729
Insurance receivables, net		**32,210**	23,305
Reinsurance assets		**23,485**	23,875
Term deposits		**123,219**	120,115
Restricted statutory deposits		**8,722**	7,880
Investments in associates	*11*	**24,116**	3,361
Investment properties		**8,508**	8,450
Property and equipment		**22,060**	21,942
Intangible assets		**4,129**	4,106
Deferred tax assets		**2,540**	2,215
Other assets		**87,387**	62,357
TOTAL ASSETS		**728,785**	688,650
LIABILITIES			
Securities sold under agreements to repurchase		**49,005**	71,290
Derivative financial liabilities		**1**	3
Income tax payable		**61**	72
Due to banks and other financial institutions		**428**	362
Subordinated debts		**43,145**	34,855
Insurance contract liabilities		**438,833**	391,577
Investment contract liabilities for policyholders		**52,398**	50,312
Policyholder dividends payable		**6,926**	5,486
Pension benefit obligation		**2,915**	2,952
Deferred tax liabilities		**252**	98
Other liabilities		**41,491**	48,301
TOTAL LIABILITIES		**635,455**	605,308
EQUITY			
Issued capital	*12*	**42,424**	42,424
Reserves		**28,626**	22,950
Equity attributable to equity holders of the parent		**71,050**	65,374
Non-controlling interests		**22,280**	17,968
TOTAL EQUITY		**93,330**	83,342
TOTAL EQUITY AND LIABILITIES		**728,785**	688,650

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2013

(RMB in millions)

		Attributable to equity holders of the parent									
			Reserves								
	Note	**Share capital** *(note 12)*	**Share premium account**	**Available-for-sale investment revaluation reserve**	**General risk reserve**	**Changes in associates' equity**	**Surplus reserve fund**	**Other reserves**	**Retained profits**	**Non-controlling interests**	**Total equity**
Six months ended 30 June 2013 (unaudited)											
Balance at 1 January 2013		**42,424**	**19,925**	**(4,457)**	**2,049**	**141**	**317**	**(13,432)**	**18,407**	**17,968**	**83,342**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,542**	**2,316**	**9,858**
Other comprehensive income	10	**–**	**–**	**(1,577)**	**–**	**(76)**	**–**	**13**	**(34)**	**(940)**	**(2,614)**
Total comprehensive income		**–**	**–**	**(1,577)**	**–**	**(76)**	**–**	**13**	**7,508**	**1,376**	**7,244**
Dividends declared		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(163)**	**(8)**	**(171)**
Capital contributions by non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,915**	**2,915**
Acquisition of non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**(29)**	**–**	**29**	**–**
Balance at 30 June 2013		**42,424**	**19,925**	**(6,034)**	**2,049**	**65**	**317**	**(13,448)**	**25,752**	**22,280**	**93,330**

		Attributable to equity holders of the parent										
			Reserves									
	Note	Share capital *(note 12)*	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits	Non-controlling interests	Total equity
Six months ended 30 June 2012 (audited)												
Balance at 1 January 2012		34,491	6,104	(9,873)	1,287	47	252	136	(13,418)	12,318	16,591	47,935
Profit for the period		–	–	–	–	–	–	–	–	4,923	2,221	7,144
Other comprehensive income	10	–	–	3,535	–	103	–	–	42	(214)	1,119	4,585
Total comprehensive income		–	–	3,535	–	103	–	–	42	4,709	3,340	11,729
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(8)	(8)
Disposal of subsidiaries		–	–	–	(19)	–	(252)	–	–	271	(2,846)	(2,846)
Others		–	–	–	–	–	–	–	2	–	(2)	–
Balance at 30 June 2012		34,491	6,104	(6,338)	1,268	150	–	136	(13,374)	17,298	17,075	56,810

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2013
(RMB in millions)

	six months ended 30 June 2013 (unaudited)	six months ended 30 June 2012 (audited)
Net cash flows from operating activities	**31,714**	31,511
Net cash flows used in investing activities	**(31,874)**	(28,202)
Net cash flows (used in)/from financing activities	**(13,272)**	11,069
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(13,432)**	14,378
Cash and cash equivalents at beginning of the period	**73,873**	55,507
Effects of exchange rate changes on cash and cash equivalents	**(321)**	2
CASH AND CASH EQUIVALENT AT END OF THE PERIOD	**60,120**	69,887

NOTES:

1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the six months ended 30 June 2013, 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. BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim 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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement* and amendments to IAS 1 *Presentation of Financial Statements*. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements. As required by IAS 34, the nature and the effect of these changes are disclosed below.

New standards, interpretations and amendments thereof, adopted by the Group on 1 January 2013 are as follows:

IFRS 7 Amendment	*Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*
IAS 1 Amendment	*Presentation of Financial Statements: Other Comprehensive Income Presentation of Financial Statements: Clarification of the requirement for comparative information*
IAS 19 (Revised 2011)	*Employee Benefits*
IAS 27 (Revised 2011)	*Separate Financial Statements*
IAS 28 (Revised 2011)	*Investments in Associates and Joint Ventures*
IAS 32 Amendment	*Tax effects of distributions to holders of equity instruments*
IAS 34 Amendment	*Interim financial reporting and segment information for total assets and liabilities*
Annual Improvements 2009-2011 cycle	Amendments to a number of IFRSs issued in May 2012

Amendment to IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities*

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The amendment has had no significant financial impact on the Group.

IFRS 10 ***Consolidated Financial Statements***

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 has had no significant financial impact on the consolidation of investments held by the Group.

IFRS 11 ***Joint Arrangements***

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. The application of this new standard has had no significant financial impact on the Group.

IFRS 12 ***Disclosure of Interests in Other Entities***

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. In case of the Group, the application of this new standard has impacts on the disclosure due to the new associate.

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has had no significant financial impact on the Group, except for some additional disclosure in the financial statements.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

Amendments to IFRS 10, IFRS 11 and IFRS 12 ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance***

In July 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC-12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before IFRS 12 is first applied. The amendments have had no significant financial impact on the Group.

IAS 1 ***Presentation of Items of Other Comprehensive Income – Amendment to IAS 1***

The amendment to IAS 1 introduces a grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has had no significant financial impact on the Group.

IAS 1 ***Clarification of the requirement for comparative information – Amendment to IAS 1***

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet. The amendment has had no significant financial impact on the Group.

IAS 19 ***Employee Benefits (Revised 2011) (IAS 19R)***

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in OCI and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The revised standard has had no significant financial impact on the Group.

IAS 27 (Revised 2011) ***Separate Financial Statements,*** **IAS 28 (Revised 2011)** ***Investments in Associates and Joint Ventures***

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011), IAS 28 (2011), and the subsequent amendments to these standards issued in July 2012 have had no significant financial impact on the Group.

IAS 32 ***Tax effects of distributions to holders of equity instruments (Amendment)***

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there was no tax consequences attached to cash or non-cash distribution.

IAS 34 ***Interim financial reporting and segment information for total assets and liabilities (Amendment)***

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides these disclosures as total segment assets and liabilities were reported to the chief operating decision maker. Please refer to note 4.

The Annual Improvements 2009-2011 Cycle issued in May 2012 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had significant financial impact on the Group.

Several other new standards and amendments apply for the first time in 2013. However, they have had no impact on the 2012 annual consolidated financial statements of the Group or the 2013 interim condensed consolidated financial statements of the Group.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS and therefore, this amendment is not relevant to the Group.

