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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 2014**

**CHAIRMAN'S STATEMENT**

**Dear Shareholders:**

In the first half of 2014, we stayed focused on the core business of insurance while striving for sustainable value growth. On the back of effective execution of market strategies and continued roll-out of a series of transformation initiatives, we successfully delivered another half year of solid value growth.

**In the past 3 years, our life business has steadfastly focused on the agency channel and regular premium business. This led to a fundamental shift in the mode of our value growth.** The agency channel reported RMB39.853 billion in GWPs, accounting for 66.2% of total premium income. Of this, first year premiums (FYPs) amounted to RMB10.241 billion, up 27.3%, representing 46.0% of total new business premium. Regular premium accounted for 82.2% of total life premium income and of this, regular premium from new business contributed 51.9% of total new business. Agency's share of new business value reached 84.4%, up 4.1pt. FYPs per agent per month stood at RMB5,656, up 19.0%, with monthly headcount averaging 301,000, up 6.7%. There was continued improvement in agency mix, as evidenced by increasing shares of productive and high-performing agents.

**Our property and casualty business<sup>note</sup> maintained steady growth for the reporting period, and we are particularly happy about the latest developments in the non-auto sector.** Agricultural insurance, amid a dramatic slowdown of the market, delivered a growth of 30.9%. We also obtained the license for export credit insurance and issued the first credit insurance policy. At the same time, we are keenly aware of the challenges we face. The combined ratio, the key measurement of our profitability, has not improved, rising 1.9pt to 99.5%. Going forward, we will take necessary steps in response of changing market conditions and improve on our weaknesses. In particular, we will forge ahead with restructuring, deepen the intensive management for auto insurance, accelerate the development of non-auto insurance and enhance the concentrated management of the operational system.

**For asset management business, we persisted in asset liability management, continued to improve asset allocation, and actively explored ways to strengthen market-oriented mechanisms for asset management.** In the first half of the year, allocation in high quality fixed income assets remained a priority, with alternative business gaining further momentum and the mix of equity investment continuing to improve. Moreover, we strived to introduce market mechanisms for the management of investment assets to foster our competitiveness on the market. Total third-party asset under management (AuM) amounted to RMB108.785 billion, rising 36.3% from the end of 2013. Of this, AuM from enterprise annuities by Changjiang Pension reached RMB42.433 billion, up 18.5% from the end of 2013.

**Our customer-oriented initiatives are proceeding well and have achieved some initial success.** Of the 12 projects we initiated in 2012, three have been successfully finished with continuous optimization. Seven projects have been through with pilot programs and are being duplicated across the country. Besides, we kicked off 3 more projects in response to the changing environment and latest developments in new technologies. These moves have begun to show some tangible benefits as follows:

**First, we made progress on the analysis and application of big data, driving customers' value contribution.** Based on customer needs, we promoted additional insurance of existing customers under agency channel, which generated an 81.5% increase in premium income. We cross-sold life products to existing auto insurance customers of telemarketing and internet sales, helping life telemarketing to achieve a rapid growth of 35.3%.

**Secondly, better application of internet and mobile technologies helped to enhance customers' experience.** The 3G-driven fast track claims system for auto insurance has benefited 8.97 million customers. *Shenxing Taibao*, our mobile insurance platform, now boasting over 100,000 terminals, provides service to 10.75 million people. Our e-commerce platform launched apps for mobile devices, which increased page views by

201.1%, and of this, mobile apps accounted for 75.7%. The mobile apps lab was inaugurated, adding more impetus to the application of mobile technologies and the development of products.

**Thirdly, we provided differentiated products and services based on customer segmentation.** To tap the potential of small and medium-sized enterprises, we added 3 sectors to our portfolio, which is available in all the 41 provincial-level branch offices of CPIC Property. The product generated 469 million in GWPs, up 646.0% and added 28,131 new corporate clients to our customer base, a growth of 641.7%. To cater for the mid-and-high-end customers, we have been promoting the *Jin Yu Lan* initiative in 7 cities to set up a team of financial planners. In addition, we seek to provide one-stop services to our customers with 377 brick-and-mortar outlets across the country integrating both life and property and casualty business.

On the back of our strong performance, we were ranked 384th on the list of 2014 Fortune Global 500, up 45 places. It was also the fourth consecutive year when we had been listed, marking another big step in our pursuit of sustainable value growth.

In the first half of 2014, we obtained permission from the regulator to officially kick off the preparation for the establishment of CPIC Allianz Health Insurance Co., Ltd. with Allianz SE, and the preparatory work has been proceeding smoothly. Moreover, CPIC Property entered into an agreement of equity transfer, with the consummation of which CPIC Property was to acquire 34.34% of the shares of Anxin Agricultural Insurance Co., Ltd. jointly held by Shanghai International Group and Shanghai State-owned Assets Operation Co., Ltd. We are confident that the deal, pending the approval from the regulator, will deliver synergy and go a long way to enhance the competitiveness of our agricultural business. These two deals will also diversify our insurance portfolio and prepare us for potential opportunities.

