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中國太平洋保險（集團）股份有限公司

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

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

**(Stock Code : 02601)**

## **ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018**

### **LETTER FROM CHAIRMAN TO SHAREHOLDERS**

#### **Dear Shareholders:**

In the first half of 2018, China's macro economy saw steady growth and continued structural improvement. At the same time, against a changing global economic landscape, China is also facing challenges. Given this complicated and ever-changing business environment, CPIC stayed focused on insurance, **“seeking changes while maintaining steady performance”** in pursuit of quality development.

**Steady performance** is reflected in our market position, development quality and risk management.

- **Steady market position.** With improving comprehensive strength, we maintained a stable market position in terms of scale. The Group's operating revenues<sup>note 1</sup> for the first half of 2018 exceeded the mark of RMB200 billion for the first time and reached RMB204.694 billion, up 15.3% compared with the same period of 2017; Group net profits<sup>note 2</sup> amounted to RMB8.254 billion, up 26.8%; as of the end of the first half of 2018, Group

total assets reached RMB1,285.921 billion, an increase of 9.8% from the end of the previous year; Group embedded value amounted to RMB309.242 billion, up 8.1% from the end of the previous year; the total number of customers reached 123 million. We were listed among the Fortune Global 500 for the eighth consecutive year, ranking 220th, up 32 places from 2017.

- **Steady quality development.** The Company enjoyed steady performance in key business-quality indicators. Our life business mix was further optimized, lifting new business margin (NBV margin) to 41.4% in the first half of 2018, leading in the industry; our profitability continued to grow, with residual margin at RMB263.470 billion, an increase of 15.4% from the end of the previous year. The overall quality of our property and casualty business remained stable. In the first half of this year, the combined ratio of CPIC P/C was 98.7%, the same as that for the first half of 2017. On asset management side, we persisted in prudent, value and long-term investment to support our core business of insurance. In the first half of the year, the annualized growth rate of investments' net asset value reached 4.8%, up 0.3pt year-on-year, an indication of steady overall investment performance.
- **Steady performance in risk management.** With sound equity management and capital planning, both the Group and its subsidiaries maintained strong solvency margin ratios. In the first half of 2018, the Group's core and comprehensive solvency margin ratios reached 285% and 292% respectively. The Company boasted good liquidity, with credit risk under control and no default on its investment assets. 99.8% of non-standard assets with external credit-ratings received AA+ ratings or above, while 92.1% AAA ratings. In compliance with regulatory requirements, the Company conducted self-examination and rectification, further strengthened the management of key risks and received good results from regulatory assessment and evaluation.

**Changes** refer to the differences made by Transformation 2.0. Focusing on core business, new business areas and organizational health, we launched 13 transformation projects in the first half of this year, with definition of objectives, responsible persons, scope of work, and appraisal mechanism for each project. With the progress of these projects, **hundreds of millions of our customers are experiencing better services.**

- **Expansion in business portfolios further broadened our scope of services.** The new Board of Directors is committed to the development of the elderly care sector. The Group has formulated a new five-year development plan for the industry. In the first half of 2018, we achieved "ice-breaking", with a number of projects underway in Chengdu, Shanghai, Yunnan and other places. We will develop exemplary projects such as high-end elderly care and vacation centers based on local realities. Moreover, we will develop

products customized for those projects under a new business model combining exclusive insurance products, high-end community and quality services, to satisfy the needs of mid/high-end customers. In the first half of 2018, CPIC Fund Management Co., Ltd. officially became a member of the Group, which will further enrich the product line-up for individual customers, and enhance the Company's active investment management capabilities.

- **Rapid development of emerging business areas increased the sophistication of our service.** For agricultural insurance, the Company actively promoted the innovation of price index insurance to move from “cost indemnity” to “income protection”, helping to improve farmers' income security and better motivate them for agricultural production. These products have been extended to cover a variety of farm produce and regions, including sugar canes in Guangxi, eggs in Shandong, and cotton in Xinjiang, offering ever-improving risk protection to our customers. In the first half of this year, CPIC P/C and Anxin Agricultural jointly delivered RMB3.001 billion in primary insurance premiums for agricultural business, with fast growing market share and a healthy combined ratio. For the newly-launched tax-deferred pension business, the Company leveraged its advantages as an insurance holding group and became one of the first to obtain the business qualification. On 7 June, it issued the first tax-deferred insurance policy in China with a leading market share in pilot regions.
- **Enhanced synergy within the Group facilitated integrated services to customers.** The new Board of Directors improved the mechanisms for increased collaboration within the Group. For instance, we launched two projects to boost integrated services to major corporate clients and cross-selling. In the first half of 2018, auto insurance premiums from life agents reached RMB4.166 billion, up 20.0%. CPIC Allianz Health continued to innovate health insurance products and provide health management services to our life insurance customers, leading to much higher penetration rate among individual life customers. In the first half of this year, its health insurance premiums from life agents increased by 184.0% year-on-year.
- **Application of innovative technologies further enhanced our service efficiency.** The Company is actively using innovative technologies to enhance customer service capabilities and improve customer experience. On top of the Group's unified customer account data platform, we are promoting a unified client APP to achieve a unified customer interface. “*Tai Hao Bao*”, a risk management project for commercial lines automobile insurance of CPIC P/C, can provide early warning and effective control of unsafe driving behaviour. Using biotechnology, image recognition and big data, it has

become a smart risk control platform helping customers reduce losses, as well as improving the business quality. With AI technologies such as voice interaction, biometrics and image recognition, CPIC Life developed the industry's first intelligent service robot for hospitals - *“Lingxi No.1”*, offering services including general inquiry, appointment booking, and fast-track claims. It uses voice navigation to help customers complete claims application. The whole claims turnaround can take as little as 12 minutes, which greatly improves customer satisfaction and in turn helps life agents acquire new customers and promote upselling.

**We are also facing challenges.** The uneven growth of life business across the year has become more acute. In particular, in the first half of this year, with new business from the agency channel of individual business under pressure, new business value (NBV) of life insurance declined. The non-auto business of CPIC P/C once again incurred underwriting losses, indicating that the underwriting profitability of our non-auto business was not guaranteed; moreover, new regulations on asset management require continued enhancement of asset and liability management.

To solve these problems, we need more resolve and efforts. We will step up transformation, and accelerate the rollout of projects to fulfill our objective of **“being the best in customer experience, business quality and risk control capability”**. We will develop a new growth model for the agency channel of life insurance to realize more balanced growth across the year, underpinned by a shift from agency headcount growth to productivity improvement, product upgrading, breakthroughs in customer-oriented operation, and increased use of technologies. We will boost product and technology innovation, promote high-quality non-auto business such as agricultural and liability insurance, and further consolidate the progress of new business lines. Based on the profiles of insurance liabilities, we will further optimize strategic asset allocation and entrustment business model, foster core investment management capabilities, strengthen credit risk management and control, and strive to ensure that investment income continues to cover liability cost. In short, in the face of the opportunities and challenges, we will follow through on strategies and plans of Transformation 2.0, and strive to achieve the vision of **“becoming a leader in the healthy and stable development of the industry”**!

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.

## REVIEW AND ANALYSIS OF OPERATING RESULTS

## **Business overview**

### **I. Key businesses**

We are a leading integrated insurance group in China, and provide, through our subsidiaries and along the insurance value chain, a broad range of risk protection solutions, financial planning and wealth management services.

In particular, we provide life/health insurance products & services through CPIC Life, property and casualty insurance products & services through CPIC P/C and Anxin Agricultural, and specialized health insurance products & services through CPIC Allianz Health. We manage insurance funds, including third-party assets, through our investment arm, CPIC AMC. We conduct pension business and other related asset management business via Changjiang Pension. We also engage in mutual fund management business through CPIC Fund.

In the first half of 2018, China's insurance market realized a premium income of RMB2.24 trillion, down by 3.3% from the same period of 2017. Of this, premium from life/health insurance companies amounted to RMB1,634.519 billion, down by 8.5%, and that from property and casualty insurance companies RMB602.418 billion, up 14.2%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

### **II. Core competitiveness**

We are a leading integrated insurance group in China, ranking 220th among Fortune Global 500. We persist in customer-orientation and focus on insurance to be a "specialist" in the business. We pursue innovation of insurance products and services, and commit ourselves to enhancing customer experience, creating sustainable value and generating stable returns for our shareholders.

- We are committed to protection as the central insurance value proposition, pursue a path of high-quality development, with a business philosophy centering on prudence and sustainability.
- We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management, with a commitment to promoting synergy within the Group.
- We boast an experienced management team and a group-centralized platform of management, coupled with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well coordinated mechanisms.
- As a leading insurance franchise in China, we have put in place a nation-wide distribution

network, with 122.53 million customers.

- We proceed with the customer-oriented transformation, building capabilities in Customer Profile Delineation, with enhanced product innovation capabilities for life business based on customer segmentation and improved abilities to serve high quality customers for property and casualty insurance. We have launched Transformation 2.0, an upgrade of the previous effort, seeking to foster capabilities for long-term growth centering on core business, emerging business and organizational health.
- We put in place asset liability management mechanisms, persisting in prudent investment, value investment and long-term investment, which served to curb the cost of liabilities and enhanced our capabilities in strategic asset allocation based on profiles of liabilities.
- We established an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company. With state-of-the-art and reliable IT systems and investment in enterprise-level applications, we have fostered market-leading capabilities in operational support and new technology application.

## **Performance overview**

We persisted in customer-orientation, stayed focused on insurance to specialize in it, and delivered sustained value growth and stable business results for the reporting period.

### **I. Performance highlights**

During the reporting period, Group operating revenues<sup>note 1</sup> amounted to RMB204.694 billion, of which, gross written premiums (GWPs) reached RMB192.633 billion, a growth of 17.6%. Group net profits<sup>note 2</sup> reached RMB8.254 billion, up 26.8%. Group embedded value amounted to RMB309.242 billion, an increase of 8.1% from the end of 2017. Of this, value of in-force business<sup>note 3</sup> reached RMB153.379 billion, up 14.1%. Life business delivered RMB16.289 billion in half-year NBV, down by 17.5%, with an NBV margin of 41.4%, up 0.8pt. Property and casualty business<sup>note 4</sup> recorded a combined ratio of 98.6%, down 0.1pt from that for the same period of 2017. Annualized growth rate of Group investments' net asset value stood at 4.8%, up 0.3pt. As of the end of the reporting period, Group total customers amounted to 122.53 million, an increase of 7 million from the end of 2017.

**Life insurance maintained rapid total premium growth, with steady increase of long-term protection business as a share of total first year premiums (FYPs).**

- CPIC Life realized a 37.7% growth of renewal business, which underpinned a 18.5% growth of GWPs, at RMB131.037 billion.

- With FYPs from agency channel of individual business under short-term pressure, half-year NBV fell by 17.5% from the same period of 2017 to RMB16.289 billion.
- CPIC Life continued to improve its business mix. Annualized first year premiums from long-term protection business<sup>note 5</sup> as a percentage of total new business increased by 7.8pt to 50.2%, which drove a 15.4% growth of residual margin of life business versus the end of 2017, at RMB263.470 billion, and a 0.8pt improvement of NBV margin, at 41.4%.

**Property and casualty business<sup>note 4</sup> maintained a stable combined ratio, with a strong recovery of top-line growth.**

- Property and casualty business exercised stringent control of business quality, with a combined ratio of 98.6%, an improvement of 0.1pt from the first half of 2017. Of this, loss ratio stood at 58.0%, down by 3.0pt, and expense ratio 40.6%, up by 2.9pt.
- Top-line growth picked up considerably, with GWPs amounting to RMB61.428 billion, an increase of 15.6%. Of this, non-auto business grew by 32.2% and accounted for 28.6% of GWPs, up 3.6pt.
- Emerging business lines such as agricultural insurance, liability insurance and guarantee insurance grew rapidly while maintaining good underwriting profitability. Of this, agricultural business realized RMB3.001 billion in primary insurance premiums<sup>note 6</sup>, with a fast increase in market share.

**Persisted in asset allocation based on profiles of liabilities, with steady growth of investments' net asset value.**

- The share of fixed income investments stood at 83.3%, up 1.5pt from the end of 2017; that of equity investments 13.2%, down by 1.4pt, and of this, core equity investments<sup>note 7</sup> accounted for 6.7% of total investment assets, down by 0.7pt.
- Group annualized total investment yield was 4.5%, a decrease of 0.2pt from the first half of 2017, with annualized net investment yield of 4.5%, down by 0.6pt, and annualized growth rate of investments' net asset value of 4.8%, up 0.3pt. Group assets under management (AuM) amounted to RMB1,580.901 billion, an increase of 11.5% from the end of 2017. Of this, third-party AuM<sup>note 8</sup> amounted to RMB403.652 billion, an increase of 19.7%.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Businesses of CPIC P/C, Anxin Agricultural and CPIC HK included.
5. Long-term risk protection business includes whole life insurance, term life insurance, long-term health insurance and long-term accident insurance, etc.
6. Based on primary insurance premiums, excluding premium income ceded-in, with consolidation of CPIC P/C and Anxin Agricultural.

7. Equity securities and equity funds included.

8. CPIC Fund consolidated for the number as at 30 June 2018, given its acquisition by CPIC AMC in the first half of 2018.

## II. Key performance indicators

Unit: RMB million

Indicators	As at 30 June 2018/for the period between January and June in 2018	As at 31 December 2017/for the period between January and June in 2017	Changes (%)
<b>Key value indicators</b>			
Group embedded value	309,242	286,169	8.1
Value of in-force business <sup>note 1</sup>	153,379	134,414	14.1
Group net assets <sup>note 2</sup>	138,878	137,498	1.0
NBV of CPIC Life	16,289	19,746	(17.5)
NBV margin of CPIC Life (%)	41.4	40.6	0.8pt
Combined ratio of CPIC P/C (%)	98.7	98.7	-
Annualized growth rate of investments' net asset value (%)	4.8	4.5	0.3pt
<b>Key operating indicators</b>			
<b>GWPs</b>	192,633	163,785	17.6
CPIC Life	131,037	110,551	18.5
CPIC P/C	60,685	52,485	15.6
Number of Group customers ('000) <sup>note 3</sup>	122,526	115,528	6.1
Average number of insurance policies per customer	1.78	1.73	2.9
Monthly average agent number ('000)	894	870	2.8
Monthly average first-year commission per agent (RMB)	1,217	1,564	(22.2)
Surrender rate of CPIC Life (%)	0.9	0.8	0.1pt
Annualized total investment yield (%)	4.5	4.7	(0.2pt)
Annualized net investment yield (%)	4.5	5.1	(0.6pt)
Third-party AuM <sup>note 4</sup>	403,652	337,183	19.7
Third-party AuM by CPIC AMC	145,623	147,179	(1.1)
Assets under investment management by Changjiang Pension	240,986	190,004	26.8
<b>Key financial indicators</b>			
<b>Net profit attributable to equity holders of the parent</b>	8,254	6,509	26.8
CPIC Life	6,502	4,381	48.4
CPIC P/C	1,587	2,049	(22.5)
<b>Comprehensive solvency margin ratio (%)</b>			
CPIC Group	292	284	8pt
CPIC Life	253	245	8pt
CPIC P/C	273	267	6pt

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.

2. Attributable to equity holders of the parent.

3. The number of Group customers refers to the number of applicants and insureds who hold at least one insurance policy within the insurance period issued by one or any of CPIC subsidiaries as at the end of the reporting period. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

4. CPIC Fund consolidated for the number as at 30 June 2018, given its acquisition by CPIC AMC in the first half of 2018.



## Life/health insurance business

In the first half of 2018, CPIC Life maintained rapid growth of GWPs. On the other hand, due to the short-term pressure on FYPs from the agency channel of individual business, its NBV declined compared with the same period of 2017. The company continued to strengthen its capabilities in “customer operation”, i.e., acquisition of new customers and upselling to existing ones, stepped up innovation of protection products, and delivered improvement in both business mix and NBV margin. CPIC Allianz Health committed to fostering specialized health insurance capabilities, stepped up product innovation to help with customer acquisition by CPIC Life’s agents, and delivered rapid business growth.

