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 2014

The Board of Directors (the "Board") of The People's Insurance Company (Group) of China Limited (the "Company") announces the following unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014, together with the comparative figures for the corresponding period last year, which should be read in conjunction with the following management discussion and analysis.

FINANCIAL STATEMENTS AND MATERIAL NOTES

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		**929**	878
TOTAL INCOME		**189,315**	148,798
Claims and policyholders' benefits		**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		**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	*6*	**11,962**	11,904
Income tax expense	*7*	**(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)*	*9*	**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)

	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	**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	**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		**44,425**	46,607
Derivative financial assets		**30**	16
Debt securities		**247,848**	243,756
Equity securities		**99,646**	97,612
Insurance receivables, net	*10*	**42,806**	26,762
Reinsurance assets		**29,300**	27,222
Term deposits		**162,598**	137,607
Restricted statutory deposits		**9,346**	8,992
Investments in associates	*11*	**29,543**	28,268
Investment properties		**10,602**	10,075
Property and equipment		**21,214**	22,054
Intangible assets		**575**	533
Prepaid land premiums		**3,743**	3,754
Deferred tax assets		**852**	1,545
Other assets		**107,832**	100,516
TOTAL ASSETS		**810,360**	755,319
LIABILITIES			
Securities sold under agreements to repurchase		**46,269**	44,448
Derivative financial liabilities		**4**	10
Income tax payable		**737**	57
Due to banks and other financial institutions		**592**	501
Subordinated debts		**45,045**	46,837
Insurance contract liabilities		**510,228**	461,776
Investment contract liabilities for policyholders		**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	*12*	**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 12)*	**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 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(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**

For the six months ended 30 June 2013

(Amounts in millions of Renminbi, unless otherwise stated)

	Attributable to equity holders of the parent													
	Share capital *(note 12)*	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 8)*	–	–	–	–	–	–	–	–	–	–	(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

NOTES:

1. CORPORATE INFORMATION

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").

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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.

Segment revenue and results for the six months ended 30 June 2014:
(RMB in millions)

(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

Segment revenue and results 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 – 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

Segment assets and liabilities as at 30 June 2014 and 31 December 2013 are as follows:
(RMB in millions)

	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.

4. GROSS AND NET WRITTEN PREMIUMS

(RMB in millions)	**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

(RMB in millions)	**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

(a) Dividend, interest and rental income

(RMB in millions)	**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

(b) Realised gains/(losses)

(RMB in millions)	**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

(RMB in millions)	**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	**3**	202
Total	**123**	292

(d) Impairment losses

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

6. PROFIT BEFORE TAX

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

(RMB in millions)	**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 10)*	**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

7. INCOME TAX EXPENSE

(RMB in millions)	**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.

8. DIVIDEND

(RMB in millions)	**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 – RMB0.38458 cent per share	–	163
Year 2013 Final – RMB0.83 cent per share	**352**	–

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

9. 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 *(RMB in millions)*	**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.

10. INSURANCE RECEIVABLES, NET

(RMB in millions)	**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:

(RMB in millions)	**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 6)*	**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 receivable as at the end of the reporting period, based on the payment due date and net of provision, is as follows:

(RMB in millions)	**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.

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.

11. INVESTMENTS IN ASSOCIATES

(RMB in millions)	**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.

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, respectively, during the six months ended 30 June 2014.

12. SHARE CAPITAL

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Issued and fully paid ordinary shares of RMB1 each *(in million shares)*		
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

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; 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 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 93.95% 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

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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

	RMB in millions, except for percentages		
	As of 30 June 2014	As of 31 December 2013	(% of change)
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

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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

RMB in millions, except for percentages

	As of 30 June 2014	As of 31 December 2013	(% 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)	**1.89**	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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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.

RMB in millions, except for percentages

	For the Six Months Ended 30 June				
	2014			2013	
	Amount	**(% of total)**	**(% of change)**	Amount	(% of total)
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:

			RMB in millions, except for percentages
	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2014		2013	
Life insurance products	**Amount**	**% of total**	Amount	% of total
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June			
	2014		2013	
Health insurance products	**Amount**	**% of total**	Amount	% of total
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.

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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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions

	For the Six Months Ended 30 June	
	2014	2013
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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:

RMB in millions, except for percentages

Investment assets	As of 30 June 2014 Carrying amount	% of total	As of 31 December 2013 Carrying amount	% of total
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:

RMB in millions, except for percentages

	For the Six Months Ended 30 June	
Items	**2014**	2013
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

RMB in millions, except for percentages

	For the Six Months Ended 30 June		
	2014	2013	(% of change)
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.

RMB in millions, except for percentages

	As of 30 June 2014	As of 31 December 2013	(% of change)
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 announcement, since the publication of 2013 Annual Report, no material changes affecting the Company's performance need to be disclosed under rule 46(3) of Appendix 16 to the Listing Rules.