Looking ahead, economic upgrading and restructuring will remain the priority of China's policy-makers. On the other hand, regulators will step up the market-oriented reform. The newly promulgated Opinions on Accelerating the Development of Modern Insurance Industry by the State Council will definitely inject new vitality to the sector. Against this backdrop, we have engaged a new management team for both our life and property and casualty operations, and **we believe they will continue to push forward the development strategy formulated by the board of the Group and enhance our capabilities for sustainable development while meeting all value targets for 2014.**

Note: It includes both CPIC Property and CPIC Hong Kong.

## **REVIEW AND ANALYSIS OF OPERATING RESULTS**

We provide life insurance through CPIC Life and property and casualty insurance through

CPIC Property and CPIC HK respectively and manage insurance funds, including third-party assets, through our investment arm, CPIC AMC. At the same time, we conduct pension-related business via Changjiang Pension. We also provide other comprehensive services, as well as life and property and casualty insurance products via the telemarketing and e-commerce platform of CPIC Online ([www.ecpic.com.cn](http://www.ecpic.com.cn)).

### **Performance Overview**

We persisted in the pursuit of sustainable value growth, focusing on the core business of insurance and in the meantime pressing ahead with the customer-oriented initiatives, and as a result delivered overall value growth for the reporting period.

### **Group**

**Sustainable growth in Group value.** As at June 30, 2014, Group embedded value stood at RMB153.891 billion, an increase of 6.6% from the end of 2013. Of this, Group value of in-force business<sup>note 1</sup> reached RMB68.843 billion, up 10.3% from the end of 2013. For the reporting period, our life business delivered RMB5.230 billion in new business value, up 22.9%. NBV margin<sup>note 2</sup> stood at 21.0%, up 3.0pt. The combined ratio of our property and casualty business<sup>note 3</sup> reached 99.5%, up 1.9pt and the growth rate of Group investments' net asset value was 5.3% on an annualized basis, up 1.0pt.

**Sound financial results.** For the reporting period, we recorded operating revenues<sup>note 4</sup> of RMB114.145 billion, up 9.7%, of which GWPs accounted for RMB108.413 billion, up 9.9%. Net profits<sup>note 5</sup> rose by 25.3% to RMB6.848 billion, with earnings per share<sup>note 5</sup> reaching RMB0.76, up 25.3%. Total assets amounted to RMB821.391 billion, up 13.5% from the end of 2013. Net assets<sup>note 5</sup> totalled RMB106.341 billion, a growth of 7.4% from the end of 2013 and the weighted average return on equity<sup>note 5</sup> stood at 6.6%, 1.0pt higher than in the first half of 2013.

**Solid capital position.** As at the end of the first half of 2014, the solvency margin ratios for CPIC Group, CPIC Life and CPIC Property stood at 275%, 179% and 175% respectively.

### **Life insurance**

#### **Sustainable growth in NBV on the life side**

- The NBV of our life business grew by 22.9% and reached RMB5.230 billion while the NBV margin<sup>note 2</sup>, at 21.0%, increased by 3.0pt.
- NBV from the agency channel was RMB4.412 billion, accounting for 84.4% of the total and up 4.1pt. First year premiums from the channel amounted to RMB10.241 billion, a growth of 27.3%. Monthly average number of agents reached 301,000, up 6.7%. First year premiums per agent per month reached RMB5,656, up 19.0%.
- Regular premiums represented 51.9% of the total FYPs and the share was 43.9% in the first half of 2013. In bancassurance, high-margin regular premium business garnered

RMB1.168 billion, up 23.2%.

## **Property and casualty insurance**

### **Steady property and casualty top-line growth with higher combined ratio**

- Our property and casualty insurance business<sup>note 3</sup> reported GWPs of RMB48.208 billion, up 13.7%, with a combined ratio of 99.5%, rising 1.9pt.
- CPIC Property achieved GWPs of RMB36.524 billion from its auto business, up 14.7%, and RMB11.641 billion from its non-auto lines, up 10.7%.
- CPIC Property recorded RMB4.304 billion in GWPs from major corporate clients, up 10.0%, with the number of domestic Top 500 clients increasing by 64 and much progress in business from sectors such as urban rail transit and nuclear power.

## **Asset management**

### **Sustainable growth of third-party fee income with increasing AuM**

- Group AuM amounted to RMB865.239 billion, an increase of 15.9% from the end of 2013. Of this, Group in-house AuM reached RMB756.454 billion, up 13.4% from the end of 2013. The growth rate of Group investments' net asset value was 5.3% on an annualized basis. Third-party AuM totalled RMB108.785 billion, rising 36.3% from the end of 2013, generating a fee income of RMB150 million, up 47.1%.
- For the reporting period, CPIC AMC issued 11 debt investment plans linked to infrastructure and real estate, raising a total of RMB14.640 billion. It issued 20 asset management products. Total AuM from the issuance of alternative investment plans and asset management products over the years exceeded RMB100 billion.
- Changjiang Pension's AuM from enterprise annuities reached RMB42.433 billion, rising 18.5% from the end of 2013. Assets under custody from enterprise annuities amounted to RMB39.537 billion, rising 7.5% from the end of last year, with enterprise annuities contribution amounting to RMB2.173 billion, up 12.6%.

#### Notes:

1. Based on Group's share of life's value of in-force business after solvency.
2. NBV margin = NBV/annualized first year premiums.
3. This includes both CPIC Property and CPIC HK.
4. Based on PRC GAAP.
5. Based on figures attributable to equity holders of the parent company.