### I. CPIC Life

#### (I) Business analysis

In the first half of 2018, thanks to its long-term focus on regular premium business, CPIC Life recorded a growth of 43.7% for its renewal premiums from the agency channel of individual customers. As a result, for the reporting period, it reported GWPs of RMB131.037 billion, up 18.5%. On the other hand, due to product switch, market interest rate movements and the high base effect, FYPs from the agency channel of individual business faced pressure, which led to a 17.5% decline of NBV, at RMB16.289 billion. In response to the decline of NBV in the first quarter, we intensified agents training of protection products sales, improved management of business seasonality, and achieved a steep rebound in NBV growth, which was 35.2% for Q2 as compared with -32.5% for Q1. The company pushed forward Transformation 2.0, upheld protection as the basic value proposition of insurance, deepened product and service innovations and delivered an increased share of long-term protection business. As a result, NBV margin increased by 0.8pt to 41.4%.

#### 1. Analysis by channels

For 6 months ended 30 June	2018	2017	Unit: RMB million Changes (%)
<b>Individual customers</b>	<b>126,117</b>	<b>106,950</b>	<b>17.9</b>
<b>Agency channel</b>	<b>117,977</b>	<b>98,172</b>	<b>20.2</b>
New policies	29,247	36,440	(19.7)
Regular premium business	27,191	35,239	(22.8)
Renewed policies	88,730	61,732	43.7
<b>Other channels<sup>note</sup></b>	<b>8,140</b>	<b>8,778</b>	<b>(7.3)</b>
<b>Group clients</b>	<b>4,920</b>	<b>3,601</b>	<b>36.6</b>
<b>Total GWPs</b>	<b>131,037</b>	<b>110,551</b>	<b>18.5</b>

Note: Other channels include bancassurance and telemarketing & internet sales.

#### (1) Business from individual customers

For the reporting period, we realized RMB126.117 billion in GWPs from individual customers,

up 17.9%. Of this, new policies from the agency channel amounted to RMB29.247 billion, down by 19.7%, and renewal business RMB88.730 billion, an increase of 43.7%. GWPs from the agency channel accounted for 90.0%, up 1.2pt compared with the same period of 2017.

To address the chronic issue of uneven business development across quarters, and in the face of new business decline in the first quarter of this year, we took a host of measures to drive more balanced business growth, such as heightened training of protection products, intensified efforts to smooth out seasonality and increased product innovation, and delivered a strong recovery of growth in the second quarter. During the reporting period, the fundamentals of the sales force remained largely stable. Monthly average number of agents stood at 894,000. Of this, monthly average number of active and high-performing agents reached 342,000 and 175,000, respectively. We stepped up elimination of unproductive agents, introduced performance appraisal and continued to shore up foundation of sales force growth. As at the end of June, the total number of agents stood at 839,000.

Next, we will accelerate transformation, and put in place a new development mode for the individual business underpinned by a shift from agent headcount growth to productivity improvement. In particular, we will enhance our capabilities in new customer acquisition and upselling through increase penetration of urban areas and technology empowerment, so as to achieve more balanced growth of new business across the whole year.

<b>For 6 months ended 30 June</b>	<b>2018</b>	<b>2017</b>	<b>Changes (%)</b>
Monthly average agent number ('000)	894	870	2.8
Monthly average first-year commission per agent (RMB)	1,217	1,564	(22.2)
Average number of new long-term life insurance policies per agent per month	2.22	2.54	(12.6)

## (2) Business from group clients

In the first half of 2018, we focused on health and pension business, enhanced co-operation with governments and companies, steadily increased the coverage of insurance programs for people's well-being, and continued to enhance capacity-building. As a result, managed health care and health management began to take shape. The segment realized RMB4.920 billion in GWPs, up by 36.6%.

### 2. Analysis by product types

We focus on risk protection and long-term savings products. For the reporting period, traditional business generated RMB41.218 billion in GWPs, up 26.0%. Of this, long-term health insurance contributed RMB17.766 billion, up 43.2%. Participating business delivered RMB81.310 billion in GWPs, up 13.8%. In response to government policies, we vigorously pushed forward the tax-deferred pension business, with a leading market share during the reporting period.

Unit: RMB million

For 6 months ended 30 June	2018	2017	Changes (%)
<b>GWPs</b>	<b>131,037</b>	<b>110,551</b>	<b>18.5</b>
Traditional	41,218	32,702	26.0
Long-term health	17,766	12,409	43.2
Participating	81,310	71,439	13.8
Universal	42	23	82.6
Tax-deferred pension	3	-	/
Short-term accident and health	8,464	6,387	32.5

### 3. Policy persistency ratio

For 6 months ended 30 June	2018	2017	Changes
Individual life insurance customer 13-month persistency ratio (%) <sup>note 1</sup>	93.8	94.1	(0.3pt)
Individual life insurance customer 25-month persistency ratio (%) <sup>note 2</sup>	91.5	88.9	2.6pt

Notes:

1. 13-month persistency ratio: premiums from in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

2. 25-month persistency ratio: premiums from in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

The company's policy persistency maintained an overall healthy level, with 13-month and 25-month persistency ratios at 93.8% and 91.5% respectively.

### 4. Top 10 regions for GWPs

The company's GWPs mainly came from economically developed regions or populous areas.

For 6 months ended 30 June	2018	2017	Changes (%)
<b>GWPs</b>	<b>131,037</b>	<b>110,551</b>	<b>18.5</b>
Henan	14,853	11,885	25.0
Jiangsu	13,833	11,787	17.4
Shandong	11,045	9,488	16.4
Zhejiang	9,773	7,974	22.6
Hebei	7,814	6,654	17.4
Guangdong	7,318	6,638	10.2
Shanxi	5,798	5,087	14.0
Hubei	5,485	4,692	16.9
Heilongjiang	5,468	4,373	25.0
Xinjiang	4,020	3,527	14.0
Subtotal	85,407	72,105	18.4
<b>Others</b>	<b>45,630</b>	<b>38,446</b>	<b>18.7</b>

Unit: RMB million

## (II) Financial analysis

For 6 months ended 30 June	2018	2017	Changes (%)
Net premiums earned	126,852	107,739	17.7
Investment income <sup>note</sup>	22,034	21,961	0.3
Other operating income	1,723	1,157	48.9
<b>Total income</b>	<b>150,609</b>	<b>130,857</b>	<b>15.1</b>
Net policyholders' benefits and claims	(111,376)	(93,650)	18.9
Finance costs	(1,027)	(1,435)	(28.4)

Unit: RMB million

Interest credited to investment contracts	(1,377)	(1,179)	16.8
Other operating and administrative expenses	(27,137)	(28,265)	(4.0)
<b>Total benefits, claims and expenses</b>	<b>(140,917)</b>	<b>(124,529)</b>	<b>13.2</b>
Profit before tax	9,692	6,328	53.2
Income tax	(3,190)	(1,947)	63.8
<b>Net profit</b>	<b>6,502</b>	<b>4,381</b>	<b>48.4</b>

Note: Investment income includes investment income on financial statements and share of profit/(loss) in equity accounted investees.

**Investment income** for the reporting period was RMB22.034 billion, up by 0.3%.

**Net policyholders' benefits and claims** amounted to RMB111.376 billion, up 18.9%, largely due to fast growth of changes in long-term insurance contract liabilities and policyholder dividends.

For 6 months ended 30 June	Unit: RMB million		
	2018	2017	Changes (%)
<b>Net policyholders' benefits and claims</b>	<b>111,376</b>	<b>93,650</b>	<b>18.9</b>
Life insurance death and other benefits paid	23,640	23,426	0.9
Claims incurred	3,071	2,567	19.6
Changes in long-term insurance contract liabilities	78,973	63,375	24.6
Policyholder dividends	5,692	4,282	32.9

**Other operating and administrative expenses** for the reporting period amounted to RMB27.137 billion, down by 4.0%.

As a result, CPIC Life recorded a net profit of RMB6.502 billion for the first half of 2018, up 48.4%.

## II. CPIC Allianz Health

Committed to building capabilities in professional health insurance management, the subsidiary realized rapid business growth during the reporting period, with RMB1.275 billion in GWPs and management fee income, a growth of 124.9%.

At the same time, it strived to promote resource-sharing and collaboration within the Group, and deepened product development, operational risk control and health management. In particular, it continued to boost product and service innovation to meet customers' demand for health insurance and services throughout their life cycles, accelerated digitalization for operational empowerment and to support rapid business growth, expanded co-operation with stakeholders of the health eco-system so that its health service could cover more insurance customers. For individual customers, it enhanced co-operation with CPIC Life in the integration of insurance products and health services, helping life insurance agents to acquire new customers and improve the loyalty of high-end customers. During the reporting period, it helped CPIC Life acquire over 500,000 new customers, and the rate of penetration of life insurance individual customers by insurance products and health services increased by 1.0pt

and 6.6pt respectively from 2017, reaching 3.3% and 9.6%.

## Property and casualty insurance

In the first half of 2018, the property and casualty business<sup>note</sup> persisted in business quality control, stepped up the development of emerging business, and reported a stable combined ratio. Of this, automobile insurance maintained underwriting profitability, while non-auto business as a share of total GWPs increased considerably. Anxin Agricultural focused on product innovation, deepened collaboration with CPIC P/C and delivered solid business results.

Note: References to CPIC P/C in this report do not include Anxin Agricultural.

### I. CPIC P/C

#### (I) Business analysis

During the reporting period, CPIC P/C adhered to the strategy of “consolidating progress, pursuing breakthroughs, integrating transformation and enhancing innovations”. Building on achievements in business quality management, it deepened transformation and management upgrading, accelerated the growth of emerging business lines and delivered solid business results. It reported GWPs of RMB60.685 billion, up 15.6%, with a combined ratio of 98.7%, the same as that for the first half of 2017.

##### 1. Analysis by lines of business

For 6 months ended 30 June	Unit: RMB million		
	2018	2017	Changes (%)
<b>GWPs</b>	<b>60,685</b>	<b>52,485</b>	<b>15.6</b>
Automobile insurance	43,855	39,843	10.1
Compulsory automobile insurance	9,764	8,418	16.0
Commercial automobile insurance	34,091	31,425	8.5
Non-automobile insurance	16,830	12,642	33.1
Commercial property insurance	3,090	2,774	11.4
Liability insurance	2,935	2,223	32.0
Agricultural insurance	2,559	1,564	63.6
Guarantee insurance	1,775	555	219.8
Others	6,471	5,526	17.1

##### (1) Automobile insurance

For the reporting period, we reported GWPs of RMB43.855 billion from automobile business, a growth of 10.1%, with a combined ratio of 98.0%, down by 0.6pt from the first half of 2017. Of this, the loss ratio stood at 59.4%, down by 1.7pt while the expense ratio rising 1.1pt to 38.6%. In the first half of 2018, we pro-actively adapted to the deregulation of commercial automobile insurance, pushed for quality development of the business, and delivered an improvement of

renewal ratio for low loss ratio customers, better combined ratio and an increase in market share. We continued to strengthen distribution channels, stepping up co-operation with the life operation, and delivered rapid development of core channels such as cross-selling and car dealerships. As a result, car dealerships reported RMB15.425 billion in GWPs, a growth of 9.7%, and cross-selling RMB4.166 billion, a growth of 20.0%. Measured by vehicle types, both personal and commercial picked up considerably in top-line growth.

For 6 months ended 30 June	Unit: RMB million		
	2018	2017	Changes (%)
<b>GWPs</b>	<b>43,855</b>	<b>39,843</b>	<b>10.1</b>
<b>Primary insurance premiums</b>	<b>43,846</b>	<b>39,448</b>	<b>11.1</b>
Car dealerships	15,425	14,056	9.7
Cross-selling	4,166	3,471	20.0

Looking forward, in response to further deregulation of commercial automobile insurance, the company will persist in industry bench-marking and business quality control, optimize resources allocation, deepen collaboration within the Group, so as to build a growth model centering on quality.

### (2) Non-automobile insurance

For the reporting period, due to underwriting losses incurred by property, credit and personal accident insurance, the combined ratio of non-auto business climbed 2.4pt over the first half of 2017 to 101.7%. At the same time, emerging business lines such as agricultural insurance, niche liability insurance and personal loans guarantee insurance recorded strong growth. With this, GWPs from non-automobile business amounted to RMB16.830 billion, up by 33.1%. Of this, agricultural insurance stepped up integration with Anxin Agricultural to establish an integrated business development platform to strengthen capabilities in basic management and professional services, and delivered RMB2.559 billion in GWPs, up 63.6%, with market share ranking rising to the 3rd place.

Next, we will enhance business quality control, maintain the strong growth momentum of emerging business lines, and strengthen specialized operation to drive healthy development of the business.

### (3) Key financials of major business lines

For 6 months ended 30 June 2018						
Name of insurance	GWPs	Amounts insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	43,855	10,696,579	23,838	56,104	789	98.0
Commercial property insurance	3,090	7,332,065	1,439	4,777	(23)	101.5
Liability insurance	2,935	5,453,596	1,044	4,539	97	94.6
Agricultural insurance	2,559	104,010	632	2,537	33	96.4

Guarantee insurance	1,775	21,637	140	3,285	33	93.9
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## 2. Top 10 regions for GWPs

We rely on our nationwide distribution network and implement differentiated regional development strategies based on factors like market potential and business profitability.

		Unit: RMB million		
For 6 months ended 30 June		2018	2017	Changes (%)
<b>GWPs</b>		<b>60,685</b>	<b>52,485</b>	<b>15.6</b>
Jiangsu		6,856	6,252	9.7
Guangdong		6,572	6,013	9.3
Zhejiang		5,816	5,002	16.3
Shanghai		4,354	4,045	7.6
Shandong		3,355	2,908	15.4
Sichuan		3,316	1,876	76.8
Beijing		3,026	2,856	6.0
Chongqing		2,148	1,955	9.9
Hebei		2,137	1,676	27.5
Henan		1,968	1,495	31.6
Subtotal		39,548	34,078	16.1
<b>Others</b>		<b>21,137</b>	<b>18,407</b>	<b>14.8</b>

## (II) Financial analysis

		Unit: RMB million		
For 6 months ended 30 June		2018	2017	Changes (%)
Net premiums earned		48,757	42,762	14.0
Investment income <sup>note</sup>		2,955	2,549	15.9
Other operating income		251	207	21.3
<b>Total income</b>		<b>51,963</b>	<b>45,518</b>	<b>14.2</b>
Claims incurred		(28,171)	(25,998)	8.4
Finance costs		(324)	(176)	84.1
Other operating and administrative expenses		(20,049)	(16,403)	22.2
<b>Total benefits, claims and expenses</b>		<b>(48,544)</b>	<b>(42,577)</b>	<b>14.0</b>
Profit before tax		3,419	2,941	16.3
Income tax		(1,832)	(892)	105.4
<b>Net profit</b>		<b>1,587</b>	<b>2,049</b>	<b>(22.5)</b>

Note: Investment income includes investment income on the financial statements and share of profit/(loss) in equity accounted investees.

**Investment income** for the reporting period amounted to RMB2.955 billion, up 15.9%, mainly attributable to increase in interest income from fixed income investments and dividend income from equity investments.

**Other operating and administrative expenses** amounted to RMB20.049 billion, up by 22.2%, mainly due to business growth and market competitions.

Hence, a net profit of RMB1.587 billion was booked for CPIC P/C for the first half of 2018, down by 22.5% from the same period of 2017.

## II. Anxin Agricultural

In the first half 2018, the subsidiary focused on the core business of agricultural insurance, with intensified efforts in product innovation and collaboration. For the reporting period, it delivered RMB681 million in GWPs, up 12.2%, of which, agricultural insurance RMB452 million, up 11.9%. Its combined ratio stood at 94.2%, maintaining healthy underwriting profitability, with net profits of RMB65 million.

## III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2018, its total assets stood at RMB1.281 billion, with net assets of RMB455 million. GWPs for the reporting period amounted to RMB277 million, with a combined ratio of 93.0%, and a net profit of RMB16 million.

## Asset management

**We continued to strengthen our capability for asset liability management, optimized strategic asset allocation (SAA), while seizing market opportunities with effective measures to forestall major risks. For the first half of 2018, total investment yield reached 4.5%, net investment yield 4.5% and growth rate of investments' net asset value 4.8%, all on an annualized basis. Group AuM maintained steady increase.**

### I. Group AuM

As of the end of the first half of 2018, Group AuM totaled RMB1,580.901 billion, rising 11.5% from the end of 2017. Of this, Group in-house assets amounted to RMB1,177.249 billion, a growth of 8.9%, and third-party AuM RMB403.652 billion, up 19.7%, with a fee income of RMB501 million, up 8.9%.