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

4. OPERATING SEGMENT INFORMATION

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

Segment income statement for the six months ended 30 June 2013
(RMB in millions)

(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	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 credit/(expense)	(2,006)	73	–	(63)	(54)	25	(21)	(2,046)
PROFIT/(LOSS) FOR THE PERIOD	9,021	1,006	(65)	269	459	(4)	(828)	9,858

Segment income statement for the six months ended 30 June 2012
(RMB in millions)

(audited)	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
Net earned premiums	73,835	42,510	2,913	–	–	–	(5)	119,253
Reinsurance commission income	5,337	5	266	–	–	–	–	5,608
Investment income	3,680	5,972	222	492	386	50	(544)	10,258
Other income	314	284	79	511	–	83	(235)	1,036
TOTAL INCOME	83,166	48,771	3,480	1,003	386	133	(784)	136,155
– External income	83,028	48,769	3,461	798	17	82	–	136,155
– Intersegment income	138	2	19	205	369	51	(784)	–
Claims and policyholders' benefits	45,363	42,812	2,608	–	–	–	–	90,783
Handling charges and commissions	8,718	1,897	155	–	–	–	(69)	10,701
Finance costs	827	1,032	350	86	326	8	–	2,629
Exchange gains, net	(20)	(12)	–	–	–	–	–	(32)
Other operating and administrative Expenses	19,885	1,957	664	285	117	94	(244)	22,758
TOTAL BENEFITS, CLAIMS AND EXPENSES	74,773	47,686	3,777	371	443	102	(313)	126,839
Share of profits and losses of associates	62	7	–	36	227	–	(69)	263
PROFIT/(LOSS) BEFORE TAX	8,455	1,092	(297)	668	170	31	(540)	9,579
Income tax expense	(1,879)	(180)	–	(415)	4	(5)	40	(2,435)
PROFIT/(LOSS) FOR THE PERIOD	6,576	912	(297)	253	174	26	(500)	7,144

Segment assets, liabilities as at 30 June 2013, 31 December 2012 and other segment information for the six months ended 30 June 2013, 30 June 2012 are as follows:

(RMB in millions)	**Non-life insurance**	**Life insurance**	**Health insurance**	**Asset management**	**Head-quarters**	**Others**	**Eliminations**	**Total**
30 June 2013(unaudited)								
Segment assets	**318,520**	**345,489**	**33,015**	**7,511**	**101,629**	**4,773**	**(82,152)**	**728,785**
Segment liabilities	**258,967**	**322,482**	**31,401**	**1,922**	**23,738**	**999**	**(4,054)**	**635,455**
Other segment information for the six months ended 30 June 2013:								
Capital expenditure	**731**	**593**	**12**	**13**	**36**	**21**	**–**	**1,406**
Depreciation and amortisation expenses	**955**	**42**	**22**	**9**	**24**	**3**	**64**	**1,119**
Impairment losses	**788**	**649**	**25**	**(2)**	**–**	**–**	**–**	**1,460**
31 December 2012 (audited)								
Segment assets	290,594	336,495	28,927	7,348	93,468	4,644	(72,826)	688,650
Segment liabilities	244,928	318,885	27,035	1,512	15,670	965	(3,687)	605,308
Other segment information for the six months ended 30 June 2012:								
Capital expenditure	585	265	16	22	38	15	–	941
Depreciation and amortisation expenses	757	39	24	9	20	2	(32)	819
Impairment losses	768	412	162	(4)	–	(14)	–	1,324

5. GROSS AND NET WRITTEN PREMIUMS

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
(a) Gross written premiums		
Long-term life insurance premiums	**37,430**	43,449
Short-term life insurance premiums	**5,290**	4,520
Non-life insurance premiums	**115,708**	101,255
TOTAL	**158,428**	149,224
(b) Premiums ceded to reinsurers		
Long-term life insurance premiums ceded to reinsurers	**119**	82
Short-term life insurance premiums ceded to reinsurers	**1,618**	1,616
Non-life insurance premiums ceded to reinsurers	**12,959**	14,470
TOTAL	**14,696**	16,168
(c) Net written premiums	**143,732**	133,056

6. INVESTMENT INCOME

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Net investment income (a)	**12,607**	10,382
Realised gains/(losses) (b)	**3,727**	(88)
Fair value gains (c)	**292**	943
Impairment losses (d)	**(1,287)**	(979)
TOTAL	**15,339**	10,258

(a) Net investment income

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Operating lease income from investment properties	**127**	121
Interest income		
Current and term deposits	**3,548**	3,266
Debt securities		
– Held-to-maturity	**2,958**	2,425
– Available-for-sale	**2,092**	2,147
– Carried at fair value through profit or loss	**40**	53
Derivative financial assets	**19**	47
Loans and receivables	**1,725**	1,139
SUBTOTAL	**10,382**	9,077
Dividend income		
Equity securities		
– Available-for-sale	**2,011**	1,068
– Carried at fair value through profit or loss	**87**	116
SUBTOTAL	**2,098**	1,184
TOTAL	**12,607**	10,382

An analysis of the dividend income from listed and unlisted equity securities is as follows:

Dividend income		
Listed equity securities	**233**	369
Unlisted equity securities	**1,865**	815
TOTAL	**2,098**	1,184

(b) Realised gains/(losses)

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Debt securities		
– Available-for-sale	**10**	(6)
– Carried at fair value through profit or loss	**18**	2
Equity securities		
– Available-for-sale	**3,727**	(241)
– Carried at fair value through profit or loss	**(28)**	(44)
– Gain on disposal of subsidiaries	**–**	201
TOTAL	**3,727**	(88)

(c) Fair value gains

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Debt securities		
– Carried at fair value through profit or loss	**5**	6
Equity securities		
– Carried at fair value through profit or loss	**77**	327
Derivative financial instruments		
– Carried at fair value through profit or loss	**8**	(8)
Investment properties	**202**	618
TOTAL	**292**	943

(d) Impairment losses

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Equity securities		
– Available-for-sale	**(1,287)**	(979)

7. PROFIT BEFORE TAX

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

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Employee costs	**11,739**	9,306
Depreciation of property and equipment	**1,014**	735
Impairment loss on insurance receivables	**175**	376
Impairment loss on other assets	**(2)**	(31)
Minimum lease payments under operating leases in respect of land and buildings	**320**	291
Amortisation of intangible assets	**105**	84

8. INCOME TAX EXPENSE

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Current income tax		
Charge for the period	**2,133**	2,083
Under provision in prior period	**–**	(2)
Deferred income tax	**(87)**	354
TOTAL	**2,046**	2,435

In accordance with the relevant PRC income tax rules and regulations, the Company and Group's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 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.

The People's Insurance Company of China (Hong Kong) Limited, registered in Hong Kong, was subject to a profits tax rate of 16.5% for the six months ended 30 June 2013 (2012: 16.5%).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the periods ended 30 June 2013 and 30 June 2012 is based on the profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the periods.

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Net profit attributable to ordinary equity holders of the parent for the period	**7,542**	4,923
Weighted average number of ordinary shares (in million shares)	**42,424**	34,491
Basic earnings per share (in RMB)	**0.18**	0.14
Diluted earnings per share (in RMB)	**0.18**	0.14

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2013 and 30 June 2012 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those periods.