## Key Performance Indicators

Unit: RMB million

Indicators	As at 30 June 2014/for the period between January and June in 2014	As at 31 December 2013/for the period between January and June in 2013	Changes (%)
<b>Key value indicators</b>			
Embedded value of the Group	153,891	144,378	6.6
Value of in-force business <sup>note 1</sup>	68,843	62,422	10.3
Net assets of the Group <sup>note 2</sup>	106,341	98,968	7.4
New business value of life insurance in the first half of the year	5,230	4,254	22.9
New business margin of life insurance (%)	21.0	18.0	3.0pt
Combined ratio of CPIC Property (%)	99.5	97.7	1.8pt
Growth rate of investments' net asset value (annualized) (%)	5.3	4.3	1.0pt
<b>Key operating indicators</b>			
Gross written premiums	108,413	98,662	9.9
CPIC Life	60,205	56,270	7.0
CPIC Property	48,165	42,354	13.7
<b>Market share</b>			
CPIC Life (%)	7.8	9.0	(1.2pt)
CPIC Property (%)	12.6	12.9	(0.3pt)
Number of Group customers (in thousand) <sup>note 3</sup>	85,717	78,973	8.5
Average number of insurance policies per customer	1.51	1.49	1.3
Monthly average agent number (in thousand)	301	282	6.7
Monthly average first-year gross written premiums per agent (RMB)	5,656	4,754	19.0
Total investment yield (annualized) (%)	4.4	4.8	(0.4pt)
Net investment yield (annualized) (%)	4.9	4.8	0.1pt
<b>Third-party assets under management</b>			
Third-party assets under management by CPIC AMC	108,785	79,840	36.3
Assets under investment management by Changjiang Pension	66,352	44,038	50.7
Assets under investment management by Changjiang Pension	42,433	35,802	18.5
<b>Key financial indicators</b>			
<b>Net Profit attributable to equity holders of the parent</b>			
CPIC Life	6,848	5,464	25.3
CPIC Property	4,914	3,462	41.9
CPIC Property	1,474	1,740	(15.3)
<b>Solvency margin ratio (%)</b>			
CPIC Group	275	283	(8pt)
CPIC Life	179	191	(12pt)
CPIC Property	175	162	13pt

### Notes:

1. Based on Group's share of 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 issued by one or any of CPIC subsidiaries as at the end of the period/year which has an insurance coverage period of not less than 365 days. In the event that the applicants and insureds are the same person, they shall be deemed as one customer.

## Life Business

In the first half of 2014, we continued to focus on the agency channel and the regular premium business, and delivered sustainable growth in both the NBV and the NBV margin. NBV amounted to RMB5.230 billion, up 22.9% and the NBV margin reached 21.0%, up 3.0pt.

### I. Business Analysis

In the first half of 2014, we continued to focus on the agency channel and the regular

premium business, and delivered sustainable growth in both the NBV and NBV margin. Our life business reported GWPs of RMB60.205 billion, up 7.0%. Of this, new business premiums reached RMB22.277 billion, up 1.5%, and renewal business RMB37.928 billion, up 10.5%. NBV amounted to RMB5.230 billion, up 22.9% and the NBV margin reached 21.0%, up 3.0pt.

### (I) Analysis by channels

For 6 months ended 30 June	2014	2013	Unit: RMB million Changes (%)
<b>Agency channel</b>			
Gross written premiums	39,853	32,852	21.3
New policies	10,241	8,042	27.3
Regular premium	9,798	7,613	28.7
Single premium	443	429	3.3
Renewed policies	29,612	24,810	19.4
<b>Bancassurance</b>			
Gross written premiums	16,218	20,043	(19.1)
New policies	8,486	10,954	(22.5)
Regular premium	1,456	1,777	(18.1)
Single premium	7,030	9,177	(23.4)
Renewed policies	7,732	9,089	(14.9)
<b>Direct Sales<sup>note</sup></b>			
Gross written premiums	4,134	3,375	22.5
New policies	3,550	2,950	20.3
Regular premium	302	253	19.4
Single premium	3,248	2,697	20.4
Renewed policies	584	425	37.4
<b>Total</b>	<b>60,205</b>	<b>56,270</b>	<b>7.0</b>

Note: Direct sales also include telemarketing and internet sales.

For 6 months ended 30 June	2014	2013	Changes (%)
Monthly average agent number (in thousand)	301	282	6.7
Monthly average first-year gross written premiums per agent (RMB)	5,656	4,754	19.0
Average number of new life insurance policies per agent per month	1.42	1.35	5.2

#### 1. Agency channel

For the reporting period, we realized RMB39.853 billion in GWPs from this channel, up 21.3%, and the channel's share of life's total GWPs increased from 58.4% for the same period of last year to 66.2%. Of this, new business contributed RMB10.241 billion, up 27.3%. Agency's share of total FYPs increased from 36.6% to 46.0% year-on-year. For renewal business, the GWPs amounted to RMB29.612 billion, an increase of 19.4%. The channel delivered RMB4.412 billion in NBV, an increase of 29.1%, accounting for 84.4% of the total NBV, 4.1pt higher than the first half of 2013.