	30 June 2018	31 December 2017	Unit: RMB million Changes (%)
<b>Group AuM</b>	<b>1,580,901</b>	<b>1,418,465</b>	<b>11.5</b>
Group in-house assets	1,177,249	1,081,282	8.9
Third-party AuM <sup>note</sup>	403,652	337,183	19.7
Third-party AuM by CPIC AMC	145,623	147,179	(1.1)
Assets under investment management by Changjiang Pension	249,986	190,004	26.8

Note: CPIC Fund consolidated for the number as at 30 June 2018, given its acquisition by CPIC AMC in the first half of 2018.

### II. Group in-house assets

During the reporting period, China's supply-side structural reform deepened and financial regulation was tightened, with better regulatory co-ordination to fend off and mitigate financial risks. In terms of market conditions, treasury bond yields dropped, with widening



credit spread for mid and low credit-rating bonds. The stock market was overall weak due to a confluence of factors. We persisted in asset liability management, proactively increased allocation in fixed income assets when the market rates remained relatively high. At the same time we moderately controlled exposure to equity investments so as to stabilize the portfolio yield. In fixed income investments, we continued to favor instruments such as high-yielding bank deposits, high credit-rating bonds, and high-quality financial products, maintained flexibility in the pace of allocation, and attached great importance to credit risk management. With regard to equity investments, we adhered to value investment, focusing on fundamentals, valuation, dividend and liquidity, carefully selected stocks, effectively controlled portfolio volatility and seized opportunities of both the A-share and H-share market.

### (I) Consolidated investment portfolios

Unit: RMB million

	30 June 2018	Share (%)	Share change from the end of 2017 (pt)	Change (%)
<b>Group investment assets (total)</b>	<b>1,177,249</b>	<b>100.0</b>	<b>-</b>	<b>8.9</b>
<b>By investment category</b>				
Fixed income investments	980,195	83.3	1.5	10.8
- Debt securities	549,670	46.7	(1.5)	5.5
- Term deposits	125,098	10.6	1.0	20.3
- Debt investment plans	123,513	10.5	1.9	33.0
- Wealth management products <sup>note 1</sup>	98,625	8.4	0.1	10.0
- Preferred shares	32,000	2.7	(0.2)	-
- Other fixed income investments <sup>note 2</sup>	51,289	4.4	0.2	13.4
Equity investments	155,868	13.2	(1.4)	(1.2)
- Equity funds	22,354	1.9	-	6.8
- Bond funds	14,577	1.2	(0.3)	(9.5)
- Equity securities	56,279	4.8	(0.7)	(4.5)
- Wealth management products <sup>note 1</sup>	11,531	1.0	(0.9)	(44.0)
- Preferred shares	7,868	0.6	(0.1)	1.3
- Other equity investments <sup>note 3</sup>	43,259	3.7	0.6	29.5
Investment properties	8,567	0.7	(0.1)	(1.8)
Cash, cash equivalents and others	32,619	2.8	-	8.6
<b>By investment purpose</b>				
Financial assets at fair value through profit or loss	18,015	1.5	-	11.3
Available-for-sale financial assets	395,498	33.6	(0.5)	7.2
Held-to-maturity financial assets	285,378	24.3	(2.3)	(0.7)
Interests in associates	7,297	0.6	0.1	39.5
Investment in joint ventures	46	-	-	12.2
Loans and other investments <sup>note 4</sup>	471,015	40.0	2.7	16.7

Notes:

1. Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.
2. Other fixed income investments include restricted statutory deposits and policy loans, etc.
3. Other equity investments include unlisted equities, etc.

4. Loans and other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits, investments classified as loans and receivables, and investment properties, etc.

#### 1. By investment category

In the reporting period, we proactively increased allocation in fixed income assets when market rates remained relatively high, including long-dated treasury bonds, high-yielding non-standard assets (NSAs) and bank deposits. Allocation in equity investments was slightly below par with SAA. Based on this strategy, in addition to debt securities, new money and re-investments were mainly allocated in debt investment plans, collective trust plans by trust firms and bank deposits.

As of the end of the reporting period, the share of debt securities was 46.7%, a drop of 1.5pt from the end of 2017. Moreover, 99.9% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above. Of this, the share of AAA reached 91.8%. We have set up an independent internal credit-rating team responsible for credit risk management of the entire investment process. In the selection of new securities, we looked at a wide range of factors such as macro-economic conditions, industry fundamentals, business and financial performance, cash flows, refinancing capabilities, internal and external support, as well as market conditions before an investment decision was made. At the same time, in the investment of enterprise/corporate bonds, we formulated differentiated evaluation systems for bonds issued by local government financing platforms and the “industry” bonds, favoring industry champions supported by government industrial policies and key municipal investment corporations at provincial or municipal levels while avoiding industries or firms affected by the supply-side reform, or low credit-rating financing platforms.

As for the tracking of bond holdings, we combined tracking on a regular basis and unscheduled tracking, industry and individual firms, qualitative and quantitative. We would assess the credit risk based on financial data as disclosed by debt issuers, external credit-rating reports and updates of adverse news coverage. We adopted differentiated management of bonds which experienced major changes in risk profiles, which included differentiated disposal procedures for effective control of credit risk. Our corporate/enterprise bond holdings are mostly of AAA rating, spread in a diversified portfolio of sectors such as urban construction & engineering, transport infrastructure and public utilities. The debt issuers all boasted relatively strong balance sheets, with the overall credit risk under control, and the impact of rising defaults in recent years limited.

The share of equity investments stood at 13.2%, down by 1.4pt from the end of 2017. Of this, equity securities and equity funds accounted for 6.7%, down by 0.7pt.

As of the end of the reporting period, NSAs totaled RMB236.245 billion, accounting for 20.1% of total Group in-house assets, rising 1.3pt from the end of 2017. Overall, the credit risk of our NSA holdings is in the comfort zone. For those NSAs with an external credit-rating, the share of AA+ and above reached 99.8%, and that of AAA 92.1%. For such investments, we gave priority to serving the needs of China’s real economy. While ensuring compliance, we adhered to prudent management for insurance companies, stayed highly selective about the debt issuers and projects, making sure that the projects have clear structures, clear sources of refunding, and are in line with government policies. The debt issuers are mostly firms under the central government, large SOEs, industry champions or key municipal investment corporations at the provincial level. Effective credit enhancement steps were taken to stabilize and improve the safety of NSA investments. Except for issuers with outstanding financial strength and credit-worthiness, all debt investments plans were covered by effective credit enhancement measures including guarantees or pledge of assets, thus ensuring payment of both principle and interest. The guarantors are mainly banks, SOEs and firms under the central government. The counter-parties of our trust plans are essentially large state-owned non-bank financial institution or large firms, with strong credit-worthiness. The wealth management products we invested in were predominantly issued by major state-owned commercial banks or national joint-stock commercial banks, with good credit-worthiness.

## 2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss increased by 11.3% from the end of 2017, mainly because of increased allocation in debt securities for trading purposes.

### (II) Group consolidated investment income

For the reporting period, net investment income totaled RMB26.169 billion, down by 8.1%. This stemmed mainly from lower dividend income from equity investments. Annualized net investment yield reached 4.5%, down by 0.6pt versus the same period of 2017.

Total investment income amounted to RMB26.151 billion, up 5.7%, with annualized total investment yield at 4.5%, down by 0.2pt.

The annualized growth rate of investments’ net asset value rose by 0.3pt to 4.8%, as a result of movement of unrealized gains on debt securities.

<b>For 6 months ended 30 June</b>	<b>2018</b>	<b>2017</b>	<b>Changes (%)</b>
Interest income from fixed income investments	22,727	20,184	12.6
Dividend income from equity investments	3,081	7,972	(61.4)

Unit: RMB million

Rental income from investment properties	361	322	12.1
<b>Net investment income</b>	<b>26,169</b>	<b>28,478</b>	<b>(8.1)</b>
Realized gains/(losses)	1,310	(4,577)	(128.6)
Unrealized (losses)/gains	(1,540)	767	(300.8)
Charge of impairment losses on investment assets	(211)	(297)	(29.0)
Other income <sup>note 1</sup>	423	380	11.3
<b>Total investment income</b>	<b>26,151</b>	<b>24,751</b>	<b>5.7</b>
Net investment yield (annualized) (%) <sup>note 2</sup>	4.5	5.1	(0.6pt)
Total investment yield (annualized) (%) <sup>note 2</sup>	4.5	4.7	(0.2pt)
Growth rate of investments' net asset value (annualized) (%) <sup>notes 2,3</sup>	4.8	4.5	0.3pt

Notes:

1. Other income includes interest income on cash and short-term time deposits, securities purchased under agreements to resell and share of profit/(loss) in equity accounted investees, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets as the denominator in the calculation of net/total investment yield and growth rate of investments' net asset value are computed based on the Modified Dietz method.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/(loss)/average investment assets.

### (III) Total investment yield on a consolidated basis

	Unit: %		
For 6 months ended 30 June	2018	2017	Changes
<b>Total investment yield (annualized)</b>	<b>4.5</b>	<b>4.7</b>	<b>(0.2pt)</b>
Fixed income investments <sup>note</sup>	5.0	5.0	-
Equity investments <sup>note</sup>	1.8	3.1	(1.3pt)
Investment properties <sup>note</sup>	8.5	7.6	0.9pt
Cash, cash equivalents and others <sup>note</sup>	0.9	1.2	(0.3pt)

Note: The impact of securities sold under agreements to repurchase was not considered.

## III. Third-party AuM

### (I) Third-party AuM by CPIC AMC

In the first half of 2018, against the backdrop of intensified financial risk prevention and mitigation, promulgation of new rules on asset management, tightened regulation on non-standard financing, the market environment for third-party business underwent profound changes. CPIC AMC focused on prudence and stability, gave priority to the prevention of major risks prevention, pursued high quality development, and achieved a stable performance. As of the end of June 2018, its third-party AuM stood at RMB145.623 billion, down by 1.1% from the end of 2017.

During the reporting period, the company focused on risk control of alternative investments, pursuing steady, instead of radical development of the business. In line with national strategies, it mainly explored opportunities in slum resettlement, flats under long-term rental contracts, the Belt and Road, and China's key infrastructure projects. Meanwhile, in response to the new rules on asset management, apart from co-operation with insurance companies, it improved its marketing system, seeking to enhance relations with commercial banks, and in

particular, joint stock banks and urban commercial banks. Given uncertainties of the market, to better meet clients' needs, the subsidiary focused on the development and marketing of low risk and high liquidity strategy products, and delivered an overall stable AuM, with improved business mix and quality.

**(II) Assets under investment management by Changjiang Pension**

In the first half of 2018, Changjiang Pension stepped up enterprise risk management, promoted synergy with sister companies of the Group, improved mechanisms of innovation, enhanced the digital platform, focused on the management of long-term pension funds, supported the 3 pillars of China's pension system and delivered stable and healthy business development.

In the first pillar, it continued to improve its management of China's social security pension fund, with funds under management growing steadily on the back of good investment performance and service. As for the second pillar, the company focused on the development of occupational annuity business, and qualified as the manager of the occupational annuity scheme of agencies and non-profit organizations of both the central government and Shandong Provincial Government. It pursued steady development of enterprise annuity to consolidate its market rankings. The company also maintained its leading position in group retirement plans to serve the needs of SOE reform. In the third pillar, Changjiang Pension committed itself to the tax-deferred pension schemes, striving to provide stable returns for the product. It explored instruments for re-investment of pension funds in the withdrawal stage and launched individual retirement plans in collaboration with Baidu Financial Services and Ant Financial to meet diverse needs of individual customers for wealth management. It combined the long-term nature of pension funds and its advantage in finding good assets and product origination to serve the real economy. The company registered a total of RMB18.1 billion via debt investment plans in the first half of 2018, ranking the second place in the industry. Cumulatively the debt investment plans it registered raised nearly RMB120 billion in funds. As of the end of the reporting period, Changjiang Pension's third-party assets under investment management reached RMB240.986 billion, rising by 26.8% from the end of 2017, with third-party assets under custody of RMB85.294 billion, up 5.1% from the end of 2017.

**Analysis of Specific Items**

**I. Items concerning fair value accounting**

	30 June 2018	31 December 2017	Changes	Unit: RMB million Impact of fair value changes on profits <sup>note</sup>
Financial assets at fair value through profit or loss	18,015	16,187	1,828	(1,540)

Available-for-sale financial assets	395,498	368,868	26,630	(211)
<b>Total</b>	<b>413,513</b>	<b>385,055</b>	<b>28,458</b>	<b>(1,751)</b>

Note: Impact on profits of change of fair value for AFS financial assets refers to charges for impairment losses.

## II. Solvency

We calculate and disclose our core capital, actual capital, minimum required capital and solvency margin ratio in accordance with requirements by CBIRC. The solvency margin ratio of domestic insurance companies in the PRC shall meet certain prescribed levels as stipulated by CBIRC.

	30 June 2018	31 December 2017	Reasons of change
Unit: RMB million			
<b>CPIC Group</b>			
Core capital	350,200	318,882	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	359,200	322,882	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	122,896	113,766	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	285%	280%	
Comprehensive solvency margin ratio (%)	292%	284%	
<b>CPIC Life</b>			
Core capital	269,528	241,486	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	269,528	241,486	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	106,377	98,460	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	253%	245%	
Comprehensive solvency margin ratio (%)	253%	245%	
<b>CPIC P/C</b>			
Core capital	33,396	34,788	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	42,396	38,788	Profit for the period, profit distribution to the shareholders, issuance of capital replenishment bonds and change of fair value of investment assets
Minimum required capital	15,556	14,508	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	215%	240%	
Comprehensive solvency margin ratio (%)	273%	267%	
<b>CPIC Allianz Health</b>			
Core capital	1,144	524	Capital increase and change of fair value of investment assets
Actual capital	1,144	524	Capital increase and change of fair value of investment assets
Minimum required capital	363	250	Growth of insurance business and changes to

			asset allocation
Core solvency margin ratio (%)	315%	210%	
Comprehensive solvency margin ratio (%)	315%	210%	
<b>Anxin Agricultural</b>			
Core capital	1,513	1,488	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	1,513	1,488	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	526	479	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	288%	310%	
Comprehensive solvency margin ratio (%)	288%	310%	

Please refer to the summaries of solvency reports published on the websites of SSE ([www.sse.com.cn](http://www.sse.com.cn)), SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cpic.com.cn](http://www.cpic.com.cn)) for information about the half-year solvency of 2018 of CPIC Group, and the second quarter solvency of 2018 of CPIC Life, CPIC P/C, Anxin Agricultural and CPIC Allianz Health.

### III. Price sensitivity analysis

The following table shows the sensitivity analysis of price risk, i.e. the impact<sup>note 1</sup> of fair value changes of all equity assets<sup>note 2</sup> in the case of a 10% change in stock prices as at the end of the reporting period on our total profits and shareholders' equity (assuming the fair value of equity assets<sup>note 2</sup> moves in proportion to stock prices), other variables being equal.

Unit: RMB million

Market value	From January to June 2018 / 30 June 2018	
	Impact on profit before tax	Impact on equity
+10%	712	5,188
-10%	(712)	(5,188)

Notes:

1. After policyholder participation.

2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares and other equity investments, etc.

### IV. Insurance contract liabilities

Insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract liabilities. All three are applicable in life insurance business, while only the first two are applicable in property and casualty insurance.

As at 30 June 2018, insurance contract liabilities of CPIC Life amounted to RMB811.315 billion, representing an increase of 12.0% from the end of 2017. Those of CPIC P/C amounted to RMB82.853 billion, an increase of 8.2%. The rise was mainly caused by business expansion and accumulation of insurance liabilities.

We also tested the adequacy of reserves at the balance sheet date. Testing results showed that

reserves set aside for each type of insurance contracts were sufficient and no additional provision was required.

	30 June 2018	31 December 2017	Unit: RMB million Changes (%)
<b>CPIC Life</b>			
Unearned premiums	5,416	3,002	80.4
Claim reserves	3,147	2,827	11.3
Long-term life insurance contract liabilities	802,752	718,545	11.7
<b>CPIC P/C</b>			
Unearned premiums	45,178	40,693	11.0
Claim reserves	37,675	35,873	5.0

## V. Investment contract liabilities

Investment contract liabilities mainly cover the non-insurance portion of insurance contracts, and those contracts which failed to pass the testing of significant insurance risk.