10. OTHER COMPREHENSIVE INCOME

(RMB in millions)	**six months ended 30 June 2013 (unaudited)**	six months ended 30 June 2012 (audited)
Available-for-sale investments:		
Gains/(losses) during the period	**(235)**	3,777
Less: Reclassification adjustments for gains included in the income statement		
– losses/(gains) on disposal	**(3,675)**	268
– impairment losses *(note 6(d))*	**1,287**	979
Income tax effect relating to available-for-sale investments	**98**	(444)
	(2,525)	4,580
Net losses on cash flow hedges	**(37)**	(39)
Income tax effect relating to cash flow hedges	**9**	10
	(28)	(29)
Gains on revaluation of investment properties	**87**	116
Income tax effect relating to revaluation of investment properties	**(22)**	(29)
	65	87
Share of other comprehensive income of associates	**(76)**	158
Actuarial losses on pension benefit obligation	**(34)**	(214)
Exchange differences on translating foreign operations	**(16)**	3
TOTAL	**(2,614)**	4,585
Attributable to:		
– Equity holders of the parent	**(1,674)**	3,466
– Non-controlling interests	**(940)**	1,119
TOTAL	**(2,614)**	4,585

11. INVESTMENTS IN ASSOCIATES

(a) The Group's investments in the principal associates as at 30 June 2013 and 31 December 2012 are as follows:

(RMB in millions)	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Unlisted investments, carrying amount	**3,361**	3,361
Shares listed in the PRC, carrying amount	**20,755**	–
TOTAL	**24,116**	3,361

(b) Particulars of the principal associates are as follows:

Associates	Place of registration	Principal activities	**Percentage of ownership interest attributable to the Group** As at 30 June 2013	As at 31 December 2012
Industrial Bank Co.,Ltd. ("Industrial Bank") (i)	Fuzhou	Banking	**10.87%**	10.87%
China Credit Trust Company Limited ("China Credit Trust")	Beijing	Trust business	**32.92%**	32.92%

The associates above are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(i) On 31 December 2012, the Group had subscribed approximately 1.38 billion shares of Industrial Bank through a private placement. Upon the completion of the subscription, the Group held 10.87% of Industrial Bank shares in total, and became the second largest shareholder of Industrial Bank.

On 19 April 2013, Mr. Li Liangwen, the president of PICC Life Insurance Company Limited, one of the subsidiaries of the Company, was nominated by the Group to be the director nominee of Industrial Bank and attended the Industrial Bank board meeting as the representative of shareholders. Considering the Group's shareholder's rights in Industrial Bank and a Comprehensive Cooperative Agreement signed between the Group and Industrial Bank on 8 May 2013, the Group held the view that the Group has gained significant influence on Industrial Bank since 8 May 2013 and should account for its equity interest in Industrial Bank as an associate using equity method in its consolidated financial statements.

The Group used the fair value of the restricted Industrial Bank shares as at the date when significant influence was gained as the preliminary initial measurement of its investment in Industrial Bank as an associate.

(c) Financial information of the Group's principal associates:

Associates	**Assets**	**Liabilities**	**Revenue**	**Net profit**
(in RMB million)		**As at**		**Six months ended**
(unaudited)		**30 June 2013**		**30 June 2013**
Industrial Bank	**3,577,278**	**3,391,718**	**53,464**	**21,784**
China Credit Trust	**11,987**	**1,923**	**888**	**823**
(in RMB million)		As at 31		Year ended
(audited)		December 2012		31 December 2012
China Credit Trust	11,740	1,643	2,266	1,619

12. SHARE CAPITAL

As at 30 June 2013, the share capital and the registered capital amounted to RMB42,424 million with a nominal value of RMB1.00 per share.

	30 June 2013 (unaudited)	31 December 2012 (audited)
Issued and fully paid ordinary shares of RMB1 each (in million)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424
Share capital (RMB in millions)		
Domestic shares	**33,698**	33,698
H shares	**8,726**	8,726
	42,424	42,424

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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 Property and Casualty Company Limited ("PICC P&C") and The People's Insurance Company of China (Hong Kong), Limited ("PICC Hong Kong"), in which the Company holds 68.98% and 75.0% equity interests, respectively; The Group's life and health insurance business constitutes two separate segments, including life insurance segment and health insurance segment. The life insurance segment includes PICC Life Insurance Company Limited ("PICC Life"), in which the Company holds an 80.0% equity interest directly and indirectly, and the health insurance segment includes PICC Health Insurance Company Limited ("PICC Health"), in which the Company holds a 91.67% equity interest directly and indirectly; and the asset management business constitutes the asset management segment and primarily includes PICC Asset Management Company Limited ("PICC AMC"), PICC Investment Holding Co., Ltd. ("PICC Investment Holding") and PICC Capital Investment Management Company Limited ("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		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Original Premiums Income [1]			
PICC P&C	**115,341**	100,911	14.3
PICC Life	**37,731**	42,667	(11.6)
PICC Health	**4,990**	5,307	(6.0)
Combined ratio of PICC P&C (%)	**93.6**	92.4	Increase of 1.2pt
Total investment yield (annualised) (%)	**5.6**	4.5	Increase of 1.1pt

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
Market share [1]			
PICC P&C (%)	**35.3**	34.9	Increase of 0.4pt
PICC Life (%)	**6.0**	6.4	Decrease of 0.4pt
PICC Health (%)	**0.8**	0.8	–
Embedded Value of PICC Life	**38,100**	30,906	23.3
Embedded Value of PICC Health	**3,968**	4,569	(13.2)
Value of one year's new business of PICC Life	**4,346**	4,031	7.8
Value of one year's new business of PICC Health	**629**	738	(14.8)
Solvency margin ratio of the Group (%)	**213**	152	Increase of 61pt

(1) According to the statistics and measurement of the original premiums income in the PRC (excluding Hong Kong, Macau and Taiwan) published by China Insurance Regulatory Commission (the "CIRC"), 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 represent their respective market share among all life and health insurance companies.

For the six months ended 30 June 2013, adhering to its key aspiration of "maintaining steady growth and focusing on value creation", the business of the Group has grown steadily with ever-rising profitability and strengthening synergies, despite of economic slowdown and intensifying industry competition. For the six months ended 30 June 2013, the market share of PICC P&C in the P&C insurance market was 35.3%, the market share of PICC Life in life and health insurance market was 6.0% and the market share of PICC Health in life and health insurance market was 0.8%, 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 RMB115,341 million, RMB48,515 million, RMB8,453 million and HKD73 million, respectively, for the six months ended 30 June 2013. The Group has enhanced the capacity of its teams and institutions, continuously promoted the diversification of channels and further developed its cross-selling ability to further strengthen its foundation. The TWPs generated by cross-selling among the Group's business lines grew by 28.9% to RMB10,845 million for the six months ended 30 June 2013 from RMB8,414 million for the same period in 2012. In the first half of 2013, the number of policyholders who purchased two or more types of insurance products in PICC P&C, PICC Life and PICC Health reached 2.403 million, a 36% increase compared to the same period in 2012, and the number of policies purchased by these policyholders increased to 4.32 per person on average.