We strived to promote the quality and productivity of our sales force. We were more selective for recruitment. We revisited and updated agency management rules and promoted infrastructure management in training and attendance so as to enhance agents' skills and capabilities. As a result of these measures, the mix of our sales force continued to improve. Monthly average headcount reached 301,000, up 6.7%, with an increased proportion of productive and high-performing agents, and FYPs per agent per month

reaching 5,656, up 19.0%.

## 2. Bancassurance

For the reporting period, we realised RMB16.218 billion in GWPs from this channel, down 19.1%. It consisted of RMB8.486 billion in first year premiums, down 22.5% and RMB7.732 billion in renewal, down 14.9%. The channel contributed RMB575 million in NBV, up 0.8% and representing 11.0% of the total. Its NBV margin, at 6.7%, expanded by 1.5pt.

The Company's bancassurance speeded up the development of regular premium business. In the first half of 2014, first year premiums from regular premium business reached RMB1.456 billion, of which, high-margin business contributed RMB1.168 billion, up 23.2%.

## 3. Direct

For the reporting period, our direct channel posted RMB4.134 billion in GWPs, up 22.5%, and contributing RMB242 million in NBV, down 9.1% and representing 4.6% of the total. Its NBV margin stood at 5.4%, down 1.1pt.

While maintaining our competitive edge in traditional business, we also actively explored other growth drivers. For the reporting period, we reported RMB2.334 billion in GWPs from accident business, up 15.6%. Telemarketing and internet generated RMB740 million, up 37.3%.

## (II) Analysis by products

For 6 months ended 30 June	Unit: RMB million		
	2014	2013	Changes (%)
<b>Gross written premiums</b>	<b>60,205</b>	<b>56,270</b>	<b>7.0</b>
Traditional	14,208	8,408	69.0
Participating	42,477	44,872	(5.3)
Universal	22	29	(24.1)
Short-term accident and health	3,498	2,961	18.1
<b>Gross written premiums</b>	<b>60,205</b>	<b>56,270</b>	<b>7.0</b>
Individual business	58,527	54,910	6.6
Group business	1,678	1,360	23.4

We give priority to risk protection and long-term savings products while seizing opportunities arising from the reform of the pricing for traditional life insurance. For the reporting period, traditional, participating and short-term accident & health generated RMB14.208 billion, RMB42.477 billion and RMB3.498 billion in GWPs, up 69.0%, down 5.3% and up 18.1% respectively. Individual business accounted for 97.2% of the total business portfolio, with a little smaller share compared with the same period of last year.

## (III) Policy persistency ratios

For 6 months ended 30 June	2014	2013	Changes (%)
Individual life insurance customer 13-month persistency ratio (%) <sup>note 1</sup>	90.6	90.4	0.2pt
Individual life insurance customer 25-month persistency ratio (%) <sup>note 2</sup>	86.4	88.3	(1.9pt)

Notes:

- 13-month persistency ratio: Premiums of in-force policies 13 months after their issuance as a percentage of premiums from policies which entered into force during the same period.
- 25-month persistency ratio: Premiums of in-force policies 25 months after their issuance as a percentage of premiums from policies which entered into force during the same period.

Both persistency ratios maintained at good levels, and the 13-month ratio increased



slightly by 0.2pt.

#### (IV) Top 10 regions for GWPs

Our premium income mainly came from economically developed regions or populous areas.

		Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)	
<b>Gross written premiums</b>	<b>60,205</b>	<b>56,270</b>	<b>7.0</b>	
Jiangsu	6,676	6,169	8.2	
Henan	5,416	5,090	6.4	
Shandong	4,707	4,220	11.5	
Guangdong	4,414	3,964	11.4	
Zhejiang	4,139	4,039	2.5	
Hebei	3,400	3,533	(3.8)	
Hubei	2,839	2,513	13.0	
Shanxi	2,837	2,641	7.4	
Beijing	2,325	2,256	3.1	
Sichuan	2,297	2,701	(15.0)	
Subtotal	39,050	37,126	5.2	
Others	21,155	19,144	10.5	

## II. Financial Analysis

		Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)	
Net premiums earned	58,933	55,121	6.9	
Investment income <sup>note</sup>	11,391	13,149	(13.4)	
Other operating income	457	417	9.6	
<b>Total income</b>	<b>70,781</b>	<b>68,687</b>	<b>3.0</b>	
Net policyholders' benefits and claims	(50,683)	(52,200)	(2.9)	
Finance costs	(1,175)	(1,234)	(4.8)	
Interest credited to investment contracts	(749)	(895)	(16.3)	
Other operating and administrative expenses	(11,797)	(10,289)	14.7	
<b>Total benefits, claims and expenses</b>	<b>(64,404)</b>	<b>(64,618)</b>	<b>(0.3)</b>	
Profit before tax	6,377	4,069	56.7	
Income tax	(1,463)	(607)	141.0	
<b>Net profit</b>	<b>4,914</b>	<b>3,462</b>	<b>41.9</b>	

Note: Investment income includes investment income and shares of profits/(losses) of associates in the financial statements.

**Investment income** for the reporting period was RMB11.391 billion, down 13.4%, due to more impairment charges for investment assets.

**Net policyholders' benefits and claims** amounted to RMB50.683 billion, down 2.9%, largely due to tempered increase in long-term life insurance contract liabilities.

		Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)	
Net policyholders' benefits and claims	50,683	52,200	(2.9)	
Life insurance death and other benefits paid	22,011	14,214	54.9	
Claims incurred	979	776	26.2	
Changes in long-term insurance contract liabilities	25,440	35,398	(28.1)	
Policyholder dividends	2,253	1,812	24.3	

**Other operating and management expenses** amounted to RMB11.797 billion, up 14.7%. The increase was mainly caused by rising commissions.

As a result, our life business recorded a net profit of RMB4.914 billion for the reporting period.

## Property and Casualty

In the first half of 2014, in the face of formidable challenges such as the mounting pressure on the property and casualty sector's combined ratio, we took steps to proactively cope with market changes, enhanced cost control, optimised resource allocation, and deepened multi-channel management, reporting GWPs of RMB48.208 billion, up 13.7%. The combined ratio was 99.5%, up 1.9pt. Going forward, we will focus even more on the control of the combined ratio, enhancing the intensive management of auto insurance, accelerating the development of non-auto business, and improving operational efficiency on the back of a centralized platform.

### I. CPIC Property

#### (I) Business analysis

In the first half of 2014, in the face of formidable challenges such as the mounting pressure on the property and casualty sector's profitability, we took steps to proactively cope with market changes, enhanced cost control, optimised resource allocation, and deepened multi-channel management, reporting GWPs of RMB48.165 billion, up 13.7%. The combined ratio was 99.5%, up 1.8pt. Going forward, we will focus even more on the control of the combined ratio, enhancing the intensive management of auto insurance, accelerating the development of non-auto business, and improving operational efficiency on the back of a centralized platform.

#### 1. Analysis by lines of business

For 6 months ended 30 June	2014	2013	Unit: RMB million Changes (%)
<b>Gross written premiums from insurance business</b>	<b>48,165</b>	<b>42,354</b>	<b>13.7</b>
Auto insurance	36,524	31,834	14.7
Compulsory motor insurance	8,026	7,456	7.6
Commercial auto insurance	28,498	24,378	16.9
Non-auto insurance	11,641	10,520	10.7
Commercial property insurance	3,566	3,486	2.3
Liability insurance	2,048	1,610	27.2
Accident insurance	1,428	1,325	7.8
Cargo insurance	1,085	993	9.3
Others	3,514	3,106	13.1

#### (1) Auto insurance

For the reporting period, we reported GWPs of RMB36.524 billion from auto business, up 14.7%, with a combined ratio of 100.0%, up 0.2pt, largely due to increasing competitions and claims cost inflation.

For the second half of the year, we will focus on risk selection and cost management while further enhancing our capabilities in channel management to drive steady growth of both commercial and personal lines. We will strengthen customer segmentation to achieve differentiation in customer service and marketing, giving priority to the acquisition and retention of high quality customers. Efforts will also be made to step up application of new

technologies such as the 3G-based claims system, the smart claim settlement system and the new core system for claims of auto insurance. In the meantime, we will closely follow the development of regulatory reform in relation to auto insurance and gauge its impact on our business. We will take proactive measures accordingly if necessary to ensure a top-line growth aligned with the industry average while striving for underwriting profitability.

## (2) Non-auto insurance

For the reporting period, its GWPs amounted to RMB11.641 billion, up 10.7%, with the combined ratio rising 9.6pt to 97.5% due to the increasing claims.

For the reporting period, our major corporate clients generated GWPs of RMB4.304 billion, up 10.0%, with the number of domestic Top 500 clients increasing by 64 and much progress in business from urban rail transit and nuclear power. We also obtained the license for export credit insurance and issued the first credit insurance policy. Small-and-medium-sized corporate clients generated RMB469 million in GWPs, and *Caifu Ubao*, a dedicated insurance package with flexible sector-specific portfolios was warmly received by the market.

For the second half of the year, we will vigorously promote non-auto insurance business, optimize the product mix and enhance professional sales capabilities.

## (3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2014						
Name of insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Auto insurance	36,524	5,251,813	20,802	45,750	13	100.0
Commercial property insurance	3,555	6,612,896	1,462	5,574	43	97.6
Liability insurance	2,045	3,272,107	777	2,808	(126)	110.0
Accident insurance	1,428	9,667,961	586	1,961	(61)	105.0
Cargo insurance	1,078	3,331,640	425	796	116	83.3

## 2. Analysis by distribution channels

Unit: RMB million

For 6 months ended 30 June	2014	2013	Changes (%)
<b>Gross written premiums</b>	<b>48,165</b>	<b>42,354</b>	<b>13.7</b>
Direct sales	8,066	7,271	10.9
Insurance agents	26,110	23,075	13.2
Insurance brokers	4,521	3,827	18.1
Telemarketing, Internet sales and cross-selling	9,468	8,181	15.7

In the first half of 2014, we persisted in the strategy of pursuing co-ordinated development across different channels and continued with their capacity-building.

We made steadfast efforts to boost telemarketing and internet sales in a bid to strengthen its ability to acquire customers and contribute value. GWPs from this channel amounted to RMB7.618 billion, up 15.1%. We refined the model for cross-selling to promote resource-sharing, with RMB1.850 billion in GWPs from cross-selling, up 18.5%. Telemarketing, internet sales and cross-selling combined represented 19.7% of total CPIC Property GWPs.