	31 December 2017	Increase for the period			Decrease for the period		30 June 2018
		Deposit received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	56,268	7,318	1,377	270	(5,180)	(91)	59,962

## VI. Reinsurance business

In the first half of 2018, premiums ceded to reinsurers are shown below:

For 6 months ended 30 June	2018	2017	Unit: RMB million Changes (%)
<b>CPIC Life</b>			
Traditional	989	838	18.0
Long-term health	697	561	24.2
Participating	141	89	58.4
Universal	20	5	300.0
Tax-deferred pension	-	-	/
Short-term accident and health	829	300	176.3
<b>CPIC P/C</b>			
Automobile	3,302	3,648	(9.5)
Non-automobile	5,064	4,035	25.5

In the first half of 2018, premiums ceded inwardly are set out below:

For 6 months ended 30 June	2018	2017	Unit: RMB million Changes (%)
<b>CPIC Life</b>			
Traditional	1,013	-	/
Long-term health	-	-	/
Participating	-	-	/
Universal	-	-	/



Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
<b>CPIC P/C</b>	<b>261</b>	<b>521</b>	<b>(49.9)</b>
Automobile	9	395	(97.7)
Non-automobile	252	126	100.0

As at the end of the first half of 2018, assets under reinsurance are set out below:

	30 June 2018	31 December 2017	Changes (%)
Unit: RMB million			
<b>CPIC Life</b>			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	497	289	72.0
Claim reserves	106	87	21.8
Long-term life insurance contract liabilities	11,371	10,679	6.5
<b>CPIC P/C</b>			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	6,147	5,224	17.7
Claim reserves	6,327	6,666	(5.1)

We determine retained insured amounts and reinsurance ratio according to insurance regulations and our business development needs. To lower the concentration risk of reinsurance, we also entered into reinsurance agreements with various leading international reinsurance companies. The criteria for the selection of reinsurance companies include their financial strength, service level, insurance clauses, claims settlement efficiency and price. Generally speaking, only domestic reinsurance companies with proven records or international reinsurance companies of ratings of A- or above would qualify as our reinsurance partners. Besides China Reinsurance (Group) Corporation and its subsidiaries, i.e., China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., our reinsurance partners also include international giants like Swiss Reinsurance Company (瑞士再保險公司) and Munich Reinsurance Company (慕尼黑再保險公司).

## VII. Main subsidiaries & associates and equity participation

Unit: RMB million						
Company	Main business scope	Registered capital	Group Shareholding <sup>note 2</sup>	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property insurance; liability insurance; credit and guarantee insurance; short-term health insurance and casualty insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant	19,470	98.5%	164,272	33,637	1,587

	laws and regulations; other business as approved by CBIRC.					
China Pacific Life Insurance Co., Ltd.	Personal insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life insurance; agency and business relationships with domestic and overseas insurers and organizations, loss adjustment, claims and other business entrusted from overseas insurance organizations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulation; international insurance activities as approved; other business as approved by CBIRC.	8,420	98.3%	1,065,612	61,137	6,502
Changjiang Pension Insurance Co., Ltd.	Group pension and annuity business; individual pension and annuity business; short- term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; other business pertaining to insurance fund management as allowed by PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	4,189	3,166	138
Pacific Asset Management Co., Ltd.	Management of capital and insurance funds, outsourcing of asset	2,100	99.7%	3,466	2,945	146

	management, consulting services relating to asset management, and other asset management business as allowed by the PRC laws and regulations.					
CPIC Allianz Health Insurance Co., Ltd.	Health insurance, accident insurance denominated in RMB or foreign currencies and health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related distribution and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	77.1%	3,299	1,210	(80)
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property damage insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short term health insurance and casualty insurance; countryside and farmer related property insurance; reinsurance of the above said insurance; insurance agency business.	700	51.3%	3,300	1,372	65
CPIC Fund Management Co., Ltd.	Fund management business; launch of mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	762	539	29 <sup>note 3</sup>

Notes:

1. Figures for companies in the table are on an unconsolidated basis.
2. Figures for Group shareholding include direct and indirect shareholdings.
3. For the first half of 2018.

## VIII. Seizure, attachment, and freeze of major assets or their pledge as collateral

The Company's assets are mainly financial assets. The repurchase of bonds forms part of the Company's day-to-day securities investment activities, and as of the end of the reporting period, no abnormality was detected.

## IX. Gearing ratio

	30 June 2018	31 December 2017	Changes
Gearing ratio (%)	89.2	88.3	0.9pt

Note: Gearing ratio = (total liabilities+ non-controlling interests)/total assets.

## Outlook

### I. Market environment and business plan

In the second half of 2018, China's economy showed signs of improvement amid stability. The fundamentals of the insurance sector of healthy and steady development remain unchanged. In the meantime, tightening of regulation will continue, which will deepen the supply-side reform of the industry. The continuation of market-based reform and increased opening-up will help to diversify the offerings of insurance products and services. The demand of the real economy, the need to improve people's well-being and the policy to further open up the industry will present more opportunities for the insurance market.

In the second half of the year, with a vision of "becoming a leader in promoting healthy and stable development of the insurance industry", the Company will work hard towards the targets of "being the best in customer experience, business mix and risk control capabilities", ensures the fulfillment of the annual budgets of 2018 as approved by the board, push forward Transformation 2.0 in an all-around way, and foster capabilities for sustainable value growth.

### II. Major risks and mitigating measures

First, in terms of macro-economic conditions, Sino-US trade tensions and escalation of geo-political rifts may have profound impact on China's macro-economic variables, industry mix and cycles through the transmission of the stock market, bond market and foreign exchange market. The Company may face rising risks in equity prices, interest rate and foreign exchange rate. Second, in terms of insurance regulation, the regulator will continue with, and may even intensify its efforts to mitigate risks, tackle irregularities and tighten overall regulation. The new rules on life insurance products and the deepening of deregulation of commercial automobile insurance may have big impact on our premiums, profits and liquidity. On the other hand, the defaults on the market may continue to deteriorate. Third, as for the

insurance business, we still face the major risk of large claims arising from catastrophes and artificial accidents.

To cope with these risks, the Company will persist in compliance, and strengthen the 3-line defense system of compliance & risk management in an all-around way. In particular, we will step up risk control in product development, asset allocation and performance evaluation, continuously optimize the matching of assets and liabilities, improve mechanisms and procedures for the identification, assessment, budgeting, monitoring, early warning and handling of risks, continue to refine the catastrophe modeling and management of cumulative retained risks and reinsurance programs in a bid to prevent major risks, and ensure stable business performance and strong solvency.

## CHANGE IN ACCOUNTING ESTIMATES

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 30 June 2018, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 30 June 2018 by approximately RMB537 million and a decrease in profit before tax for the 6 months ended 30 June 2018 by approximately RMB537 million.

## EMBEDDED VALUE

### Summary of Embedded Value and Value of Half Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 30 June 2018, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2018 at a risk discount rate of 11%.

	Unit: RMB million	
Valuation Date	30 June 2018	31 December 2017
<b>Group Adjusted Net Worth</b>	<b>155,862</b>	<b>151,755</b>
<b>Adjusted Net Worth of CPIC Life</b>	<b>78,171</b>	<b>77,288</b>
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	168,142	147,283
Cost of Required Capital Held for CPIC Life	(12,098)	(10,534)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	156,044	136,749
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%

<b>Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group</b>	<b>153,379</b>	<b>134,414</b>
<b>Group Embedded Value</b>	<b>309,242</b>	<b>286,169</b>
<b>CPIC Life Embedded Value</b>	<b>234,215</b>	<b>214,037</b>

<b>Valuation Date</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held	19,087	23,029
Cost of Required Capital Held	(2,798)	(3,283)
<b>Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held</b>	<b>16,289</b>	<b>19,746</b>

Notes:

1. Figures may not be additive due to rounding
2. Results in column "30 June 2017" are those reported in the 2017 interim report

The Group Adjusted Net Worth represents the shareholder net equity of the Company based on the China Accounting Standards, inclusive of adjustments of the value of certain assets to market value and adjusted for the relevant differences, such as difference between China Accounting Standards reserves and policy liabilities valued under "Appraisal of Embedded Value" standard published by the CAA. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the Company), and the value of in force business and the value of half year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

### **New Business Volumes and Value of Half Year's Sales**

The table below shows the volume of new business sold in terms of first year annual premium and value of half year's sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2018.

	Unit: RMB Million			
	First Year Annual Premium (FYAP) in the First Half of Year		Value of Half Year's Sales After Cost of Required Capital Held	
	2018	2017	2018	2017
<b>Total</b>	<b>39,307</b>	<b>48,671</b>	<b>16,289</b>	<b>19,746</b>
Of which: Traditional	10,817	11,932	8,595	8,188
Participating	18,616	26,237	7,575	11,384

### **IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD**

The Company distributed a cash dividend of RMB0.80 per share (tax included) in accordance with the "Resolution on Profit Distribution Plan for the year 2017" approved at the 2017 Annual General Meeting. The implementation of this distribution plan has been completed recently.

## **PROFIT DISTRIBUTION**

The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the first half of 2018.

## **COMPLIANCE OF THE CORPORATE GOVERNANCE CODE**

During the reporting period, the Company has complied with all the code provisions and substantially all of the recommended best practices of the Corporate Governance Code.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES**

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the principal accounting policies of the Company and the unaudited financial statements for the six months ended 30 June 2018 in the presence of internal and external auditors.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Approved at the 4th session of the 8th Board of Directors of the Company, CPIC Life, using its own funds, formed a consortium with Shui On Development (Holding) Limited (hereinafter referred to as "SODH") and Shanghai Yongye Enterprise (Group) Co., Ltd. (hereinafter referred to as "Yongye Group") to participate in an open bidding for the land parcels in Lot Nos. 123, 124 and 132 of Central Huaihai Rd., Huangpu District, Shanghai (hereinafter referred to as "Target Land"). On 5 July, 2018, the consortium won the bidding for the Target Land. CPIC Life signed a joint venture contract with SODH and Yongye Group, stipulating that the three parties shall jointly set up a joint venture, whose main purpose is to develop, build, own, manage, operate, market, lease and, where appropriate, sell all or part of the project erected on the Target Land or engage in other business within the joint venture's business scope.

The estimated total investment of the project is approximately RMB19.500 billion. The registered capital of the joint venture is RMB14.050 billion, of which CPIC Life shall make a contribution of RMB9.835 billion, representing 70% of the registered capital. In addition, CPIC Life will provide shareholders' loans to the joint venture, which estimated to be approximately RMB5.450 billion. The total amount of the above two contributions to be made by CPIC Life is

estimated to be RMB15.285 billion in aggregate.

As the highest applicable percentage ratio under the Rules Governing the Listing of Securities on the SEHK in respect of the transactions of CPIC Life under the joint venture contract exceeds 5% but less than 25%, entering into the joint venture contract and transactions contemplated thereunder constitute a disclosable transaction of the Company. Please refer to the announcement published by the Company on the website of SEHK on 5 July 2018 for details of the transaction.

Save as disclosed above, as of 30 June 2018 and until the date of this announcement, there were no significant events affecting the Company which required disclosure in this announcement.

## **PUBLICATION OF RESULTS ON THE WEBSITE OF THE SEHK AND THE COMPANY**

The interim report of the Company for the period ended 30 June 2018 will be dispatched to the shareholders of the Company and will be published on the websites of the SEHK ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cpic.com.cn](http://www.cpic.com.cn)) in due course.

## **DEFINITIONS**

“The Company”, “the Group”, “CPIC” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd.
“CPIC Life”	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC P/C”	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC AMC”	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC HK”	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Changjiang Pension”	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Anxin Agricultural”	Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Fund”	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Allianz Health”	CPIC Allianz Health Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“SEHK”	The Stock Exchange of Hong Kong Limited
“PRC GAAP”	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
“Corporate Governance Code”	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
“RMB”	Renminbi
“pt”	Percentage point



By Order of the Board  
**China Pacific Insurance (Group) Co., Ltd.**  
**KONG Qingwei**  
*Chairman*

Hong Kong, 26 August 2018

*As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. HE Qing; the Non-executive Directors of the Company are Mr. HUANG Dinan, Mr. WANG Tayu, Mr. KONG Xiangqing, Mr. ZHU Keping, Ms. SUN Xiaoning, Mr. WU Junhao and Mr. CHEN Xuanmin; and the Independent Nonexecutive Directors of the Company are Mr. BAI Wei, Mr. LEE Ka Sze, Carmelo, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui and Mr. GAO Shanwen.*

\*Note: The appointment qualification of Mr. HUANG Dinan is subject to approval by China Banking and Insurance Regulatory Commission.

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**FOR THE PERIOD ENDED 30 JUNE 2018**

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**FOR THE PERIOD ENDED 30 JUNE 2018**

CONTENTS	Pages
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	1
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	
Interim condensed Consolidated income statement	2
Interim condensed Consolidated statement of comprehensive income	3
Interim condensed Consolidated balance sheet	4 -5
Interim condensed Consolidated statement of changes in equity	6 - 7
Interim condensed Consolidated cash flow statement	8
Notes to the Interim condensed consolidated financial information	9 - 56

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF CHINA PACIFIC INSURANCE  
(GROUP) CO., LTD.**

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

**Introduction**

We have reviewed the interim financial information set out on pages 2 to 56, which comprises the interim condensed consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

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

**Conclusion**

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

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 24 August 2018

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT  
 For the six months ended 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<b>Group</b>	<b>Notes</b>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		(unaudited)	(unaudited)
Gross written premiums	6(a)	192,633	163,785
Less: Premiums ceded to reinsurers	6(b)	(9,400)	(8,456)
Net written premiums	6(c)	183,233	155,329
Net change in unearned premium reserves		(6,125)	(3,773)
<b>Net premiums earned</b>		<b>177,108</b>	<b>151,556</b>
Investment income	7	25,629	24,431
Other operating income		1,565	1,371
<b>Other income</b>		<b>27,194</b>	<b>25,802</b>
<b>Total income</b>		<b>204,302</b>	<b>177,358</b>
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(23,652)	(23,426)
Claims incurred	8	(31,889)	(29,113)
Changes in long-term life insurance contract liabilities	8	(79,039)	(63,084)
Policyholder dividends	8	(5,692)	(4,282)
Finance costs		(1,401)	(1,652)
Interest credited to investment contracts		(1,377)	(1,179)
Other operating and administrative expenses		(47,701)	(45,022)
<b>Total benefits, claims and expenses</b>		<b>(190,751)</b>	<b>(167,758)</b>
Share of profit/(loss) in equity accounted investees		161	(2)
<b>Profit before tax</b>	9	<b>13,712</b>	<b>9,598</b>
Income tax	10	(5,263)	(2,953)
<b>Net profit for the period</b>		<b>8,449</b>	<b>6,645</b>
Attributable to:			
Equity holders of the parent		8,254	6,509
Non-controlling interests		195	136
		<b>8,449</b>	<b>6,645</b>
Basic earnings per share	11	<b>RMB 0.91</b>	<b>RMB 0.72</b>
Diluted earnings per share	11	<b>RMB 0.91</b>	<b>RMB 0.72</b>

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the six months ended 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<u>Group</u>	<u>Notes</u>	<u>Six months ended 30 June</u>	
		<u>2018</u>	<u>2017</u>
		(unaudited)	(unaudited)
<b>Net profit for the period</b>		8,449	6,645
<b>Other comprehensive income/(loss)</b>			
Exchange differences on translation of foreign operations		4	(15)
Available-for-sale financial assets		481	(560)
Income tax relating to available-for-sale financial assets		(119)	143
Share of other comprehensive income in equity accounted investees		-	6
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent period</b>		366	(426)
<b>Other comprehensive income/(loss) for the period</b>	12	366	(426)
<b>Total comprehensive income for the period</b>		8,815	6,219
Attributable to:			
Equity holders of the parent		8,623	6,093
Non-controlling interests		192	126
		8,815	6,219

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<u>Group</u>	<u>Notes</u>	<u>30 June 2018</u> (unaudited)	<u>31 December 2017</u> (audited)
<b>ASSETS</b>			
Goodwill		1,357	962
Property and equipment		17,845	17,950
Investment properties		8,567	8,727
Other intangible assets		2,095	1,490
Prepaid land lease payments		55	55
Interests in associates	13	7,297	5,230
Investment in joint ventures	14	46	41
Held-to-maturity financial assets	15	285,378	287,497
Investments classified as loans and receivables	16	256,349	216,748
Restricted statutory deposits		6,738	6,566
Term deposits	17	125,098	103,989
Available-for-sale financial assets	18	395,498	368,868
Financial assets at fair value through profit or loss	19	18,015	16,187
Securities purchased under agreements to resell		12,877	17,126
Policy loans		44,551	38,643
Interest receivables		16,662	16,757
Reinsurance assets	20	23,991	22,575
Deferred income tax assets	21	2,712	1,742
Insurance receivables		28,093	16,333
Other assets	22	15,862	12,078
Cash and short-term time deposits	23	16,835	11,660
<b>Total assets</b>		<u>1,285,921</u>	<u>1,171,224</u>

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<u>Group</u>	<u>Notes</u>	<u>30 June 2018</u> (unaudited)	<u>31 December 2017</u> (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	24	9,062	9,062
Reserves	25	83,199	82,714
Retained profits	25	46,617	45,722
Equity attributable to equity holders of the parent		138,878	137,498
Non-controlling interests		4,254	3,621
<b>Total equity</b>		<b>143,132</b>	<b>141,119</b>
<b>Liabilities</b>			
Insurance contract liabilities	26	895,830	802,239
Investment contract liabilities	27	59,962	56,268
Policyholders' deposits		72	75
Bonds payable	28	8,989	3,999
Securities sold under agreements to repurchase		76,690	66,243
Deferred income tax liabilities	21	1,143	920
Income tax payable		5,389	4,934
Premium received in advance		7,394	21,156
Policyholder dividend payable		25,038	24,422
Payables to reinsurers		8,612	6,002
Other liabilities		53,670	43,847
<b>Total liabilities</b>		<b>1,142,789</b>	<b>1,030,105</b>
<b>Total equity and liabilities</b>		<b>1,285,921</b>	<b>1,171,224</b>

\_\_\_\_\_  
 KONG Qingwei  
 Director

\_\_\_\_\_  
 HE Qing  
 Director

The accompanying notes form an integral part of these consolidated financial statements.