(2) *Key Financial Indicators*

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Gross written premiums	**158,428**	149,224	6.2
P&C Insurance	**115,710**	101,260	14.3
Life Insurance	**37,731**	42,667	(11.6)
Health Insurance	**4,990**	5,303	(5.9)
Profit before tax	**11,904**	9,579	24.3
Net profit	**9,858**	7,144	38.0
Net profit attributable to equity holders of the Company	**7,542**	4,923	53.2
Earnings per share (RMB)	**0.18**	0.14	24.6
Weighted average return on equity (annualised) (%)	**22.1**	27.7	Decrease of 5.6pt

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
Total assets	**728,785**	688,650	5.8
Total liabilities	**635,455**	605,308	5.0
Total equity	**93,330**	83,342	12.0
Net assets per share (RMB)	**1.67**	1.54	8.7

The Group's capital base has been further strengthened in which total equity grew by 12.0% to RMB93,330 million as of 30 June 2013 from RMB83,342 million as of 31 December 2012. For the six months ended 30 June 2013, the Group realized gross written premiums ("GWPs") of RMB158,428 million, a 6.2% increase compared to the same period in 2012. Benefiting from rapid development and improving profitability of the business, the Group's net profit grew by 38.0% to RMB9,858 million for the six months ended 30 June 2013 from RMB7,144 million for the same period in 2012. Profit attributable to equity holders of the Company grew by 53.2% to RMB7,542 million for the six months ended 30 June 2013 from RMB4,923 million for the same period in 2012. The weighted average return on equity for the six months ended 30 June 2013 was 22.1%, a decrease of 5.6 percentage points compared to the same period in 2012.

Net assets per share of the Group increased by 8.7% to RMB1.67 as of 30 June 2013 from RMB1.54 as of 31 December 2012. Benefiting from the rapid growth of its profitability, the Group's earnings per share increased by 24.6% to RMB0.18 for the six months ended 30 June 2013 from RMB0.14 of the same period in 2012.

P&C Insurance Business

In the first half of 2013, the Group's P&C insurance segment further promoted its overall transformation of customer-oriented business, continuously strengthened its foundation of operation and management, continuously devoted to its vitality and initiatives of development, and constantly consolidated its balanced development pattern; in the same period, it has also maintained and increased its market share with a further enhanced capital strength. The profitability of the P&C insurance segment has reached a record high with a notable improvement of its comprehensive strength.

(1) Analysis by Product

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Motor vehicle insurance	**79,323**	69,963	13.4
Commercial property insurance	**8,054**	7,908	1.8
Liability insurance	**4,619**	4,064	13.7
Accidental injury and health insurance	**5,302**	3,578	48.2
Cargo insurance	**2,087**	2,278	(8.4)
Other P&C insurance	**16,324**	13,469	21.2
Total	**115,710**	101,260	14.3

GWPs for the P&C insurance segment increased by 14.3% to RMB115,710 million for the six months ended 30 June 2013 from RMB101,260 million for the same period in 2012. The overall steady growth was largely driven by the development in the motor vehicle insurance and agriculture insurance businesses, and the relatively rapid growth of the liability insurance, accidental injury and health insurance as well as the credit and surety insurance.

GWPs for motor vehicle insurance increased by 13.4% to RMB79,323 million for the six months ended 30 June 2013 from RMB69,963 million for the same period in 2012. In the first half of 2013, the growth of domestic automobile production and sales was better than expected, and the P&C insurance segment enhanced its management model for new policies for automobile dealers, which improved new policy rate for motor vehicle insurance. Meanwhile, the P&C insurance segment strengthened the management on the renewal of policies to improve customers' satisfaction and loyalty, which led to the continuous steady growth in policy renewals. In addition, through vigorous development of new sales channels such as telemarketing, online sales and mobile-platform sales, the P&C insurance segment has strengthened the establishment of telemarketing and online sales services to improve the information management of relevant customers as well as relevant services. PICC P&C is the first to launch a platform of "PICC WeChat Platform for Direct Telemarketing", which has achieved satisfactory results.

GWPs for commercial property insurance increased by 1.8% to RMB8,054 million for the six months ended 30 June 2013 from RMB7,908 million for the same period in 2012. The relatively slow growth was mainly due to the macro-economic slowdown and an increase in the number of market competitors providing commercial property insurance.

GWPs for liability insurance increased by 13.7% to RMB4,619 million for the six months ended 30 June 2013 from RMB4,064 million for the same period in 2012, which was mainly due to the rapid growth of public liability insurance, natural disasters liability insurance, food safety liability insurance, medical liability insurance and environmental pollution liability insurance.

GWPs for accidental injury and health insurance increased by 48.2% to RMB5,302 million for the six months ended 30 June 2013 from RMB3,578 million for the same period in 2012. In the first half of 2013, under the backdrop of accelerating new urbanization construction and rising public awareness for disaster insurance, the accidental insurance for construction projects, borrowers, motor vehicle occupants and school children was under stable development. After "The Guidance Opinions regarding the Development of Critical Illness Insurance for Urban and Rural Residents" was jointly issued by six ministries and commissions of the State Council in 2012, the principles of relevant documents have been actively responded by local governments. By leveraging on its advantages in brandname, services and networks, the P&C insurance segment won the bids for a number of provincial, municipal and county-level illness insurance projects for urban and rural residents and new farming households.

GWPs for cargo insurance decreased by 8.4% to RMB2,087 million for the six months ended 30 June 2013 from RMB2,278 million for the same period in 2012, which was mainly due to the domestic economy slow-down and a decrease in the growth of export which resulted the decrease of the source of cargo insurance policies, and decreases in average written premiums and average written rate of cargo insurance.

GWPs attributable to other P&C insurance in the P&C insurance segment increased by 21.2% to RMB16,324 million for the six months ended 30 June 2013 from RMB13,469 million for the same period in 2012. In the first half of 2013, the P&C insurance segment accelerated the establishment of a network of an insurance service system at the basic level to serve agriculture, rural areas and farmers and sales and services platform, which promoted the agricultural insurance business continued to maintain a rapid development. Meanwhile, the P&C insurance segment vigorously expanded the short-term export credit insurance for small-, medium- and micro-export enterprises by fully leveraging on its institutional network and customer resources.

(2) *Analysis by Channel*

The following table sets forth the breakdown of Original Premiums Income of PICC P&C by distribution channel for the periods indicated, which can be further divided into insurance agents, direct sales and insurance brokerage. By increasing contributions from new channels including telemarketing and online sales, the Original Premiums Income from telemarketing and online sales was RMB18,558 million for the six months ended 30 June 2013, an increase of 58.1% compared to the same period in 2012.

	For the Six Months Ended 30 June				
	2013			2012	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
	(RMB in millions, except for percentages)				
Insurance agents	**67,978**	**58.9**	**4.4**	65,111	64.6
Among which:					
Individual insurance agents	**38,704**	**33.6**	**2.9**	37,596	37.3
Ancillary insurance agents	**23,804**	**20.6**	**4.4**	22,797	22.6
Professional insurance agents	**5,470**	**4.7**	**15.9**	4,718	4.7
Direct sales	**40,165**	**34.8**	**37.6**	29,196	28.9
Insurance brokerage	**7,198**	**6.3**	**9.0**	6,604	6.5
Total	**115,341**	**100.0**	**14.3**	100,911	100.0

(3) Financial Analysis

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**87,718**	73,835	18.8
Investment income	**6,055**	3,680	64.5
Other income	**374**	314	19.1
Total income	**98,897**	83,166	18.9
Net claims incurred	**53,936**	45,363	18.9
Handling charges and commissions	**9,651**	8,718	10.7
Finance costs	**974**	827	17.8
Other operating and administrative expenses	**23,693**	19,885	19.2
Total benefits, claims and expenses	**88,263**	74,773	18.0
Profit before tax	**11,027**	8,455	30.4
Income tax expense	**(2,006)**	(1,879)	6.8
Net profit	**9,021**	6,576	37.2

Net earned premiums

Benefiting from the relatively rapid development in the businesses of motor vehicle insurance and agricultural insurance business, net earned premiums from the P&C insurance segment increased by 18.8% to RMB87,718 million for the six months ended 30 June 2013 from RMB73,835 million for the same period in 2012.