EMBEDDED VALUE

1. Result Summary

This section summarizes the Embedded Value of PICC Life and PICC Health as at 30 June 2014, as well as the Value of Half Year's New Business for the 6 months up to 30 June 2014 with 10% as the discount rate (RMB in millions):

	PICC Life	**PICC Health**
Value of In-Force Business before CoC	18,231	1,931
Cost of Capital	(833)	(171)
Value of In-Force Business after CoC	17,398	1,759
Adjusted Net Worth	23,469	2,804
Embedded Value	**40,866**	**4,563**
Value of Half Year's New Business before CoC	2,790	436
Cost of Capital	(215)	(31)
Value of Half Year's New Business after CoC	**2,575**	**404**

Note: Figures may not add up due to rounding.

The Value of Half Year's New Business for the 6 months up to 30 June 2014 and the 6 months up to 30 June 2013 of PICC Life and PICC Health by distribution channel are summarized below (RMB in millions):

	PICC Life		**PICC Health**	
	up to 30 June 2014	up to 30 June 2013	**up to 30 June 2014**	up to 30 June 2013
Bancassurance Channel	**1,346**	1,251	**90**	70
Individual insurance agent Channel	**842**	841	**25**	22
Group insurance sales Channel	**374**	339	**290**	252
Reinsurance	**13**	–	**–**	–
Total	**2,575**	2,431	**404**	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.

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

2. Key Assumptions

For the results as at 30 June 2014 disclosed above, 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 2014 are summarized below (RMB in millions):

	Risk Discount Rate at 10% (Note)	
Scenarios	**Value of In-Force Business after CoC**	**Value of Half Year's New Business after CoC**
Base Scenario	17,398	2,575
Risk discount rate at 9.0%	18,482	2,793
Risk discount rate at 11.0%	16,448	2,379
Investment rate of return plus 50 bps	20,700	3,539
Investment rate of return less 50 bps	14,123	1,611
Expenses increased by 10%	17,215	2,353
Expenses reduced by 10%	17,580	2,797
Lapse rates increased by 10%	16,997	2,421
Lapse rates reduced by 10%	17,816	2,734
Mortality increased by 10%	17,318	2,551
Mortality reduced by 10%	17,478	2,599
Morbidity increased by 10%	17,397	2,575
Morbidity reduced by 10%	17,398	2,575
Short-term business claim ratio increased by 10%	17,349	2,523
Short-term business claim ratio reduced by 10%	17,446	2,627
Participating Ratio (80/20)	16,129	2,500
150% of Minimum Solvency Requirement	16,232	2,308
Taxable Income Based on China Accounting Standards	17,301	2,500

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

The results for sensitivity tests for PICC Health at 30 June 2014 are summarized below (RMB in millions):

Scenarios	Risk Discount Rate at 10% (Note)	
	Value of In-Force Business after CoC	Value of Half Year's New Business after CoC
Base Scenario	1,759	404
Risk discount rate at 9.0%	1,870	423
Risk discount rate at 11.0%	1,660	387
Investment rate of return plus 50 bps	2,086	474
Investment rate of return less 50 bps	1,434	334
Expenses increased by 10%	1,650	363
Expenses reduced by 10%	1,868	446
Lapse rates increased by 10%	1,648	360
Lapse rates reduced by 10%	1,889	451
Mortality increased by 10%	1,752	405
Mortality reduced by 10%	1,766	404
Morbidity increased by 10%	1,746	404
Morbidity reduced by 10%	1,772	405
Short-term business claim ratio increased by 10%	1,023	204
Short-term business claim ratio reduced by 10%	2,558	605
Participating Ratio (80/20)	1,725	403
150% of Minimum Solvency Requirement	1,630	373
Taxable Income Based on China Accounting Standards	1,714	353

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

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 could not 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 announcement on Change of Directors and Supervisors of the Company dated 11 March 2014 for the relevant details.

DIVIDEND

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

PURCHASE, DISPOSAL OR REDEMPTION OF LISTED SECURITIES

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

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.

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
22 August 2014

As at the date of this announcement, the executive directors are Mr. Wu Yan, Mr. Wang Yincheng, Ms. Zhuang Chaoying and Mr. Zhou Liqun, the non-executive directors are Mr. Yao Zhiqiang, Mr. Wang Qiao, Ms. Li Shiling, Ms. Zhang Hanlin and Mr. Ma Qiang, and the independent non-executive directors are Mr. Xiang Huaicheng, Mr. Lau Hon Chuen, Mr. Du Jian, Mr. Xu Dingbo and Mr. Luk Kin Yu, Peter.*

Note(*): Mr. Luk Kin Yu, Peter shall become an independent non-executive director and a member of the audit committee and the nomination and remuneration committee of the Company upon receiving approval from the China Insurance Regulatory Commission in relation to his qualification as a director. Mr. Cai Weiguo currently serves as the independent non-executive director of the Company and shall retire on the day when Mr. Luk obtains his qualification.