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 For the six months ended 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<u>Group</u>	For the six months ended 30 June 2018 (unaudited)									
	Attributable to equity holders of the parent									
	Reserves					Foreign currency translation reserves	Retained profits	Total	Non-controlling interests	Total equity
Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves						
At 1 January 2018	9,062	66,613	4,835	9,761	1,546	(41)	45,722	137,498	3,621	141,119
Total comprehensive income	-	-	-	-	365	4	8,254	8,623	192	8,815
Dividend declared <sup>1</sup>	-	-	-	-	-	-	(7,250)	(7,250)	-	(7,250)
Non-controlling interests on acquisition of subsidiaries	-	-	-	109	-	-	(109)	-	505	505
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	161	161
Share of other changes in equity of investees accounted for using the equity method	-	7	-	-	-	-	-	7	-	7
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(225)	(225)
At 30 June 2018	9,062	66,620	4,835	9,870	1,911	(37)	46,617	138,878	4,254	143,132

<sup>1</sup> Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2017, amounting to 7,250 million (RMB0.80 per share).

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)  
 For the six months ended 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 2017 (unaudited)										
	Attributable to equity holders of the parent										
	Issued capital	Capital reserves	Surplus reserves	General reserves	Reserves			Retained profits	Total	Non-controlling interests	Total equity
Available-for-sale investment revaluation reserves					Foreign currency translation reserves	Share of other comprehensive income in equity accounted investees					
At 1 January 2017	9,062	66,742	4,835	8,392	3,969	(8)	-	38,772	131,764	2,999	134,763
Total comprehensive income	-	-	-	-	(407)	(15)	6	6,509	6,093	126	6,219
Dividend declared <sup>1</sup>	-	-	-	-	-	-	-	(6,343)	(6,343)	-	(6,343)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(312)	(312)
At 30 June 2017	9,062	66,742	4,835	8,392	3,562	(23)	6	38,938	131,514	2,813	134,327

<sup>1</sup> Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2016, amounting to 6,343million (RMB0.70 per share).

The accompanying notes form an integral part of these consolidated financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
For the six months ended 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

<b>Group</b>	<b>Notes</b>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		(unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>			
Cash generated from operating activities	29	59,560	44,070
Income tax paid		(5,794)	(2,904)
<b>Net cash inflow from operating activities</b>		<b>53,766</b>	<b>41,166</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment, intangible assets and other assets		(1,078)	(1,516)
Proceeds from sale of property and equipment, intangible assets and other assets		26	326
Purchases of investments, net		(90,039)	(95,596)
Acquisition of a subsidiary and other business entities, net		(2,701)	(3,437)
Interest received		23,713	23,833
Dividends received from investments		2,981	8,010
Other cash received related to investing activities		313	-
<b>Net cash outflow from investing activities</b>		<b>(66,785)</b>	<b>(68,380)</b>
<b>FINANCING ACTIVITIES</b>			
Securities sold under agreements to repurchase, net		11,138	23,281
Proceeds from the issue of asset-backed securities		-	910
Repayment of asset-backed securities		(1,000)	-
Repayment of borrowings		-	(2)
Proceeds from the issue of bonds		4,990	-
Interest paid		(1,158)	(1,306)
Dividends paid		(38)	(44)
Capital injection to subsidiaries by NCI		-	508
Proceeds from NCI of consolidated structured entities		-	152
<b>Net cash inflow from financing activities</b>		<b>13,932</b>	<b>23,499</b>
Effects of exchange rate changes on cash and cash equivalents		13	(37)
Net increase/(decrease) in cash and cash equivalents		926	(3,752)
Cash and cash equivalents at the beginning of period		28,786	36,397
<b>Cash and cash equivalents at the end of period</b>		<b>29,712</b>	<b>32,645</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and on hand		14,522	12,453
Time deposits with original maturity of no more than three months		1,237	2,332
Other monetary assets		1,076	1,667
Investments with original maturity of no more than three months		12,877	16,193
<b>Cash and cash equivalents at the end of period</b>		<b>29,712</b>	<b>32,645</b>

The accompanying notes form an integral part of these consolidated financial statements.

(All amounts expressed in RMB million unless otherwise specified)

## 1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the “Company”) was established in Shanghai, the People’s Republic of China (the “PRC”) in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the former China Insurance Regulatory Commission (the “CIRC”), the Company was restructured as a joint stock limited company in October 2001 with an issued capital of RMB2,006.39 million. The Company increased its issued capital to RMB6,700 million through issuing new shares to its then existing shareholders and new shareholders in 2002 and 2007.

In December 2007, the Company conducted a public offering of 1,000 million A shares in the PRC. Upon the completion of the A share offering, the issued capital was increased to RMB7,700 million. The Company’s A shares are listed on the Shanghai Stock Exchange and trading of its A shares commenced on 25 December 2007.

In December 2009, the Company conducted a global offering of overseas listed foreign shares (“H shares”). Upon the completion of the H share offering, the issued capital was increased to RMB8,600 million. The Company’s H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB9,062 million, which was approved by the CIRC in December 2012.

The authorized business scope of the Company includes investing in insurance enterprises, supervising and managing domestic and overseas reinsurance businesses of subsidiaries and utilizing funds, participating in global insurance activities upon approval. The principal activities of the Company and its subsidiaries (the “Group”) are property and casualty businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), as part of the Hong Kong Financial Reporting Standards (“HKFRSs”).

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of amended or improved standards and interpretations as of 1 January 2018 as described below. The adoption of these amended or improved HKFRSs currently has been either not applicable or not significant on these consolidated financial statements.

HKFRS 15	Revenue from contracts with customers
HKFRS 4 Amendments	Applying HKFRS 9 with HKFRS 4 Insurance Contracts
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC 22)	Foreign currency transactions and advance consideration

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

(2) New and revised standards not yet adopted

All HKFRSs that remain in effect which are relevant to the Group have been applied except HKFRS 9, as the Group qualifies for a temporary exemption from HKFRS 9 which was illuminated in HKFRS 4 Amendments.

The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 16	Leases <sup>1</sup>
HK(IFRIC 23)	Uncertainty over income tax treatments <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

None of these HKFRS is expected to have a significant effect on the consolidated financial statements of the Group, except for the following as set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2021 and the Group makes additional disclosures as below:

The Group is defined as an insurer with its activities predominantly connected with insurance, with the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities greater than 90 percent.

Financial assets meet SPPI are relevant financial assets of which the contractual cash flows generated on a specific date are solely payments of principal and interest on the principal amount.

Additional disclosures of financial assets listed in financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, investments classified as loans and receivables are as follows:

	As at 30 June 2018	Six months ended 30 June 2018
	<u>Fair value</u>	<u>Change in the fair value</u>
Financial assets held for trading(A)	15,875	(1,552)
Financial assets managed and whose performance evaluated on a fair value basis (B)	2,140	12
Financial assets other than A or B		
—Financial assets meet SPPI	790,018	18,268
—Financial assets not meet SPPI	157,034	(4,559)
Total	<u>965,067</u>	<u>12,169</u>

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted (continued)

Except for the above assets, other financial assets other than cash held by the Group, including securities purchased under agreements to resell, policy loans, term deposits, restricted statutory deposits ,etc , are financial assets which meet the SPPI conditions. The carrying amounts are close to their fair value.

HKFRS 16, ‘Leases’ addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces HKAS 17 ‘Leases’, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting HKFRS 15 ‘Revenue from contracts with customers’ at the same time. The Group is currently assessing the impact of HKFRS 16.

HKFRS 17 was issued in January 2018 will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard is effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. The impact is expected to be significant. However, it won’t have impact on the Group until 2021.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the group.

(All amounts expressed in RMB million unless otherwise specified)

### 3. CHANGE IN ACCOUNTING ESTIMATES

When measuring the insurance contract liabilities and other policy-related liabilities, the Group determines actuarial assumptions such as discount rate, mortality and morbidity, surrender rates, expense assumptions and policy dividend assumptions based on information currently available as at the balance sheet date.

As at 30 June 2018, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 30 June 2018 by approximately RMB537 million and a decrease in profit before tax for the six months ended 30 June 2018 by approximately RMB537 million.

### 4. SEGMENT INFORMATION

The Group presents segment information based on its major operating segments.

For management purpose, the Group is organized into business units based on their products and services. Different operating segments provide products and services with different risks and rewards.

The Group's operating segments are listed as follows:

- The life insurance segment (including China Pacific Life Insurance Co.,Ltd. ("CPIC Life") and CPIC Allianz Health Insurance Co.,Ltd. ("CPIC Allianz Health")) offers a wide range of RMB life insurance;
- The property and casualty insurance segment (including Mainland China segment and Hong Kong segment) provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment provides management services and usage of fund services.

Intersegment sales and transfers are measured based on the actual transaction price.

More than 99% of the Group's revenue is derived from its operations in the PRC. More than 99% of the Group's assets are located in the PRC.

During the six months ended 30 June 2018, gross written premiums from transactions with the top five external customers amounted to 0.9% (During the six months ended 30 June 2017: 0.6%) of the Group's total gross written premiums.



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2018

	Life insurance	Property and casualty insurance			Corporate and others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
Gross written premiums	131,469	61,363	277	(212)	61,428	-	(264)	192,633
Less: Premiums ceded to reinsurers	(1,362)	(8,402)	(114)	214	(8,302)	-	264	(9,400)
Net written premiums	130,107	52,961	163	2	53,126	-	-	183,233
Net change in unearned premium reserves	(2,488)	(3,740)	(12)	-	(3,752)	-	115	(6,125)
<b>Net premiums earned</b>	<b>127,619</b>	<b>49,221</b>	<b>151</b>	<b>2</b>	<b>49,374</b>	<b>-</b>	<b>115</b>	<b>177,108</b>
Investment income	21,899	2,982	14	-	2,996	12,837	(12,103)	25,629
Other operating income	1,738	254	-	-	254	1,899	(2,326)	1,565
<b>Other income</b>	<b>23,637</b>	<b>3,236</b>	<b>14</b>	<b>-</b>	<b>3,250</b>	<b>14,736</b>	<b>(14,429)</b>	<b>27,194</b>
<b>Segment income</b>	<b>151,256</b>	<b>52,457</b>	<b>165</b>	<b>2</b>	<b>52,624</b>	<b>14,736</b>	<b>(14,314)</b>	<b>204,302</b>
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(23,652)	-	-	-	-	-	-	(23,652)
Claims incurred	(3,330)	(28,468)	(74)	-	(28,542)	-	(17)	(31,889)
Changes in long-term life insurance contract liabilities	(78,973)	-	-	-	-	-	(66)	(79,039)
Policyholder dividends	(5,692)	-	-	-	-	-	-	(5,692)
Finance costs	(1,027)	(325)	-	-	(325)	(53)	4	(1,401)
Interest credited to investment contracts	(1,377)	-	-	-	-	-	-	(1,377)
Other operating and administrative expenses	(27,608)	(20,198)	(72)	-	(20,270)	(1,913)	2,090	(47,701)
<b>Segment benefits, claims and expenses</b>	<b>(141,659)</b>	<b>(48,991)</b>	<b>(146)</b>	<b>-</b>	<b>(49,137)</b>	<b>(1,966)</b>	<b>2,011</b>	<b>(190,751)</b>
<b>Segment results</b>	<b>9,597</b>	<b>3,466</b>	<b>19</b>	<b>2</b>	<b>3,487</b>	<b>12,770</b>	<b>(12,303)</b>	<b>13,551</b>
Share of profit in equity accounted investees	164	(6)	-	-	(6)	-	3	161
<b>Profit before tax</b>	<b>9,761</b>	<b>3,460</b>	<b>19</b>	<b>2</b>	<b>3,481</b>	<b>12,770</b>	<b>(12,300)</b>	<b>13,712</b>
Income tax	(3,156)	(1,837)	(3)	-	(1,840)	(206)	(61)	(5,263)
<b>Net profit for the period</b>	<b>6,605</b>	<b>1,623</b>	<b>16</b>	<b>2</b>	<b>1,641</b>	<b>12,564</b>	<b>(12,361)</b>	<b>8,449</b>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2017

	Life insurance	Property and casualty insurance			Corporate and others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
Gross written premiums	110,811	53,088	254	(197)	53,145	-	(171)	163,785
Less: Premiums ceded to reinsurers	(1,003)	(7,719)	(99)	194	(7,624)	-	171	(8,456)
Net written premiums	109,808	45,369	155	(3)	45,521	-	-	155,329
Net change in unearned premium reserves	(1,748)	(2,159)	40	-	(2,119)	-	94	(3,773)
<b>Net premiums earned</b>	<b>108,060</b>	<b>43,210</b>	<b>195</b>	<b>(3)</b>	<b>43,402</b>	<b>-</b>	<b>94</b>	<b>151,556</b>
Investment income	21,965	2,548	15	-	2,563	16,877	(16,974)	24,431
Other operating income	1,164	208	-	-	208	1,829	(1,830)	1,371
<b>Other income</b>	<b>23,129</b>	<b>2,756</b>	<b>15</b>	<b>-</b>	<b>2,771</b>	<b>18,706</b>	<b>(18,804)</b>	<b>25,802</b>
<b>Segment income</b>	<b>131,189</b>	<b>45,966</b>	<b>210</b>	<b>(3)</b>	<b>46,173</b>	<b>18,706</b>	<b>(18,710)</b>	<b>177,358</b>
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(23,426)	-	-	-	-	-	-	(23,426)
Claims incurred	(2,745)	(26,290)	(95)	-	(26,385)	-	17	(29,113)
Changes in long-term life insurance contract liabilities	(63,379)	-	-	-	-	-	295	(63,084)
Policyholder dividends	(4,282)	-	-	-	-	-	-	(4,282)
Finance costs	(1,435)	(176)	-	-	(176)	(45)	4	(1,652)
Interest credited to investment contracts	(1,179)	-	-	-	-	-	-	(1,179)
Other operating and administrative expenses	(28,486)	(16,543)	(95)	-	(16,638)	(1,723)	1,825	(45,022)
<b>Segment benefits, claims and expenses</b>	<b>(124,932)</b>	<b>(43,009)</b>	<b>(190)</b>	<b>-</b>	<b>(43,199)</b>	<b>(1,768)</b>	<b>2,141</b>	<b>(167,758)</b>
<b>Segment results</b>	<b>6,257</b>	<b>2,957</b>	<b>20</b>	<b>(3)</b>	<b>2,974</b>	<b>16,938</b>	<b>(16,569)</b>	<b>9,600</b>
Share of loss in equity accounted investees	1	(3)	-	-	(3)	-	-	(2)
<b>Profit before tax</b>	<b>6,258</b>	<b>2,954</b>	<b>20</b>	<b>(3)</b>	<b>2,971</b>	<b>16,938</b>	<b>(16,569)</b>	<b>9,598</b>
Income tax	(1,939)	(891)	(2)	-	(893)	(181)	60	(2,953)
<b>Net profit for the period</b>	<b>4,319</b>	<b>2,063</b>	<b>18</b>	<b>(3)</b>	<b>2,078</b>	<b>16,757</b>	<b>(16,509)</b>	<b>6,645</b>