Investment income

Investment income of the P&C insurance segment increased by 64.5% to RMB6,055 million for the six months ended 30 June 2013 from RMB3,680 million for the same period in 2012, mainly due to the increased investment in securities purchased under resale agreements and held-to-maturity debt securities and the further optimized portfolio of equity investment.

Net claims incurred

Net claims incurred for the P&C insurance segment increased by 18.9% to RMB53,936 million for the six months ended 30 June 2013 from RMB45,363 million for the same period in 2012. The loss ratio of PICC P&C was 61.5% in the first half of 2013, remaining at the same level as the same period in 2012. In the first half of 2013, the rising price of auto spare parts and the costs of repair and maintenance as well as the upgraded standards for personal injury compensation resulted in an increase in the loss ratio of motor vehicle insurance, while the loss ratios of the commercial property insurance, liability insurance and cargo insurance decreased compared to the same period in 2012.

Handling charges and commissions

Handling charges and commissions of the P&C insurance segment increased by 10.7% to RMB9,651 million for the six months ended 30 June 2013 from RMB8,718 million for the same period in 2012. The growth of handling charges and commissions was slower than that of the net earned premiums, which was mainly due to an increase in sales from direct sales channels in the first half of 2013 and a decrease in the rate of handling charges compared to the same period in 2012.

Finance costs

Finance costs of the Group's P&C insurance segment increased by 17.8% to RMB974 million for the six months ended 30 June 2013 from RMB827 million for the same period in 2012, in which, the interest expenses on securities sold under agreements to repurchase increased by RMB189 million compared to the same period in 2012.

Net Profit

As a result of the foregoing, there was a relatively large growth in the overall profit of the P&C insurance segment for the six months ended 30 June 2013, as its net profit increased by 37.2% to RMB9,021 million for the six months ended 30 June 2013 from RMB6,576 million for the same period in 2012.

Life and Health Insurance

(1) Life insurance

In the first half of 2013, PICC Life continued to adhere to the guiding ideology of "economies of scale" and furthered the strategy of differentiated competition. With "diversification" as the direction of transition, the organization structure and team building were further strengthened. The management and control as well as service capability were improved continuously which led to a steady business growth and a continuous enhancement of corporate value. The value of PICC Life further increased and its market position was further secured. TWPs of PICC Life amounted to RMB48,515 million in the first half of 2013. In the first quarter and second quarter of 2013, TWPs of PICC Life decreased by 3.8% and increased by 0.3%, respectively, as compared to the same periods in 2012. In the first half of 2013, the TWPs of new policies of PICC Life amounted to RMB44,182 million, ranking second in the industry. PICC Life sustained high capability to obtain new policies in difficult market conditions. Meanwhile, PICC Life further optimized its business structure. In the first half of 2013, the TWPs of long-term regular premium business amounted to RMB5,855 million, an increase of 9.3% compared to the same period in 2012. The percentage of regular premium business in life insurance business has increased to 12.4%, an increase of 1.4 percentage points compared to the same period in 2012. Value of one year's new business increased by 7.8% compared to the end of 2012. With the continuous expansion in rural area and the extra efforts to strengthen the sales team in the county area, the support by county-level market to the PICC Life's business increased continuously. TWPs from the county area increased by 8.1% compared to the same period in 2012.

1. Analysis by Product

The following table sets forth the Original Premiums Income from various products of the Group's life insurance segment for the periods indicated:

	For the Six Months Ended 30 June			
	2013		2012	
Life insurance products	**RMB in millions**	**% of total**	RMB in millions	% of total
Traditional life and health insurance	**2,832**	**7.5**	1,535	3.6
Participating life insurance	**33,543**	**88.9**	40,065	93.9
Universal life insurance	**41**	**0.1**	40	0.1
Accidental injury and short-term health insurance	**1,315**	**3.5**	1,027	2.4
Total	**37,731**	**100.0**	42,667	100.0

In terms of TWPs, for the six months ended 30 June 2013, the TWPs of traditional life and health insurance, participating life insurance, universal life insurance, accidental injury and short-term health insurance amounted to RMB2,832 million, RMB34,940 million, RMB9,428 million and RMB1,315 million, respectively, representing an increase of 84.5%, -16.9%, 92.6% and 28.0%, respectively, compared to the same period in 2012.

2. *Analysis by Channel*

The following table sets forth the breakdown of the Original Premiums Income of life insurance segment by distribution channel for the periods indicated, which can be further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

	For the Six Months Ended 30 June			
	2013		2012	
	RMB in millions	**% of total**	RMB in millions	% of total
Bancassurance channel	**19,305**	**51.2**	31,785	74.5
Individual insurance agent channel	**13,819**	**36.6**	5,077	11.9
Group sales channel	**4,606**	**12.2**	5,805	13.6
Total	**37,731**	**100.0**	42,667	100.0

In terms of TWPs, for the six months ended 30 June 2013, the TWPs from the bancassurance channel, individual insurance agent channel and group sales channel amounted to RMB27,537 million, RMB14,913 million and RMB6,065 million, respectively.

Bancassurance channel furthered the diversification of cooperation channels and actively promoted the integrated wealth management business. TWPs from bancassurance channel amounted to RMB25,259 million, ranking third in the market. Individual insurance agent channel continued to focus on building the outlets in rural area and strived to enhance its value-creation capabilities. The TWPs from individual insurance agent channel has a large increase of 54.5% to RMB14,913 million as compared to the same period in 2012. The TWPs from group sales insurance ranked second in the market.

3. *Persistency ratio*

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

	For the Six Months Ended 30 June	
Item	**2013**	2012
Individual life insurance customer persistency ratio (%)		
13-month persistency ratio[1] (%)	**84.3**	96.9
25-month persistency ratio[2] (%)	**90.9**	94.4

(1) The 13-month 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 issuance.

(2) The 25-month 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 issuance.

4. *Financial Analysis*

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**37,566**	42,510	(11.6)
Investment income	**8,200**	5,972	37.3
Other income	**287**	284	1.1
Total income	**46,070**	48,771	(5.5)
Claims and policyholders' benefits	**40,466**	42,812	(5.5)
Handling charges and commissions	**1,447**	1,897	(23.7)
Finance costs	**1,200**	1,032	16.3
Other operating and administrative expenses	**2,254**	1,957	15.2
Total benefits, claims and expenses	**45,438**	47,686	(4.7)
Profit before tax	**933**	1,092	(14.6)
Income tax expense	**73**	(180)	–
Net Profit	**1,006**	912	10.3

Net earned premium

Net earned premiums for the life insurance segment decreased by 11.6% to RMB37,566 million for the six months ended 30 June 2013 from RMB42,510 million for the same period in 2012. Mainly affected by the macroeconomic conditions and the impact of financial products (such as bank's wealth management products and trusts), the difficulty to sell bancassurance products has increased.

Investment income

The investment income of the life insurance segment increased by 37.3% to RMB8,200 million for the six months ended 30 June 2013 from RMB5,972 million for the same period in 2012, mainly due to the continuing increase in the investment assets, more effective allocation of investment assets and the increase in investment income from fixed-income assets.

Other income

Other income of the life insurance segment increased by 1.1% to RMB287 million for the six months ended 30 June 2013 from RMB284 million for the six months ended 30 June 2012.

Claims and policyholders' benefits

Claims and policyholders' benefits for the life insurance segment decreased by 5.5% to RMB40,466 million for the six months ended 30 June 2013 from RMB42,812 million for the same period in 2012, mainly due to a decrease in written premiums.