## 3. Top 10 regions for GWPs

We derived our premium income mainly from China's eastern coastal provinces and prosperous inland regions. Looking forward, we will rely on our nationwide distribution network to implement differentiated regional development strategies based on factors like market potential and operational efficiency.

	Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)
<b>Gross written premiums</b>	<b>48,165</b>	<b>42,354</b>	<b>13.7</b>
Guangdong	6,582	5,765	14.2
Jiangsu	5,757	4,957	16.1
Zhejiang	4,532	3,654	24.0
Shanghai	3,737	3,445	8.5
Shandong	3,248	3,154	3.0
Beijing	2,606	2,265	15.1
Sichuan	1,618	1,404	15.2
Fujian	1,553	1,279	21.4
Chongqing	1,388	1,044	33.0
Hebei	1,355	1,252	8.2
Sub-total	32,376	28,219	14.7
Others	15,789	14,135	11.7

## (II) Financial analysis

	Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)
Net premiums earned	36,501	32,453	12.5
Investment income	1,976	1,648	19.9
Other operating income	155	117	32.5
<b>Total income</b>	<b>38,632</b>	<b>34,218</b>	<b>12.9</b>
Claims incurred	(23,279)	(20,193)	15.3
Finance costs	(171)	(27)	533.3
Other operating and administrative expenses	(13,152)	(11,604)	13.3
<b>Total claims and expenses</b>	<b>(36,602)</b>	<b>(31,824)</b>	<b>15.0</b>
Profit before tax	2,030	2,394	(15.2)
Income tax	(556)	(654)	(15.0)
<b>Net profit</b>	<b>1,474</b>	<b>1,740</b>	<b>(15.3)</b>

**Investment income** amounted to RMB1.976 billion, up 19.9%, mainly attributable to an increase in interest income.

**Claims incurred** totalled RMB23.279 billion, representing an increase of 15.3%, mainly due to rising claims costs.

**Other operating and administrative expenses** amounted to RMB13.152 billion, up 13.3%, caused mainly by higher spending on handling charges.

As a result, a net profit of RMB1.474 billion for CPIC Property.

## II. CPIC Hong Kong

We conduct overseas business via CPIC Hong Kong, our wholly-owned subsidiary. As of the end of June, 2014, its total assets stood at RMB758 million, with net assets of RMB283 million. Its GWPs for the reporting period were RMB226 million, with a combined ratio of 89.7%, down by 1.9pt, with a net profit of RMB22 million.

## Asset Management

Our asset management business is committed to serving the insurance business, while exploring ways to enhance our competitive edge to attract more third-party business. As of the end of June, 2014, our total AuM reached RMB865.239 billion, a growth of 15.9% from the end of last year. Of this, in-house AuM rose to RMB756.454 billion, representing an increase of 13.4% from the end of 2013, and the growth rate of Group investments' net asset value was 5.3% on an annualized basis. Third-party AuM stood at RMB108.785 billion, up 36.3% vis-a-vis the end of 2013, and generating a fee income of RMB150 million, up 47.1%.

### I. Group Assets under Management

As of the end of June, 2014, Group total AuM reached RMB865.239 billion, a growth of 15.9% from the end of last year.

	30 June 2014	31 December 2013	Changes (%)
<b>Assets under management of the Group</b>	<b>865,239</b>	<b>746,639</b>	<b>15.9</b>
Group in-house assets	756,454	666,799	13.4
Third-party assets under management	108,785	79,840	36.3
Third-party assets under management by CPIC AMC	66,352	44,038	50.7
Assets under investment management by Changjiang Pension	42,433	35,802	18.5

Unit: RMB million

### II. Group In-house Assets under Management

In the first half of 2014, the moderation of China's economic growth continued, which underpinned a rally on the bond market. On the other hand, the equity market was lackluster due to depressed valuation. We persisted in prudent investment strategies and continued to focus on bonds and deposits with relatively high credit-ratings while prudently moving ahead with debt investment plans and fixed income financial products, delivering a sustainable increase in the maturity yield on fixed income assets. Besides, to reduce credit risk exposure, we also seized opportunities and adjusted the mix of bond holdings. In the meantime, in the face of the volatile equity market, we trimmed our positions proactively to minimize the impact of the fall of the market.

#### (I) Consolidated investment portfolios

	30 June 2014	Share (%)	Share change from the end of 2013 (pt)	Amount change from the end of 2013 (%)
<b>Group investment assets (Total)</b>	<b>756,454</b>	<b>100.0</b>	<b>-</b>	<b>13.4</b>
<b>By investment category</b>				
Fixed income investments	643,261	85.0	0.2	13.7
– Debt securities	412,797	54.6	(1.4)	10.6
– Term deposits	163,688	21.6	-	13.4

Unit: RMB million

– Debt investment plans	43,049	5.7	0.5	24.6
– Wealth management products <sup>note 1</sup>	7,906	1.0	0.8	472.9
– Other fixed income investments <sup>note 2</sup>	15,821	2.1	0.3	31.4
Equity investment	82,715	10.9	(0.4)	10.1
– Investment Funds <sup>note 3</sup>	39,012	5.1	0.1	16.4
– Equity securities	28,064	3.7	(1.0)	(10.1)
– Wealth management products <sup>note 1</sup>	6,828	0.9	0.6	276.2
– Other equity investments <sup>note 4</sup>	8,811	1.2	(0.1)	2.6
Investment properties	6,680	0.9	(0.1)	(1.7)
Cash and cash equivalents	23,798	3.2	0.3	23.1
<b>By investment purpose</b>				
Financial assets at fair value through profit or loss	19,684	2.6	1.8	299.6
Available-for-sale financial assets	177,163	23.4	(2.9)	1.0
Held-to-maturity financial assets	295,389	39.1	(0.3)	12.3
Investment in a joint venture	11	-	-	/
Loans and other investments <sup>note 5</sup>	264,207	34.9	1.4	18.2

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. The aggregate amounts of bond funds and money market funds as at 30 June 2014 and 31 December 2013 were RMB21.395 billion and RMB16.812 billion, respectively.