The segment assets as at 30 June 2018 and 31 December 2017 are as following:

	Life insurance	Property and casualty insurance			Others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
<b>30 June 2018 (Unaudited)</b>	<b>1,062,517</b>	<b>166,952</b>	<b>1,281</b>	<b>(538)</b>	<b>167,695</b>	<b>92,925</b>	<b>(37,216)</b>	<b>1,285,921</b>
<b>31 December 2017 (Audited)</b>	<b>973,777</b>	<b>146,453</b>	<b>1,082</b>	<b>(357)</b>	<b>147,178</b>	<b>80,457</b>	<b>(30,188)</b>	<b>1,171,224</b>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	Life insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Limited company	Property and casualty insurance	Hong Kong	Hong Kong	HK\$250,000 thousand	HK\$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Limited company	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Ningbo Fenghua Xikou Garden Hotel Co., Ltd.	Limited company	Hotel operations	Zhejiang	Zhejiang	8,000	8,000	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Limited company	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	(1)
CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)")	Limited company	Investment management	Hong Kong	Hong Kong	HK\$50,000 thousand	HK\$50,000 thousand	49.00	50.83	100.00	
City Island Developments Limited ("City Island")	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$1,000	-	98.29	100.00	
Great Winwick Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$100	-	98.29	100.00	
Great Winwick (Hong Kong) Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK\$10,000	HK\$1	-	98.29	100.00	
Newscott Investments Limited *	Limited company	Investment holding	The British Virgin Islands	The British Virgin Islands	US\$50,000	US\$100	-	98.29	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows (continued):

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
Newscott (Hong Kong) Investments Limited *	Limited company	Investment holding	Hong Kong	Hong Kong	HK\$10,000	HK\$1	-	98.29	100.00	
Shanghai Xinhui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US\$15,600 thousand	US\$15,600 thousand	-	98.29	100.00	
Shanghai Hehui Real Estate Development Co., Ltd. *	Limited company	Real estate	Shanghai	Shanghai	US\$46,330 thousand	US\$46,330 thousand	-	98.29	100.00	
Pacific Insurance Online Services Technology Co., Ltd. (“CPIC Online Services”)	Limited company	Consulting services, etc	Shandong	The PRC	200,000	200,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. (“Tianjin Trophy”)	Limited company	Real estate	Tianjin	Tianjin	353,690	353,690	-	98.29	100.00	
Pacific Insurance Aging Industry Investment Management Co., Ltd. (“CPIC Aging Investment”)	Limited company	Pension business investment, etc	Shanghai	Shanghai	219,000	219,000	-	98.29	100.00	
CPIC Allianz Health	Limited company	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	-	77.05	(2)
Shanghai Nan Shan Ju Xuhong Nursing Home Co., Ltd. (“Nan Shan Ju”)	Limited company	Pension services	Shanghai	Shanghai	20,000	15,000	-	98.29	100.00	
Anxin Agriculture Insurance Co., Ltd. (“Anxin”)	Limited company	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	
Pacific Medical&Healthcare Management Co., Ltd. (“Pacific Medical&Healthcare”)	Limited company	Medical consulting services, etc	Shanghai	Shanghai	100,000	30,000	-	98.29	100.00	(3)
CPIC Fund Management Co., Ltd. (“CPIC Funds”)	Limited company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	(4)

\* Subsidiaries of City Island.

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows (continued):

(1) Changjiang Pension

On 27 April 2018, CPIC Life signed a transfer of capital agreement with Changjiang Pension, and agreed to participate in the Changjiang Pension capital transfer program. According to the agreement, the registered capital of Changjiang Pension increased RMB966 million, of which RMB64 million from retained profits and RMB902 million from capital reserves. After this capital injection, the total registered capital of Changjiang Pension was changed to RMB3 billion. CPIC Life's ownership in Changjiang Pension is 62.16% while the Company's ownership in Changjiang Pension is 61.10% indirectly through CPIC Life. The China Banking and Insurance Regulatory Commission (the "CBIRC") approved the change of registered capital of Changjiang Pension by issuing the 'Approval of changing registered capital of Changjiang Pension' (Yin Bao Jian Xu Ke [2018] No.464) on 27 June 2018, and approved the change of articles of corporation by issuing the 'Approval of changing articles of corporation of Changjiang Pension' (Yin Bao Jian Xu Ke [2018] No.630) on 23 July 2018.

(2) CPIC Allianz Health

On 8 November 2017, the Company signed a capital increase agreement with CPIC Allianz Health, whereby the Company acquired 539,357,000 shares of common stocks at RMB1 per share issued by CPIC Allianz Health. After this capital injection, the Company's ownership in CPIC Allianz Health will be 77.05%. The CBIRC approved the change of registered capital of CPIC Allianz Health by issuing the 'Approval of changing registered capital of CPIC Allianz Health' (Yin Bao Jian Xu Ke [2018] No.1) on 22 March 2018. CPIC Allianz Health completed the change of business license on 13 April 2018.

(3) Pacific Medical&Healthcare

CPIC Life invested RMB100 million to set up the Pacific Medical&Healthcare. The CIRC issued the 'Approval of CPIC Life's equity investment to Pacific Medical&Healthcare' (Bao Jian Xu Ke [2017] No.1050) on 18 August 2017. Pacific Medical&Healthcare obtained the business license on 10 January 2018, with the registered capital of RMB100 million. CPIC Life paid RMB30 million of initial investment on 30 May 2018.

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows (continued):

(4) CPIC Funds

CPIC Asset Management acquired 51% equity interests of CPIC Funds held by Guotai Junan Securities Co., Ltd. (the "Transaction"). The Transaction was carried out by way of public tendering on Shanghai United Assets and Equity Exchange. The Company's bidding price for the target of the Transaction was RMB1,045 million and the final price of the Transaction was RMB1,045 million. After the Transaction, CPIC Asset Management's ownership in CPIC Funds would be 51% while the Company would hold 50.83% of CPIC Funds's ownership indirectly through CPIC Asset Management. According to 'Approval of CPIC Asset Management's Share Acquisition of CPIC Funds' (Bao Jian Xu Ke [2017] No.873), the acquisition was approved by the CIRC on 26 July 2017. According to 'Letter of Decision that No Further Examination on the Concentration of Anti-monopoly Examination by the Ministry of Commerce' (Shang Fan Long Chu Shen Han [2018] No.17), the acquisition was approved by the Ministry of Commerce on 9 January 2018. According to 'Approval of CPIC Funds' Change of Equity' (Zheng Jian Xu Ke [2018] No.557), the acquisition was approved by the China Securities Regulatory Commission on 28 March 2018. On 25 April 2018, CPIC Funds held the 1st meeting of the Company's 5th term of board of directors and 55th meeting of the shareholders' meeting. The meeting approved and authorised resolutions regarding the appointment of CPIC Funds' chairman. CPIC Funds completed the change of business license on 27 April 2018.

The business combination was a business combination not under common control, the information as at the acquisition date was set out below:

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows (continued):

(4) CPIC Funds (continued)

(i) Business combinations not under common control

Acquiree	Transaction date	Purchase cost	Percentage of equity acquired	Acquisition method	Acquisition date	Acquisition date basis	Acquire's revenue from acquisition date to 30 June 2018	Acquire's net profit from acquisition date to 30 June 2018	Acquire's net cash flow from operating activities from acquisition date to 30 June 2018	Acquire's net cash flow from acquisition date to 30 June 2018
CPIC Funds	25 April 2018	RMB920.05 million	51.00%	Public tender	30 April 2018	Board of directors and shareholders meeting	29	3	(34)	(35)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2018 are as follows (continued):

(4) CPIC Funds (continued)

(ii) Acquisition cost and Goodwill

	CPIC Funds
Acquisition cost	
Cash	1,045
Less:	
Dividend declared but not distributed	(125)
Fair value of net assets acquired by the Group	(525)
Goodwill	<u>395</u>

(iii) The fair values and carrying amounts of the identifiable assets and liabilities as at the acquisition date are as below:

	<u>Acquisition date</u> Fair values	<u>Acquisition date</u> Carrying amounts	<u>31 December 2017</u> Carrying amounts
Property and equipment	11	9	9
Other intangible assets	660	6	7
Available-for-sale financial assets	22	22	22
Financial assets at fair value through profit or loss	360	360	352
Securities purchased under agreements to resell	-	-	3
Interest receivables	3	3	4
Deferred income tax assets	44	44	44
Other assets	53	53	69
Cash and short-term time deposits	309	309	276
Less:			
Deferred income tax liabilities	(164)	-	-
Other liabilities	(268)	(268)	(274)
Net assets	<u>1,030</u>	<u>538</u>	<u>512</u>
Less: Non-controlling interests	(505)		
Net assets acquired	<u>525</u>		

When determining the fair values of the identifiable assets and liabilities as at the acquisition date, the Group adopted income approach on the franchise license recognised in the intangible assets, adopted cost method on trademark rights, adopted market approach on outsourced software, and adopted replacement cost method and market approach on the transportation and other equipments recognised in property and equipment.

Except the assets listed above, the fair values of CPIC Funds' net assets approximated their carrying amounts as at the acquisition date.



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 30 June 2018, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in RMB thousand)	Principal activities
Pacific-China Nonferrous Metal Mining (Group) Co., Ltd. ("CNMC") Debt Investment Plan (Phase I)	53.91	2,430,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth CSI 300 Index	100.00	1,515,152	Investing in financial instruments with good liquidity, including CSI 300 Index Constituent and Proxy Stocks. In addition, to successfully achieve the investment goal, this product also allocates a few investments in non-constituent stocks to be listed in CSI 300 Index Constituent Stocks, stocks newly-issued or additionally-issued in the primary market, government bond to be due within one year, exchange repo, demand deposits at bank, funds in monetary market, etc. Product manager may bring other financial instruments that are allowed by laws and regulations or regulators into the scope of investment after implementation of proper procedures.
Pacific Excellent Wealth Focus Dividend & Value Equity	99.28	905,760	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hongkong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, time deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.).
Pacific Well-selected Growth Equity	96.04	669,849	Investing in financial instruments with good liquidity, including legally listed domestic stocks (including stocks listed in SME, GEM and others approved by CSRC), bonds (including national debts, financial bonds, subordinated bonds, central bank bills, corporate bonds, local government bonds, convertible bonds, detachable bonds, medium-term notes, short-term financing bonds, bond repurchases, etc.), money market funds, structured fund with fixed income characteristics (senior tranche), bond funds, credit assets backed securities, bank deposits (including current deposits, time deposits, agreement deposits, etc.) and other financial instruments that regulators may allow in the future (subject to relevant regulatory authorities). Stock index futures (limited to hedging) is allowed as well.

Note: CPIC Asset Management and CPIC Funds are the asset managers of the consolidated structured entities.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Long-term life insurance premiums	122,585	104,172
Short-term life insurance premiums	8,620	6,468
Property and casualty insurance premiums	61,428	53,145
	<u>192,633</u>	<u>163,785</u>

(b) Premiums ceded to reinsurers

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Long-term life insurance premiums ceded to reinsurers	(1,150)	(933)
Short-term life insurance premiums ceded to reinsurers	(212)	(70)
Property and casualty insurance premiums ceded to reinsurers	(8,038)	(7,453)
	<u>(9,400)</u>	<u>(8,456)</u>

(c) Net written premiums

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Net written premiums	<u>183,233</u>	<u>155,329</u>

7. INVESTMENT INCOME

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Interest and dividend income (a)	26,070	28,538
Realized gains/(losses) (b)	1,310	(4,577)
Unrealized (losses)/gains (c)	(1,540)	767
Charge of impairment losses on financial assets	(211)	(297)
	<u>25,629</u>	<u>24,431</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	47	259
- Investment funds	24	42
- Equity securities	88	56
- Other equity investments	37	40
	<u>196</u>	<u>397</u>
Held-to-maturity financial assets		
- Fixed maturity investments	6,986	7,388
Loans and receivables		
- Fixed maturity investments	10,567	9,062
Available-for-sale financial assets		
- Fixed maturity investments	5,344	3,757
- Investment funds	929	6,539
- Equity securities	755	414
- Other equity investments	1,293	981
	<u>8,321</u>	<u>11,691</u>
	<u>26,070</u>	<u>28,538</u>

(b) Realized gains/(losses)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(5)	(143)
- Investment funds	(18)	1
- Equity securities	281	108
- Other equity investments	2	2
- Derivative instruments	(2)	-
	<u>258</u>	<u>(32)</u>
Available-for-sale financial assets		
- Fixed maturity investments	45	(140)
- Investment funds	12	(5,106)
- Equity securities	974	664
- Other equity investments	21	37
	<u>1,052</u>	<u>(4,545)</u>
	<u>1,310</u>	<u>(4,577)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(c) Unrealized (losses)/gains

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(25)	(67)
- Investment funds	(199)	151
- Equity securities	(1,313)	662
- Other equity investments	(2)	21
- Derivative instruments	(1)	-
	<u>(1,540)</u>	<u>767</u>

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	<b>Six months ended 30 June 2018</b>		
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	24,265	(613)	23,652
Claims incurred			
- Short-term life insurance	3,353	(151)	3,202
- Property and casualty insurance	31,878	(3,191)	28,687
Changes in long-term life insurance contract liabilities	79,730	(691)	79,039
Policyholder dividends	5,692	-	5,692
	<u>144,918</u>	<u>(4,646)</u>	<u>140,272</u>
	<b>Six months ended 30 June 2017</b>		
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	23,844	(418)	23,426
Claims incurred			
- Short-term life insurance	2,718	(36)	2,682
- Property and casualty insurance	29,208	(2,777)	26,431
Changes in long-term life insurance contract liabilities	63,752	(668)	63,084
Policyholder dividends	4,282	-	4,282
	<u>123,804</u>	<u>(3,899)</u>	<u>119,905</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

9. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Employee benefit expense (including directors' and supervisors' emoluments)	9,909	9,092
Auditors' remuneration	11	10
Operating lease payments in respect of land and buildings	628	552
Depreciation of property and equipment	718	669
Depreciation of investment properties	163	140
Amortization of other intangible assets	237	182
Amortization of prepaid land lease payments	-	1
Amortization of other assets	17	12
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(5)	(5)
Charge of impairment loss on insurance receivables	213	174
Charge of impairment loss on financial assets (note 7)	211	297
Foreign exchange (income)/loss, net	(52)	71

10. INCOME TAX

(a) Income tax

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Current income tax	6,249	2,788
Deferred income tax (note 21)	(986)	165
	<u>5,263</u>	<u>2,953</u>

(b) Tax recorded in other comprehensive income

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Deferred income tax (note 21)	119	(143)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

10. INCOME TAX (continued)

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising in the PRC. Taxes on profits assessable elsewhere have been 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.