Handling charges and commissions

Handling charges and commissions of the life insurance segment decreased by 23.7% to RMB1,447 million for the six months ended 30 June 2013 from RMB1,897 million for the same period in 2012, which was mainly affected by the premium income and product structure. Such change was in line with the trend of the premium.

Finance costs

Finance costs of the life insurance segment of the Group increased by 16.3% to RMB1,200 million for the six months ended 30 June 2013 from RMB1,032 million for the same period in 2012, which was mainly due to an increase in interest expenses of financing repurchases.

Net profit

As a result of the foregoing, the net profit of the life insurance segment of the Group increased by 10.3% to RMB1,006 million for the six months ended 30 June 2013 from RMB912 million for the same period in 2012.

(2) Health Insurance

In the first half of 2013, PICC Health captured the opportunity arising from the government policy on serious illness insurance, strengthened building of professionalism, furthered promoted the detailed management and enhanced its development capability, which led to a steady business growth. The TWPs amounted to RMB8,453 million, representing an increase of 9.5% compared to the same period in 2012. There was a notable progress in reducing loss and increasing efficiency. The net loss amounted to RMB65 million, representing a decrease of loss of RMB232 million compared to the same period in 2012. PICC Health also gained big progress in serving China's medical care insurance system. PICC Health underwrote 291 government-commissioned projects, serving 74.93 million people. GWPs from these projects amounted to RMB3,528 million, with an increase of 22.5% as compared to the same period in 2012.

1. Analysis by Product

The following table sets forth the Original Premiums Income of various products of the health insurance segment for the periods indicated:

	For the Six Months Ended 30 June			
	2013		2012	
Health insurance products	**RMB in millions**	**% of total**	RMB in millions	% of total
Illness insurance	**100**	**2.0**	85	1.6
Medical insurance	**3,665**	**73.4**	3,121	58.9
Disability losses insurance	**63**	**1.3**	49	0.9
Nursing care insurance	**148**	**3.0**	162	3.1
Accidental injury insurance	**214**	**4.3**	293	5.5
Participating endowment insurance	**800**	**16.0**	1,593	30.0
Total	**4,990**	**100.0**	5,303	100.0

2. *Analysis by Channel*

The following table sets forth the breakdown of the Original Premiums Income of the health insurance segment by distribution channel for the periods indicated, which are further divided into bancassurance channel, individual insurance agent channel and group insurance sales channel.

	For the Six Months Ended 30 June			
	2013		2012	
	RMB in millions	**% of total**	RMB in millions	% of total
Bancassurance channel	**812**	**16.3**	1,603	30.2
Individual insurance agent channel	**207**	**4.1**	215	4.0
Group insurance sales channel	**3,971**	**79.6**	3,485	65.8
Total	**4,990**	**100.0**	5,303	100.0

3. *Persistency Ratio*

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

	For the Six Months Ended 30 June	
Item	**2013**	2012
Individual health insurance customer persistency ratio(%)		
13-month persistency ratio(1) (%)	**91.4**	88.7
25-month persistency ratio(2) (%)	**86.9**	87.3

(1) The 13-month 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 issuance.

(2) The 25-month 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 issuance.

4. *Financial Analysis*

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net earned premiums	**2,297**	2,913	(21.1)
Investment income	**626**	222	182.0
Other income	**65**	79	(17.7)
Total income	**3,224**	3,480	(7.4)
Claims and policyholders' benefits	**2,125**	2,608	(18.5)
Handling charges and commissions	**95**	155	(38.7)
Finance costs	**365**	350	4.3
Other operating and administrative expenses	**703**	664	5.9
Total benefits, claims and expenses	**3,289**	3,777	(12.9)
Profit before tax	**(65)**	(297)	(78.1)
Income tax expense	**–**	–	–
Net profit/(loss)	**(65)**	(297)	(78.1)

Net earned premiums

Net earned premiums from the health insurance segment decreased by 21.1% to RMB2,297 million for the six months ended 30 June 2013 from RMB2,913 million for the same period in 2012, primarily due to the decrease in the premium of participating insurance products.

Investment income

Investment income from the health insurance segment increased by 182.0% to RMB626 million for the six months ended 30 June 2013 from RMB222 million for the same period in 2012, primarily due to a smaller scale of investment assets in 2012, the good performance from equity market and the expansion of fixed-income allocation in the first half of 2013.

Other income

Other income from the health insurance segment decreased by 17.7% to RMB65 million for the six months ended 30 June 2013 from RMB79 million for the same period in 2012, primarily due to the decrease in policy initiation fee of certain univesal products.

Claims and policyholders' benefits

Claims and policyholders' benefits from the health insurance segment decreased by 18.5% to RMB2,125 million for the six months ended 30 June 2013 from RMB2,608 million for the same period in 2012, primarily due to the decrease in the premium of participating insurance and the corresponding decrease in the amount of claim reserves as compared to the same period in 2012.

Handling charges and commissions

Handling charges and commissions from the health insurance segment decreased by 38.7% to RMB95 million for the six months ended 30 June 2013 from RMB155 million for the same period in 2012, primarily due to the decrease in premium of participating insurance and the strengthened control of PICC Health in the handling charges of intermediary channels.

Finance costs

Finance costs from the health insurance segment increased by 4.3% to RMB365 million for the six months ended 30 June 2013 from RMB350 million for the same period in 2012, primarily due to the increase in interest expenses of financial assets sold under the agreements to repurchase.

Net profit/(loss)

As a result of the foregoing, the net loss from the health insurance segment decreased by 78.1% to RMB65 million for the six months ended 30 June 2013 from a net loss of RMB297 million for the same period in 2012.

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 periods indicated:

	For the Six Months Ended 30 June	
	2013	2012
	(RMB in millions)	
Jiangsu Province	**12,368**	12,337
Guangdong Province	**12,100**	11,785
Shandong Province	**11,038**	10,421
Zhejiang Province	**11,003**	10,614
Hebei Province	**9,784**	9,435
Sichuan Province	**8,188**	7,456
Beijing	**8,037**	7,813
Henan Province	**6,607**	6,664
Liaoning Province	**6,148**	5,888
Fujian Province	**6,010**	5,287
Other regions	**66,779**	61,181
Total	**158,062**	148,881

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.

Assets under the management of the Group's asset management segment continued to increase. PICC AMC is engaged in third-party asset management business of the insurance industry and the enterprise annuity investment management business by implementing segregated account management and issuing investment products. Alternative investment business channel has been further expanded. PICC Investment Holding completed its registration process of property investment capacity and property investment plan product innovation capabilities. PICC Capital completed its registration process of equity investment capacity and infrastructure investment plan product innovation capabilities.

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

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Investment income	**283**	492	(42.5)
Other income	**337**	511	(34.1)
Total income	**620**	1,003	(38.2)
Finance costs	**1**	86	(98.8)
Other operating and administrative expenses	**286**	285	0.4
Total expenses	**288**	371	(22.4)
Profit before tax	**332**	668	(50.3)
Income tax expense	**(63)**	(415)	(84.8)
Net profit	**269**	253	6.3

Investment income

Investment income from the asset management segment decreased by 42.5% to RMB283 million for the six months ended 30 June 2013 from RMB492 million for the same period in 2012, primarily due to the higher investment income realized in the transfer of a subsidiary by PICC Investment in the same period in 2012.