4. Other equity investments include unlisted equities, etc.

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

### 1. By investment category

In the first half of 2014, our fixed income assets increased by RMB77.721 billion. Of this, bond investment, term deposits and debt investment plans grew by 10.6%, 13.4% and 24.6% respectively. Equity's share of total investment was 10.9%, down 0.4pt compared with the level at the end of 2013. New fixed income assets mostly have high credit ratings, with overall credit risk under control.

### 2. By investment purpose

By investment purpose, our in-house assets are mainly in three categories, namely, available-for-sale financial assets, held-to-maturity investments as well as loans and other investments. The amount of financial assets at fair value through profit or loss increased by 299.6% from the end of 2013, primarily due to increased investment in bonds for trading, while loans and other investments increased by 18.2% as a result of increased allocation in term deposits, wealth management products and debt investment plans.

## (II) Investment income

For the reporting period, our investment income totalled RMB14.383 billion, down 8.0%. Total investment yield on an annualized basis reached 4.4%, down 0.4pt, mainly attributable to a steep rise in provisions for impairment losses on equity assets.

Net investment income amounted to RMB17.524 billion, up 10.5%. This increase stemmed

mainly from a 15.4% increase in interest payments on fixed income assets. Net investment yield on an annualized basis was 4.9%, up 0.1pt.

The growth rate of investments' net asset value on an annualized basis was 5.3%, up 1.0pt, mainly due to a decrease in unrealised losses for AFS assets as a result of the rally of the bond market.

### 1. Group consolidated

	Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)
Interest income from fixed income investments	15,726	13,631	15.4
Dividend income from equity securities	1,553	2,015	(22.9)
Rental income from investment properties	245	218	12.4
<b>Net investment income</b>	<b>17,524</b>	<b>15,864</b>	<b>10.5</b>
Realized gains	134	207	(35.3)
Unrealized gains/(losses)	166	(72)	(330.6)
Charge of impairment losses on investment assets	(3,572)	(488)	632.0
Other income <sup>note 1</sup>	131	130	0.8
<b>Total investment income</b>	<b>14,383</b>	<b>15,641</b>	<b>(8.0)</b>
Net investment yield (annualized) (%) <sup>notes 2 and 4</sup>	4.9	4.8	0.1pt
Total investment yield (annualized) (%) <sup>notes 2 and 4</sup>	4.4	4.8	(0.4pt)
Growth rate of investments' net asset value (annualized) (%) <sup>notes 2, 3 and 4</sup>	5.3	4.3	1.0pt

Notes:

1. Other income includes interest income from cash and short-term time deposits, securities purchased under agreements to resell and share of profits/(losses) of associates/a joint venture, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield and growth rate of investments' net asset value.
3. Growth rate of investments' net asset value = total investment yield + net of fair value changes of AFS booked as other comprehensive income/ average investment assets.
4. Figures for comparison already restated to this reporting period.

### 2. CPIC Life

	Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)
Net investment income	14,657	13,573	8.0
Net investment yield (annualized) (%)	5.0	5.0	-
Total investment income	11,560	13,308	(13.1)
Total investment yield (annualized) (%)	4.4	4.9	(0.5pt)

Note: The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield.

### 3. CPIC Property

	Unit: RMB million		
For 6 months ended 30 June	2014	2013	Changes (%)
Net investment income	1,950	1,698	14.8
Net investment yield (annualized) (%)	4.8	4.9	(0.1pt)
Total investment income	1,965	1,657	18.6
Total investment yield (annualized) (%)	4.8	4.8	-

Note: The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets used as the denominator are computed based on Modified Dietz method in principle in the calculation of net/total investment yield.

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

	Unit: %		
For 6 months ended 30 June	2014	2013	Changes
Total investment yield (annualized) <sup>note2</sup> (%)	4.4	4.8	(0.4pt)

Fixed income investments <sup>notes 1 and 2</sup>	5.3	5.1	0.2pt
Equity investment <sup>notes 1 and 2</sup>	(2.2)	2.5	(4.7pt)
Investment properties <sup>notes 1 and 2</sup>	7.4	7.0	0.4pt
Cash and cash equivalents <sup>notes 1 and 2</sup>	0.8	0.6	0.2pt

Notes:

1. The impact of securities sold under agreements to repurchase was not considered.
2. Figures for comparison already restated to this reporting period.