A reconciliation of the tax expense applicable to profit before tax using the PRC statutory income tax rate of 25% to the tax expense at the Group's effective tax rate is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	13,712	9,598
Tax computed at the statutory tax rate	3,428	2,400
Adjustments to income tax in respect of previous periods	(3)	(33)
Income not subject to tax	(1,124)	(2,279)
Expenses not deductible for tax	2,810	2,775
Others	152	90
Tax expense at the Group's effective rate	<u>5,263</u>	<u>2,953</u>

11. EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Consolidated net profit for the period attributable to equity holders of the parent	8,254	6,509
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	<u>RMB0.91</u>	<u>RMB0.72</u>
Diluted earnings per share	<u>RMB0.91</u>	<u>RMB0.72</u>

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2018 and 30 June 2017.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

12. OTHER COMPREHENSIVE INCOME/(LOSS)

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Exchange differences on translation of foreign operations	4	(15)
Available-for-sale financial assets		
Gains/(losses) arising during the period	3,733	(6,031)
Reclassification adjustments for (losses)/gains included in profit or loss	(1,052)	4,545
Fair value change on available-for-sale financial assets attributable to policyholders	(2,411)	629
Impairment charges reclassified to the income statement	211	297
	481	(560)
Income tax relating to available-for-sale financial assets	(119)	143
	362	(417)
Share of other comprehensive income in equity accounted investees	-	6
Other comprehensive income/(loss)	366	(426)

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

13. INTERESTS IN ASSOCIATES

	30 June 2018					At 30 June 2018
	Historical cost	At 1 January 2018	Additions	Share of profit	Dividend declared	
Taiji (Shanghai) Information Technology Co., Ltd.(the “Taiji”)	2	1	-	-	-	1
Shanghai Juche Information Technology Co., Ltd.(the “Juche”)	3	7	-	(1)	-	6
Zhongdao Automobile Rescue Industry Co., Ltd.(the “Zhongdao”)	17	19	-	-	-	19
Shanghai Proton and Heavy Ion Hospital(the “Zhizhong”)	100	67	-	(7)	-	60
Shanghai Dedao Co., Ltd.(the “Dedao”)	5	2	-	(1)	-	1
Shanghai Xingongying Information Technology Co., Ltd.(the “Xingongying”)	81	73	-	(4)	-	69
Shanghai Heji Business Management LP.(the “Heji”)	200	198	-	-	-	198
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Scheme(the “CHEMCHINA Debt Investment Scheme”)	2,160	2,164	-	58	(59)	2,163
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Scheme(the “Sichuan Railway Investment Scheme”)	250	250	-	6	(6)	250
Ningbo Zhilin Investment Management LLP.(the “Ningbo Zhilin”)	2,416	2,449	-	80	(47)	2,482
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Scheme(the “Yunnan Energy Investment Scheme”)	2,045	-	2,045	32	(29)	2,048
	<u>7,279</u>	<u>5,230</u>	<u>2,045</u>	<u>163</u>	<u>(141)</u>	<u>7,297</u>



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

13. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 30 June 2018

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Taiji	Shanghai	-	40.00%	40.00%	15,000	4,600	Technology development and consulting, etc.
Juche	Shanghai	-	40.39%	40.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	33.22%	33.60%	50,000	50,000	Automobile rescue services
Zhizhong	Shanghai	-	15.41%	20.00%	500,000	500,000	Oncology department and medical laboratory, etc.
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Information technology and automotive software
Xingongying <sup>(1)</sup>	Shanghai	-	8.09%	8.20%	2,637	2,637	Information technology development and consulting, etc.
Heji <sup>(2)</sup>	Shanghai	-	97.52%		505,000	202,000	Business management, industrial investment, investment management, assets management, consulting, etc.
CHEMCHINA Debt Investment Scheme <sup>(3)</sup>	N/A	-	70.55%		N/A	3,000,000	Debt investment scheme
Sichuan Railway Investment Scheme <sup>(4)</sup>	N/A	-	38.17%		N/A	600,000	Debt investment scheme
Ningbo Zhilin <sup>(5)</sup>	Ningbo	-	88.46%		2,684,798	2,684,798	Investment management, assets management
Yunnan Energy Investment Scheme <sup>(6)</sup>	N/A	-	89.19%		N/A	2,235,000	Debt investment scheme

Note:

- (1) According to the articles of association of Xingongying, CPIC Property, the Group's subsidiary, has significant impact on Xingongying by accrediting a director to the company. Therefore, Xingongying is accounted under equity method.
- (2) CPIC Property, the Group's subsidiary, holds over 50% shares of Heji. Since CPIC Group has no controlling power on relevant activities of Heji according to the articles of association and partnership agreement of Heji, Heji is accounted under equity method.
- (3) CPIC Life, the Group's subsidiary, holds over 50% shares of CHEMCHINA Debt Investment Scheme. Since CPIC Group has no controlling power on relevant activities of CHEMCHINA Debt Investment Scheme according to the Agreement of Investment Scheme, CHEMCHINA Debt Investment Scheme is accounted under equity method.

(All amounts expressed in RMB million unless otherwise specified)

13. INTERESTS IN ASSOCIATES (continued)

- (4) CPIC Life, the Group's subsidiary, and Changjiang Pension, the CPIC Life's subsidiary, hold shares of Sichuan Railway Investment Scheme. Changjiang Pension is the issuer and manager of Sichuan Railway Investment Scheme. Since CPIC Group has significant impact on Sichuan Railway Investment Scheme, Sichuan Railway Investment Scheme is accounted under equity method.
- (5) CPIC Life, the Group's subsidiary, holds over 50% shares of Ningbo Zhilin. Since CPIC Group has no controlling power on relevant activities of Ningbo Zhilin according to the partnership agreement of Ningbo Zhilin, Ningbo Zhilin is accounted under equity method.
- (6) CPIC Life, the Group's subsidiary, and Changjiang Pension, the CPIC Life's subsidiary, hold over 50% shares of Yunnan Energy Investment Scheme. Since CPIC Group has no controlling power on relevant activities of Yunnan Energy Investment Scheme according to the Agreement of Investment Scheme, Yunnan Energy Investment Scheme is accounted under equity method.

Summarised financial information for principal associates

	<b>30 June 2018/Six months ended 30 June 2018</b>			
	Total assets	Total liabilities	Total revenue	Net profit
Ningbo Zhilin	2,773	10	56	49
CHEMCHINA Debt Investment Scheme	3,007	2	88	80
Yunnan Energy Investment Scheme	<u>2,240</u>	<u>1</u>	<u>37</u>	<u>36</u>

Summarised financial information for other associates

	<b>Six months ended 30 June 2018</b>	<b>Six months ended 30 June 2017</b>
Net loss for the year	(58)	(102)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(58)</u>	<u>(102)</u>
Total comprehensive loss attributable to the Group	<u>(7)</u>	<u>(14)</u>
Carrying amount of the Group's interest	<u>604</u>	<u>392</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

14. INVESTMENT IN JOINT VENTURES

	<u>30 June 2018</u>	<u>31 December 2017</u>
Share of net assets	46	41

Particulars of the joint venture as at 30 June 2018 are as follow:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd	Hangzhou	-	20.25%	20.25%	13,333	13,333	Technology development services, consulting, etc.
Aizhu (Shanghai) Information Technology Co., Ltd	Shanghai	-	35.00%	35.00%	10,000	4,000	Internet technology, etc.
Pacific Euler Hermes Insurance Sales Co., Ltd	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales
Shanghai Dabaoguisheng Information Technologies Co., Ltd	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry

The main financial information of the Group's joint venture:

	<u>Six months ended 30 June</u>	
	<u>2018</u>	<u>2017</u>
	<u>(RMB thousand)</u>	<u>(RMB thousand)</u>
The joint venture's net loss:	(6,290)	(5,232)

As at 30 June 2018, the Group's investment in joint ventures had no impairment. The Group received no cash dividend from Binjiang-Xiangrui.

Commitments related to investment in joint ventures are mentioned in Note 31.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

15. HELD-TO-MATURITY FINANCIAL ASSETS

Held-to-maturity financial assets are stated at amortized cost and comprise the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Listed		
Debt investments		
- Government bonds	462	463
- Finance bonds	5,903	5,871
- Corporate bonds	10,716	11,243
	<u>17,081</u>	<u>17,577</u>
Unlisted		
Debt investments		
- Government bonds	71,014	70,682
- Finance bonds	104,636	103,894
- Corporate bonds	92,647	95,344
	<u>268,297</u>	<u>269,920</u>
	<u>285,378</u>	<u>287,497</u>

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>30 June 2018</u>	<u>31 December 2017</u>
Debt investments		
- Finance bonds	2,599	2,699
- Debt investment scheme	123,513	92,844
- Wealth management products	98,237	89,205
- Preferred shares	32,000	32,000
	<u>256,349</u>	<u>216,748</u>

(All amounts expressed in RMB million unless otherwise specified)

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES (continued)

As at 30 June 2018, CPIC Asset Management, a subsidiary of the Group, issued and existed 63 debt investment schemes with a total value of RMB107.626 billion. Of these, the existing amounts approximately RMB47.079 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2017, CPIC Asset Management, a subsidiary of the Group, issued and existed 67 debt investment schemes with a total value of RMB106.122 billion. Of these, the existing amounts approximately RMB39.472 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information). As at 30 June 2018, Changjiang Pension, a subsidiary of the Group, issued and existed 47 debt investment schemes with a total value of RMB82.211 billion. Of these, the existing amounts approximately RMB29.256 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2017, Changjiang Pension, a subsidiary of the Group, issued and existed 41 debt investment schemes with a total value of RMB65.105 billion. Of these, the existing amounts approximately RMB19.211 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information). Meanwhile, the Group also had investments in debt investment schemes launched by other insurance asset management companies with a value of approximately RMB47.178 billion recognized as investments classified as loans and receivables in the Group's consolidated financial information (31 December 2017, approximately RMB34.161 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are approximately RMB92.223 billion. For debt investment schemes launched by CPIC Asset Management and Changjiang Pension and invested by the Group, the Group did not provide any guarantees or financial support. The Group's maximum exposure to loss in the debt investment schemes is limited to its carrying amounts.

17. TERM DEPOSITS

<b>Maturity Period</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
1 month to 3 months (including 3 months)	6,571	3,493
3 months to 1 year (including 1 year)	22,167	18,876
1 to 2 years (including 2 years)	28,540	25,030
2 to 3 years (including 3 years)	6,440	24,090
3 to 4 years (including 4 years)	11,100	16,200
4 to 5 years (including 5 years)	45,680	16,300
Over 5 years	4,600	-
	<u>125,098</u>	<u>103,989</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are stated at fair value and comprise the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Listed		
Equity investments		
- Equity securities	46,710	49,294
- Investment funds	4,954	4,971
Debt investments		
- Government bonds	7,052	6,729
- Finance bonds	6,989	6,899
- Corporate bonds	49,797	43,258
	<u>115,502</u>	<u>111,151</u>
Unlisted		
Equity investments		
- Investment funds	31,190	30,355
- Wealth management products	10,413	19,447
- Other equity investments	35,343	27,615
- Preferred shares	7,868	7,764
Debt investments		
- Government bonds	59,703	40,654
- Finance bonds	24,597	33,821
- Corporate bonds	110,497	97,602
- Wealth management products	385	459
	<u>279,996</u>	<u>257,717</u>
	<u>395,498</u>	<u>368,868</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>30 June 2018</u>	<u>31 December 2017</u>
Listed		
Equity investments		
- Equity securities	9,569	9,665
- Investment funds	306	292
Debt investments		
- Government bonds	151	128
- Finance bonds	73	52
- Corporate bonds	1,454	497
	<u>11,553</u>	<u>10,634</u>
Unlisted		
Equity investments		
- Investment funds	3,388	2,667
- Wealth management products	1,118	1,137
- Other equity investments	573	522
Debt investments		
- Finance bonds	369	194
- Corporate bonds	1,011	1,033
- Wealth management products	3	-
	<u>6,462</u>	<u>5,553</u>
	<u>18,015</u>	<u>16,187</u>

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB2,140 million (December 31 2017, RMB2,072 million). The rest are trading assets, with no material limitation in disposal.

20. REINSURANCE ASSETS

	<u>30 June 2018</u>	<u>31 December 2017</u>
Reinsurers' share of insurance contracts (note 26)	<u>23,991</u>	<u>22,575</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes, if any, to be levied by the same tax authority and the same taxable entity.

	<u>30 June 2018</u>	<u>31 December 2017</u>
Net deferred income tax assets, at beginning of period	822	445
Acquisition of subsidiary	(120)	-
Recognized in profit or loss (note 10(a))	986	(443)
Recognized in other comprehensive income (note 10(b))	(119)	820
	<u>1,569</u>	<u>822</u>
Net deferred income tax assets, at end of period	<u>1,569</u>	<u>822</u>
Net deferred income tax assets	<u>1,569</u>	<u>822</u>
Represented by:		
Deferred tax assets	2,712	1,742
Deferred tax liabilities	(1,143)	(920)

22. OTHER ASSETS

	<u>30 June 2018</u>	<u>31 December 2017</u>
Due from a related-party (1)	1,486	1,318
Tax receivable other than income tax	17	38
Receivable for securities	4,803	5,461
Due from agents	1,453	1,045
Co-insurance receivable	129	87
Others	7,974	4,129
	<u>15,862</u>	<u>12,078</u>

(1) As at 30 June 2018, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related tax expenses amounted to approximately RMB1,486 million (31 December 2017, RMB1,318 million).



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

23. CASH AND SHORT-TERM TIME DEPOSITS

	<u>30 June 2018</u>	<u>31 December 2017</u>
Cash at banks and on hand	14,522	9,969
Time deposits with original maturity of no more than three months	1,237	712
Other monetary assets	1,076	979
	<u>16,835</u>	<u>11,660</u>

The Group's bank balances denominated in RMB amounted to RMB15,611 million as at 30 June 2018 (31 December 2017: RMB10,408 million ). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

As at 30 June 2018, RMB1,034 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2017, RMB955 million ).

24. ISSUED CAPITAL

	<u>30 June 2018</u>	<u>31 December 2017</u>
Number of shares issued and fully paid at RMB1 each (million)	<u>9,062</u>	<u>9,062</u>

(All amounts expressed in RMB million unless otherwise specified)

## 25. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

### (a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life to certain foreign investors in December 2005, and the subsequent repurchase of the said interest in the same subsidiary by the Company in April 2007.

### (b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the discretionary surplus reserve.

#### (i) Statutory surplus reserves (the "SSR")

According to the PRC Company Law and the articles of association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under PRC GAAP, to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

Of the Group's retained profits, RMB7,562 million as at 30 June 2018 (31 December 2017: RMB7,524 million ) represents the Company's share of its subsidiaries' surplus reserve fund.

#### (ii) Discretionary surplus reserves (the "DSR")

After making necessary appropriations to the SSR, the Company and its subsidiaries in the PRC may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(All amounts expressed in RMB million unless otherwise specified)

25. RESERVES AND RETAINED PROFITS (continued)

(c) General reserves

In accordance with the relevant regulations, general reserves should be set aside to cover catastrophic or other losses as incurred by companies operating in the insurance, banking, trust, securities, futures, fund management, leasing and financial guarantee businesses, etc. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. The Company's subsidiaries operating in fund management should make appropriation for such reserve based on asset management product management fees. Such reserve is not available for profit distribution or transfer as capital injection.

Of the Group's reserves, RMB9,870 million as at 30 June 2018 (31 December 2017: RMB9,761 million ) represents the Company's share of its subsidiaries' general reserves.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 7th meeting of the Company's 8th term of board of directors held on 29 March 2018, a final dividend of approximately RMB7,250 million (equivalent to RMB0.8 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved during shareholders meeting on 15 June 2018.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

26. INSURANCE CONTRACT LIABILITIES

	<b>30 June 2018</b>		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	802,769	(11,370)	791,399
Short-term life insurance contracts			
- Unearned premiums	5,526	(170)	5,356
- Claim reserves	3,200	(191)	3,009
	<u>8,726</u>	<u>(361)</u>	<u>8,365</u>
Property and casualty insurance contracts			
- Unearned premiums	45,862	(6,030)	39,832
- Claim reserves	38,473	(6,230)	32,243
	<u>84,335</u>	<u>(12,260)</u>	<u>72,075</u>
	<u>895,830</u>	<u>(23,991)</u>	<u>871,839</u>
Incurred but not reported claim reserves	<u>8,097</u>	<u>(993)</u>	<u>7,104</u>
	<b>31 December 2017</b>		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	718,563	(10,679)	707,884
Short-term life insurance contracts			
- Unearned premiums	3,053	(88)	2,965
- Claim reserves	2,862	(111)	2,751
	<u>5,915</u>	<u>(199)</u>	<u>5,716</u>
Property and casualty insurance contracts			
- Unearned premiums	41,194	(5,089)	36,105
- Claim reserves	36,567	(6,608)	29,959
	<u>77,761</u>	<u>(11,697)</u>	<u>66,064</u>
	<u>802,239</u>	<u>(22,575)</u>	<u>779,664</u>
Incurred but not reported claim reserves	<u>7,430</u>	<u>(994)</u>	<u>6,436</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

26. INSURANCE CONTRACT LIABILITIES (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

*Gross property and casualty insurance claim reserves:*

	Property and casualty insurance (Accident year)					Total
	2014	2015	2016	2017	30 June 2018	
Estimate of ultimate claim cost as of:						
End of current year/period	55,880	58,926	57,960	59,974	31,759	
One year later	55,420	57,737	57,071	59,056		
Two years later	55,098	56,376	56,404			
Three years later	54,798	55,972				
Four years later	54,736					
Current estimate of cumulative claims	54,736	55,972	56,404	59,056	31,759	257,927
Cumulative payments to date	(53,946)	(54,309)	(52,024)	(45,041)	(16,074)	(221,394)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,940
Total gross claim reserves included in the consolidated balance sheet						<u>38,473</u>

*Net property and casualty insurance claim reserves:*

	Property and casualty insurance (Accident year)					Total
	2014	2015	2016	2017	30 June 2018	
Estimate of ultimate claim cost as of:						
End of current year/period	46,868	51,435	50,934	52,415	27,877	
One year later	46,816	50,423	50,251	51,966		
Two years later	46,654	49,470	49,893			
Three years later	46,351	49,198				
Four years later	46,253					
Current estimate of cumulative claims	46,253	49,198	49,893	51,966	27,877	225,187
Cumulative payments to date	(45,731)	(47,935)	(46,394)	(40,137)	(14,450)	(194,647)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,703
Total net claim reserves included in the consolidated balance sheet						<u>32,243</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

27. INVESTMENT CONTRACT LIABILITIES

At 1 January 2017	48,796
Deposits received	12,945
Deposits withdrawn	(7,685)
Fees deducted	(167)
Interest credited	1,910
Others	469
	<hr/>
At 31 December 2017	56,268
Deposits received	7,318
Deposits withdrawn	(5,180)
Fees deducted	(91)
Interest credited	1,377
Others	270
	<hr/>
At 30 June 2018	<u>59,962</u>

28. BONDS PAYABLE

On 5 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB4 billion. CPIC Property has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.9% per annum, payable annually in arrears. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.9% and would remain unchanged for the remaining term.