Other income

Other income from the asset management segment decreased by 34.1% to RMB337 million for the six months ended 30 June 2013 from RMB511 million for the same period in 2012, primarily due to the decrease in income from asset transfer. However, other income from asset management fee increased by 11.4% to RMB240 million for the six months ended 30 June 2013 from RMB215 million for the same period in 2012, and the asset management fee from entrusted third-party asset management increased by 33.2% to RMB94 million in the six months ended June 30, 2013 from RMB71 million in the same period in 2012, mainly due to rapid increases in entrusted third-party assets under PICC AMC's management and entrusted assets under the Group's management, especially the entrusted third-party assets under PICC AMC's management which increased by 41.4% to RMB62,092 million as of June 30, 2013 from RMB43,920 million as of December 31, 2012.

Finance costs

Finance costs for the asset management segment decreased by 98.8% to RMB1 million for the six months ended 30 June 2013 from RMB86 million for the same period in 2012, primarily due to a decrease in the number of associated companies within the scope of consolidation and the corresponding reduction in finance costs.

Net profit

As a result of the foregoing, net profit of the asset management segment increased by 6.3% to RMB269 million for the six months ended 30 June 2013 from RMB253 million for the same period in 2012.

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 2013		As of 31 December 2012	
Investment assets	**Carrying amount**	**% of total**	Carrying amount	% of total
	(RMB in millions, except for percentages)			
Cash and cash equivalents	**60,120**	**9.7**	73,873	12.4
Fixed-income investments	**373,733**	**60.1**	351,363	59.0
Term deposits	**123,219**	**19.8**	120,115	20.2
Fixed-income securities	**235,440**	**37.9**	217,369	36.5
Government bonds	**19,910**	**3.2**	20,860	3.5
Finance bonds	**117,532**	**18.9**	126,589	21.2
Corporate bonds	**97,998**	**15.8**	69,920	11.7
Other fixed-income investments(1)	**15,074**	**2.4**	13,879	2.3
Equity and fund investments at fair value	**69,057**	**11.1**	93,479	15.7
Securities investment funds	**46,668**	**7.5**	44,859	7.5
Equity securities	**22,389**	**3.6**	48,620	8.2
Other investments(2)	**118,864**	**19.1**	77,244	13.0
Subordinated debts and debts investment plans	**58,448**	**9.4**	39,110	6.6
Others	**60,416**	**9.7**	38,134	6.4
Total investment assets	**621,774**	**100.0**	595,959	100.0

(1) Primarily consist of restricted statutory deposits and loan against insurance policies.

(2) Primarily consist of investment properties, derivative financial assets, subordinated debts and debt investment plans, investment in affiliates and associates, and equity investments recorded at cost.

(2) Investment income

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

Items	For the Six Months Ended 30 June 2013	2012
	(RMB in millions, except for percentages)	
Cash and cash equivalents	**233**	142
Fixed-income securities	**8,782**	7,976
Interest income	**8,749**	7,974
Net realized gains/(losses)	**28**	(4)
Net unrealized gains/(losses)	**5**	6
Impairment		
Equity and fund investments at fair value	**4,475**	206
Dividend income	**2,048**	1,164
Net realized gains/(losses)	**3,637**	(306)
Net unrealized gains/(losses)	**77**	327
Impairment	**(1,287)**	(979)
Other investment income/(loss)	**2,773**	2,197
Total investment income	**16,263**	10,521
Total investment yield (annualised)[1] (%)	**5.6**	4.5
Net investment yield (annualised)[2] (%)	**4.6**	4.5

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

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

Specific Analysis

(1) Liquidity Analysis

1. Liquidity Analysis

The Group manages its liquidity on a consolidated basis. Substantially all of the cash flows of the Group, as a holding company, derive from the investment income arising from the investment activities, the cash flow generated by financing activities and the dividends from its subsidiaries.

The liquidity of the Group was mainly 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 settle 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 premiums are received in advance of time when policy benefits or claim payments are to be required, the cash inflow 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 and other financing activities.

The Company believes that it has sufficient liquidity to meet foreseeable liquidity requirements.

2. Statement of Cash Flows

	For the Six Months Ended 30 June		
	2013	2012	
	(RMB in millions, except for percentages)		(% of change)
Net cash flow from operating activities	**31,714**	31,511	0.6%
Net cash flow used in investment activities	**(31,874)**	(28,202)	13.0%
Net cash flow (used in)/from financing activities	**(13,272)**	11,069	–

(2) Solvency

The Company calculates and discloses the actual capital, minimum capital and solvency margin ratio in accordance with relevant CIRC requirements. Under CIRC requirements, PRC insurance companies are required to maintain specified solvency margin ratios.

	As of 30 June 2013	As of 31 December 2012	
	(RMB in millions, except for percentages)		(% of change)
PICC Group			
Actual capital	**86,539**	56,075	54.3
Minimum capital	**40,666**	36,889	10.2
Solvency margin ratio (%)	**213**	152	Increase of 61 pt
PICC P&C			
Actual capital	**52,997**	43,260	22.5
Minimum capital	**27,147**	24,771	9.6
Solvency margin ratio (%)	**195**	175	Increase of 20 pt
PICC Life			
Actual capital	**22,028**	13,955	57.9
Minimum capital	**12,061**	10,773	12.0
Solvency margin ratio (%)	**183**	130	Increase of 53 pt
PICC Health			
Actual capital	**1,823**	2,050	(11.1)
Minimum capital	**1,377**	1,263	9.0
Solvency margin ratio (%)	**132**	162	Decrease of 30 pt

The H share listing of the Company was completed in December 2012 and the Company obtained the CIRC's approval and changed its registered capital in March 2013. According to the relevant CIRC requirements, the proceeds raised from IPO were accounted into the actual capital for the six months ended 30 June 2013. The solvency margin ratio of the Group presented a relatively greater increase. As of 30 June 2013, the solvency margin ratio of the Group was 213%, representing an increase of 61 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency II category as classified by the CIRC.

As of 30 June 2013, the solvency margin ratio of PICC P&C was 195%, representing an increase of 20 percentage points as compared to 31 December 2012 and was within the level of the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Life was 183%, representing an increase of 53 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency II category as classified by the CIRC. The solvency margin ratio of PICC Health was 132%, representing a decrease of 30 percentage points as compared to 31 December 2012 and remained in the Adequate Solvency I category as classified by the CIRC.

PROSPECT

(1) Market Environment

In the first half of 2013, the insurance industry in China demonstrated a steady development trend. According to the statistics released by the CIRC, the original premiums income of China's insurance industry for the first half of 2013 amounted to RMB951,240 million, representing an increase of 11.5% as compared to the same period in 2012, in which, the original premiums income of the P&C insurance companies and life and health insurance companies recorded an increase of 16.6 % and 9.0%, respectively, as compared to the same period in 2012. By the end of June 2013, total insurance assets of the insurance industry in China reached RMB7.88 trillion, representing a growth of 7.2% as compared with the end of 2012.