On 23 March 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC Property has the option to redeem the bond conditionally at the end of the fifth year. The initial coupon rate of the capital replenishment bond is 5.10% per annum, payable annually in arrears. If CPIC Property does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.10%.

	31 December 2017	Issuance	Premium amortization	Redemption	30 June 2018
CPIC Property	<u>3,999</u>	<u>5,000</u>	<u>(10)</u>	<u>-</u>	<u>8,989</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

29. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation from profit before tax to cash generated from operating activities:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
<b>Profit before tax</b>	13,712	9,598
Investment income	(25,629)	(24,431)
Foreign currency (income)/loss	(52)	71
Finance costs	1,105	1,387
Charge of impairment losses on insurance receivables and other assets, net	213	174
Depreciation of property and equipment	718	669
Depreciation of investment properties	163	140
Amortization of other intangible assets	237	182
Amortization of prepaid land lease payments	-	1
Amortization of other assets	17	12
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(5)	(5)
	(9,521)	(12,202)
Increase in reinsurance assets	(1,416)	(1,541)
Increase in insurance receivables	(11,760)	(6,628)
Increase in other assets	(3,784)	(2,008)
Increase in insurance contract liabilities	89,138	70,522
Decrease in other operating liabilities	(3,097)	(4,073)
Cash generated from operating activities	<u>59,560</u>	<u>44,070</u>

(b) Analysis of the net cash flow in respect of the acquisition:

	<b>Six months ended 30 June 2018</b>
Cash and cash equivalents paid for acquisition for the period ended 30 June 2018	-
Less: Cash and cash equivalents hold by subsidiary on acquisition date	309
Net inflow in respect of the acquisition	<u>309</u>

30. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the financial statements, the Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	<u>4</u>	<u>5</u>

The Group's above related party transactions were entered into based on normal commercial terms during the normal course of insurance business.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

30. RELATED PARTY TRANSACTIONS (continued)

(b) Dividends paid

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Equity holders who individually own more than 5% of equity interests of the Company	2,487	2,234

(c) Compensation of key management personnel

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Salaries, allowances and other short-term benefits	8	8
Deferred bonus (1)	-	-
Total compensation of key management personnel	8	8

(1) This represents the amount under the Group's deferred bonus plans which in order to motivate senior management and certain key employees.

(d) Transactions with other government-related entities in the PRC

The Group mainly operates in an economic environment predominated by enterprises that are controlled, jointly controlled or significantly influenced by the PRC government through its authorities, affiliates or other organizations (collectively "government-related entities"). The Company is also a government-related entity.

For the six months ended 30 June 2017 and the six months ended 30 June 2018, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

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



CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

31. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the balance sheet date:

		<u>30 June 2018</u>	<u>31 December 2017</u>
Contracted, but not provided for	(1)(2)	547	850
Authorized, but not contracted for	(1)(2)	915	1,023
		<u>1,462</u>	<u>1,873</u>

As at 30 June 2018, major projects with capital commitments are as follows:

- (1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 30 June 2018, the cumulative amount incurred by the Company amounted to RMB1,463 million. Of the balance, RMB185 million was disclosed as a capital commitment contracted but not provided for and RMB352 million was disclosed as a capital commitment authorized but not contracted for.
- (2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. (“Binjiang-Xiangrui”) as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB2,090 million. As at 30 June 2018, the cumulative amount incurred by the Company amounted to RMB1,498 million. Of the balance, RMB104 million was disclosed as a capital commitment contracted but not provided for and RMB488 million was disclosed as a capital commitment authorized but not contracted for.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

31. COMMITMENTS (continued)

(b) Operating lease commitments

The Group leases office premises and staff quarters under various operating lease agreements as the leasee. Future minimum lease payments under non-cancellable operating leases are as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Within 1 year (including 1 year)	1013	1,014
1 to 2 years (including 2 years)	828	817
2 to 3 years (including 3 years)	634	648
3 to 5 years (including 5 years)	680	474
More than 5 years	338	278
	<u>3,493</u>	<u>3,231</u>

(c) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Within 1 year (including 1 year)	1,012	976
1 to 2 years (including 2 years)	771	767
2 to 3 years (including 3 years)	522	523
3 to 5 years (including 5 years)	428	373
More than 5 years	215	216
	<u>2,948</u>	<u>2,855</u>

32. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

In addition to the above legal proceedings, as at 30 June 2018, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows, and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows.

	<b>As at 30 June 2018</b>					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
<b>Assets:</b>						
Held-to-maturity financial assets	-	34,135	97,172	365,909	-	497,216
Investments classified as loans and receivables	-	35,224	163,757	131,122	-	330,103
Restricted statutory deposits	-	1,933	5,513	100	-	7,546
Term deposits	-	34,745	108,418	4,601	-	147,764
Available-for-sale financial assets	342	36,028	140,078	260,507	115,450	552,405
Financial assets at fair value through profit or loss	61	1,269	2,267	1,161	13,880	18,638
Securities purchased under agreements to resell	-	12,889	-	-	-	12,889
Insurance receivables	7,152	20,722	753	62	-	28,689
Cash and short-term time deposits	15,585	1,250	-	-	-	16,835
Others	2,481	57,059	1,508	4	-	61,052
<b>Total</b>	<b>25,621</b>	<b>235,254</b>	<b>519,466</b>	<b>763,466</b>	<b>129,330</b>	<b>1,673,137</b>
<b>Liabilities:</b>						
Insurance contract liabilities	-	100,849	92,205	702,776	-	895,830
Investment contract liabilities	-	895	4,120	54,947	-	59,962
Policyholders' deposits	-	72	-	-	-	72
Bonds payable	-	4,491	1,020	6,275	-	11,786
Securities sold under agreements to repurchase	-	76,858	-	-	-	76,858
Others	55,160	23,936	134	9	-	79,239
<b>Total</b>	<b>55,160</b>	<b>207,101</b>	<b>97,479</b>	<b>764,007</b>	<b>-</b>	<b>1,123,747</b>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2017					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
<b>Assets:</b>						
Held-to-maturity financial assets	-	22,478	104,528	378,581	-	505,587
Investments classified as loans and receivables	-	20,509	158,439	100,625	-	279,573
Restricted statutory deposits	-	1,519	5,737	-	-	7,256
Term deposits	-	27,128	88,672	-	-	115,800
Available-for-sale financial assets	351	58,135	115,310	223,987	109,394	507,177
Financial assets at fair value through profit or loss	-	561	2,560	321	13,123	16,565
Securities purchased under agreements to resell	-	17,143	-	-	-	17,143
Insurance receivables	3,637	12,609	484	47	-	16,777
Cash and short-term time deposits	10,944	716	-	-	-	11,660
Others	1,240	48,528	1,327	-	-	51,095
<b>Total</b>	<b>16,172</b>	<b>209,326</b>	<b>477,057</b>	<b>703,561</b>	<b>122,517</b>	<b>1,528,633</b>
<b>Liabilities:</b>						
Insurance contract liabilities	-	94,708	144,318	563,213	-	802,239
Investment contract liabilities	-	714	3,132	52,422	-	56,268
Policyholders' deposits	-	75	-	-	-	75
Bonds payable	-	236	4,236	-	-	4,472
Securities sold under agreements to repurchase	-	66,423	-	-	-	66,423
Others	45,433	19,407	250	17	-	65,107
<b>Total</b>	<b>45,433</b>	<b>181,563</b>	<b>151,936</b>	<b>615,652</b>	<b>-</b>	<b>994,584</b>

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

The Group's financial liabilities mainly include securities sold under agreements to repurchase, policyholders' deposits, investment contract liabilities, bonds payable, long-term borrowings, etc.

Fair value of financial assets and liabilities not carried at fair value

The following table summarizes the carrying values and estimated fair values of held-to-maturity debt securities, investments classified as loans and receivables, and bonds payable whose fair values are not presented in the consolidated balance sheet.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

	<b>As at 30 June 2018</b>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	285,378	295,161
Investments classified as loans and receivables	256,349	256,393
	<u>          </u>	<u>          </u>
Financial liabilities:		
Bonds payable	8,989	9,314
	<u>          </u>	<u>          </u>
	<b>As at 31 December 2017</b>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	287,497	286,529
Investments classified as loans and receivables	216,748	216,715
	<u>          </u>	<u>          </u>
Financial liabilities:		
Bonds payable	3,999	4,216
	<u>          </u>	<u>          </u>

As permitted by HKFRS 7, the Group has not disclosed fair values for certain investment contract liabilities with discretionary participation features (“DPF”) because fair values or fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business.

The carrying amounts of other financial assets and financial liabilities approximate their fair values.

(All amounts expressed in RMB million unless otherwise specified)

## 35. FAIR VALUE MEASUREMENT

### Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”);
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (“Level 2”); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (“Level 3”).

The level of fair value calculation is determined by the lowest level input with material significance in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group’s valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyse the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(continued)  
30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	<b>As at 30 June 2018</b>			Total fair value
	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Equity securities	8,304	1,265	-	9,569
- Investment funds	2,435	1,259	-	3,694
- Debt securities	1,402	1,656	-	3,058
- Others	-	1,118	576	1,694
	<u>12,141</u>	<u>5,298</u>	<u>576</u>	<u>18,015</u>
Available-for-sale financial assets				
- Equity securities	42,941	3,769	-	46,710
- Investment funds	29,878	6,266	-	36,144
- Debt securities	34,573	224,062	-	258,635
- Others	-	10,798	43,211	54,009
	<u>107,392</u>	<u>244,895</u>	<u>43,211</u>	<u>395,498</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables (Note 34)	-	2,706	253,687	256,393
Held-to-maturity financial assets (Note 34)	9,484	285,677	-	295,161
Investment properties	-	-	11,909	11,909
	<u>-</u>	<u>-</u>	<u>11,909</u>	<u>11,909</u>
<b>Liabilities for which fair values are disclosed</b>				
Bonds payable (Note 34)	-	-	9,314	9,314
	<u>-</u>	<u>-</u>	<u>9,314</u>	<u>9,314</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (continued)  
 30 June 2018

(All amounts expressed in RMB million unless otherwise specified)

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	<b>As at 31 December 2017</b>			Total fair value
	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
- Equity securities	7,776	1,889	-	9,665
- Investment funds	2,270	689	-	2,959
- Debt securities	456	1,448	-	1,904
- Others	-	1,159	500	1,659
	<u>10,502</u>	<u>5,185</u>	<u>500</u>	<u>16,187</u>
Available-for-sale financial assets				
- Equity securities	44,464	4,826	4	49,294
- Investment funds	30,123	5,203	-	35,326
- Debt securities	25,680	203,283	-	228,963
- Others	-	20,237	35,048	55,285
	<u>100,267</u>	<u>233,549</u>	<u>35,052</u>	<u>368,868</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables (Note 34)	-	3,158	213,557	216,715
Held-to-maturity financial assets (Note 34)	7,694	278,835	-	286,529
Investment properties	-	-	11,856	11,856
	<u>-</u>	<u>-</u>	<u>11,856</u>	<u>11,856</u>
<b>Liabilities for which fair values are disclosed</b>				
Bonds payable (Note 34)	-	-	4,216	4,216
	<u>-</u>	<u>-</u>	<u>4,216</u>	<u>4,216</u>

During the six months ended 30 June 2018, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain debt securities between Level 1 and Level 2. As at 30 June 2018, the Group transferred the debt securities with a carrying amount of RMB5,618 million from Level 1 to Level 2 and RMB11,251 million from Level 2 to Level 1. As at 31 December 2017, the Group transferred the debt securities with a carrying amount of RMB10,948 million from Level 1 to Level 2 and RMB3,654 million from Level 2 to Level 1.





(All amounts expressed in RMB million unless otherwise specified)

35. FAIR VALUE MEASUREMENT (continued)

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 4.76% to 14.50% etc.

The fair value of investment properties is determined using discounted cash flow method with unobservable inputs including estimated rental value per square meters per month and discount rate, etc. This method involves the projection of a series of cash flows from valuation date to economic life maturity date. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

36. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 4th meeting of the Group's 8th term of board of directors, CPIC Life, the Group's subsidiary, planned to set up a consortium together with Shui On Development (Holding) Co., Ltd and Shanghai Yong Ye Enterprise (Group) Co., Ltd. The consortium was set up to bid for a parcel of land located in No.123, 124, 132, Huaihai Middle Road, Huangpu District, Shanghai ("target land"). The consortium purchased the target land at RMB13.61 billion in July 2018 and planned to set up a project company as the owner and management of the target land. CPIC Life intends to subscribe a registered capital of RMB9,835 million, accounting for 70% of the total registered capital of the project company. In addition, CPIC Life will provide shareholder' loans to the joint venture, which estimated to be approximately RMB 545 million. The total amount of the above two contributions to be made by CPIC Life is estimated to be RMB15,285 million in aggregate.

Pursuant to the resolution of the shareholders' meeting of CPIC Life, the Group's subsidiary, held in 2017 and the 1st meeting of the CPIC Life's 6th term of board of directors, CPIC Life signed a capital increase agreement with CPIC Aging Investment, the Group's subsidiary, to increase capital to CPIC Aging Investment by RMB2,781 million. The transaction was officially approved by CBIRC on 22 August 2018(Yin Bao Jian Xu Ke [2018] No.729).

Pacific Insurance Agency Co., Ltd set up by CPIC Online Services, the Group's subsidiary, was approved by CBIRC to carry out insurance agency business on 11 July 2018 (Yin Bao Jian Xu Ke [2018] No.448). Pacific Insurance Agency Co., Ltd has obtained the business license of legal entity with the unified social credit code of 91310104MA1FR59M09. The registered capital is RMB50 million.

(All amounts expressed in RMB million unless otherwise specified)

36. POST BALANCE SHEET EVENTS (continued)

Pursuant to the resolution of the 1st interim shareholders' meeting of CPIC Property, the Group's subsidiary, held in 2017, CPIC Property proposed to issue "China Pacific Property Insurance Co., Ltd. Capital Replenishment Bond". The issuance of current bond was approved by CIRC on 28 September 2017 (Bao Jian Xu Ke [2017] No.1182), and was approved by the People's Bank of China on 16 November 2017 (Yin Shi Chang Xu Zhun Yu Zi [2017] No.198). The bond was issued in two phases. The name of first phase bond was "China Pacific Property Insurance Co., Ltd. First Phase of Capital Replenishment Bond in 2018". The issuance scale of the bond was RMB5 billion, and the issuance date was 23 March 2018. The name of second phase bond was "China Pacific Property Insurance Co., Ltd. Second Phase of Capital Replenishment Bond in 2018". The issuance scale of the bond was RMB5 billion, and the issuance date was 27 July 2018.

The Group does not have other significant post balance sheet events.

37. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information have been approved and authorized for issue by the Company's directors on 24 August 2018.