At present, the internal and external environment of the insurance industry in China is relatively complex, but still at a stage of deepening reform and developmental transformation with strategic opportunities. In the first half of 2013, the China's economy generally experienced a steady growth. Despite the slight fall in economic growth rate, China has maintained a stable foundation for keeping healthy economic development, and still possesses the potential and conditions for maintaining steady yet relatively rapid growth in the long run, which will provide the insurance industry with a favorable external environment. Given the sustained rapid growth in the income level of urban and rural residents, there is a huge development potential for relevant insurance sectors as the residents have stronger awareness on insurance which will lead to rapid increase in and substantial demands for insurance products and services including annuity insurance, medical insurance, nursing care insurance and liability insurance. By virtues of an ever-deepening marketization reform of the insurance industry, the advancing regulatory system on the solvency of the second generation, and the significantly accelerating innovation in the insurance marketing modes, product forms and investment areas, a favorable market environment for the long-term healthy development of the insurance industry in China will be created. The speeded-up progress in urbanization, comprehensive implementation of policy regarding critical illness insurance, the official implementation of "Agricultural Insurance Regulations" and other factors will directly foster the development of insurance business in relation to the state's planning and people's livelihood, such as annuity insurance, health insurance, agricultural insurance and catastrophe insurance.

(2) Key Measures

In the second half of the year, by actively responding to changing trends in the external environment and upholding the theme of "maintaining steady growth and focusing on value creation", the Group plans to complete various tasks pragmatically, maintain its achievements in transformation of operation and management pattern as well as structural adjustment and optimization of the industry sectors, and strengthen the synergy and interaction between the investment segment and the core insurance business, so as to continue the promotion for steady growth of the Group's overall value. First, the Group plans to focus on promoting the development of structural optimization for steady growth of the Group's business, innovate business models and enhance service system to further optimize the structure of its channels; the Group plans to establish a principal insurance concept which embraces both risk protection and wealth management, and accelerate product innovation for further optimization of the business structure. Second, the Group plans to focus on strengthening integrated collaboration to enhance the overall operational efficiency and effectiveness of the Group, and further raise the deployment efficiency of overlapping and interactive resources to continue the deepening of business collaboration and resources sharing; the Group plans to also further promote the integration and optimization of information technology resource for continuous improvement of management and services efficiency; and as well further clarify and optimize the positioning of its specialized investment platform for continuous capacity strengthening of support and protection for the insurance business. Third, the Group plans to focus on enhancing compliance and risk prevention efforts to effectively prevent compliance risk, cash flow risk, risk of asset-liability mismatch and credit risk to further strengthen the protection for the healthy development of the Group. Fourth, the Group plans to focus on strengthening disaster loss reduction and catastrophe claim handling to minimize the impact of catastrophe loss on the Group.

EMBEDDED VALUE

1. Result Summary

This section summarizes the Embedded Value of PICC Life and PICC Health as at 30 June 2013, as well as the Value of One Year's New Business for the 12 months prior to 30 June 2013 with 10% as the discount rate (RMB millions):

	PICC Life	**PICC Health**
Value of In-Force Business before CoC	18,351	2,576
Cost of Capital	(2,212)	(209)
Value of In-Force Business after CoC	16,139	2,367
Adjusted Net Worth	21,961	1,601
Embedded Value	**38,100**	**3,968**
Value of One Year's New Business before CoC	5,044	669
Cost of Capital	(698)	(40)
Value of One Year's New Business after CoC	**4,346**	**629**

Note: Figures may not add up due to rounding.

The results disclosed in this report are based on 100% shareholding of PICC Life and PICC Health.

2. Key Assumptions

For this report, the assumption on risk discount rates is 10% and the assumption on the rate of investment return is 5.75% p.a. used by PICC Life and PICC Health. Corporate income tax is currently levied at 25% on taxable profits. The short-term accidental insurance business is subject to 5.5% business tax.

The assumptions on mortality rates, claim ratio, lapse rates, expenses and commissions are based on the operational experience of PICC Life and PICC Health, as well as future expectations and etc.

3. Sensitivity Tests

Sensitivity tests base on a range of alternative assumptions. In each of the 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 for sensitivity tests for PICC Life at 30 June 2013 are summarized below (RMB millions):

	Risk Discount Rate at 10% (Note)	
Scenarios	**VIF after CoC**	**V1NB after CoC**
Base Scenario	16,139	4,346
Risk discount rate at 9.0%	17,478	4,702
Risk discount rate at 11.0%	14,960	4,025
Investment rate of return plus 50 bps	20,029	5,489
Investment rate of return less 50 bps	12,287	3,217
Expenses increased by 10%	15,990	4,103
Expenses reduced by 10%	16,289	4,589
Lapse rates increased by 10%	15,828	4,265
Lapse rates reduced by 10%	16,474	4,432
Mortality increased by 10%	16,072	4,319
Mortality reduced by 10%	16,207	4,372
Morbidity increased by 10%	16,124	4,340
Morbidity reduced by 10%	16,154	4,351
Short-term business claim ratio increased by 10%	16,096	4,262
Short-term business claim ratio reduced by 10%	16,183	4,430
Participating Ratio (80/20)	14,341	3,783
150% of Minimum Solvency Requirement	14,644	3,885

Note: Except for the scenario with risk discount rate, the risk discount rate uses for other scenarios are 10%.

The results for sensitivity tests for PICC Health at 30 June 2013 are summarized below (RMB millions):

Scenarios	**Risk Discount Rate at 10% (Note)**	
	VIF after CoC	**V1NB after CoC**
Base Scenario	2,367	629
Risk discount rate at 9.0%	2,521	658
Risk discount rate at 11.0%	2,230	602
Investment rate of return plus 50 bps	2,805	704
Investment rate of return less 50 bps	1,927	555
Expenses increased by 10%	2,317	600
Expenses reduced by 10%	2,417	658
Lapse rates increased by 10%	2,265	604
Lapse rates reduced by 10%	2,475	656
Mortality increased by 10%	2,358	628
Mortality reduced by 10%	2,376	630
Morbidity increased by 10%	2,353	628
Morbidity reduced by 10%	2,381	630
Short-term business claim ratio increased by 10%	1,808	384
Short-term business claim ratio reduced by 10%	2,894	874
Participating Ratio (80/20)	2,339	617
150% of Minimum Solvency Requirement	2,198	591

Note: Except for the scenario with risk discount rate, the risk discount rate uses for other scenarios are 10%.

CORPORATE GOVERNANCE

Save for 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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Corporate Governance Code") , the Company had complied with all other code provisions of the Corporate Governance Code in the first half of 2013, and adopted recommended best practices under appropriate circumstances.

The terms of directorship of Mr. Wu Yan, Mr. Wang Yincheng, Mr. Li Liangwen, Mr. Cao Guangsheng, Mr. Liu Yeqiao, Mr. Qi Shaojun, Mr. Xiang Huaicheng, Mr. Cai Weiguo and Mr. Xu Dingbo expired respectively since 28 September 2012. According to the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, the directors shall serve consecutive terms if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement. Therefore, the aforementioned directors will remain as directors of the Company until the re-election of and the newly appointed directors take office.

DIVIDEND

The Company will not declare an interim dividend for the first half of 2013.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

For the first half of 2013, the Company and its subsidiaries did not acquire, dispose of or redeem any listed securities of the Company.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Board has reviewed, in the presence of the external auditor, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013.

PUBLICATION OF THE INTERIM REPORT

The Interim Report of the Company will be published on the website of the Company at www.picc.com and the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk in due course.

On behalf of the Board
The People's Insurance Company (Group) of China Limited
Wu Yan
Chairman

Beijing, the PRC
26 August 2013

As at the date of this announcement, the executive directors of the Company are Mr. Wu Yan, Mr. Wang Yincheng and Mr. Li Liangwen, the non-executive directors are Mr. Cao Guangsheng, Mr. Liu Yeqiao, Mr. Qi Shaojun and Ms. Zhang Hanlin, the independent non-executive directors are Mr. Xiang Huaicheng, Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Cai Weiguo and Mr. Xu Dingbo.