### III. Third-party Assets under Management

#### (I) Third-party assets under management by CPIC AMC

CPIC AMC stepped up their efforts to expand third-party business through development and sales of alternative and asset management products, and as a result, our AMC's third-party AuM rose 50.7% from the end of 2013, totalling RMB66.352 billion as of the end of the first half of 2014, with a fee income of RMB74 million for the reporting period, up 57.4%. With favourable market conditions, the issue of debt investment plans also gained momentum. For the reporting period, we successfully issued 11 such plans of different kinds, raising RMB14.640 billion. Besides, to further improve product line-up, CPIC AMC issued 20 asset management products, covering seven major categories such as equity, bonds, hybrid, cash management, indices, FOF and deposits.

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

Changjiang Pension strived to expand the scale of its AuM, consolidating its lead in regional markets to drive value growth and beefing up marketing efforts for priority sectors and clients across the country. At the same time, it pushed innovations in an all-around way, launching a debt investment plan, the first of its kind launched by a pension firm, as well as a pension product with deferred payment. As of the end of June, 2014, assets under its investment management from enterprise annuities amounted to RMB42.433 billion, up 18.5% from the end of last year, with assets under custody reaching RMB39.537 billion, an increase of 7.5% from the end of 2013 and the contribution for enterprise annuities amounting to RMB2.173 billion, up 12.6%.

## Analysis of Specific Items

This part has 6 components, including items concerning the booking of fair value, solvency and sensitivity analysis, etc.

### I. Items Relating to the Booking of Fair Value

	30 June 2014	31 December 2013	Changes during the periods	Unit: RMB million Impact of fair value changes on profits <sup>note</sup>
Financial assets at fair value through profit or loss	19,684	4,926	14,758	166
Available-for-sale financial assets	177,163	175,489	1,674	(3,572)
<b>Total financial assets</b>	<b>196,847</b>	<b>180,415</b>	<b>16,432</b>	<b>(3,406)</b>
Financial liabilities at fair value through profit or loss	2,282	-	2,282	-



<b>Total financial liabilities</b>	<b>2,282</b>	<b>-</b>	<b>2,282</b>	<b>-</b>
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Note: Change of fair value for AFS financial assets refers to charge for impairment losses.

## II. Solvency

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

	30 June 2014	31 December 2013	Unit: RMB million Reason for Changes
<b>CPIC Group</b>			
Actual solvency margin	94,608	90,081	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets as well as the issue of sub-debt by CPIC Property
Minimum solvency margin	34,373	31,849	Business growth of life and property and casualty
Solvency margin ratio (%)	275	283	
<b>CPIC Life</b>			
Actual solvency margin	41,882	41,436	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets
Minimum solvency margin	23,396	21,651	Growth of insurance business
Solvency margin ratio (%)	179	191	
<b>CPIC Property</b>			
Actual solvency margin	19,148	16,441	Profit for the period, profit distribution to the shareholders and change of the fair value of investment assets as well as the issue of sub-debt by CPIC Property
Minimum solvency margin	10,912	10,136	Growth of insurance business
Solvency margin ratio (%)	175	162	

## III. Sensitivity Analysis

### (I) Sensitivity analysis of solvency

#### 1. CPIC Life

As at the end of June, 2014, CPIC Life's actual solvency margin and minimum solvency margin stood at RMB41.882 billion and RMB23.396 billion respectively, with a solvency margin ratio of 179%. Other things being equal, we assumed a 50bps change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets<sup>note 1</sup> move in proportion to stock prices), and tested their impact on CPIC Life's solvency margin ratio<sup>note 2</sup> as at 30 June 2014. The results are as follows:

30 June 2014	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	-10%
Solvency margin ratio (%)	177	181	188	170

Notes:

- Equity assets do not include bond funds, money market funds and wealth management products, etc.
- After policyholder participation.

#### 2. CPIC Property

As at the end of June, 2014, CPIC Property's actual solvency margin and minimum solvency margin stood at RMB19.148 billion and RMB10.912 billion respectively, with a solvency

margin ratio of 175%. We assumed, other things being equal, a 50bps change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets<sup>note</sup> move in proportion to stock prices), and tested their impact on our solvency margin ratio as at 30 June 2014. The results are as follows:

30 June 2014	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	10%
Solvency margin ratio (%)	174	177	180	171

Note: Equity assets do not include bond investment funds, money market investment funds and wealth management products, etc.

## (II) Sensitivity analysis of price risks

The following table shows the sensitivity analysis of price risks, 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 move in proportion to stock prices), other things being equal.

Unit: RMB million

Market value	From January to June 2014 / 30 June 2014	
	Impact on profit before tax	Impact on equity
+10%	185	2,966
-10%	(185)	(2,966)

Notes:

1. After policyholder participation.
2. Equity assets do not include bond funds, money market funds and wealth management products, etc.

## IV. Insurance Contract Liabilities

Insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract liabilities. All of the three types of reserves are applicable in life insurance business, while only the first two are in property and casualty insurance business. As at 30 June 2014, insurance contract liabilities of CPIC Life amounted to RMB471.563 billion, representing an increase of 6.0% from the end of 2013. Those of CPIC Property amounted to RMB63.856 billion, an increase of 10.7%. 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. The test results show that reserves set aside for each type of insurance contracts was sufficient and no additional provision was required.

Unit: RMB million

	30 June 2014	31 December 2013	Changes (%)
<b>CPIC Life</b>			
Unearned premiums	2,356	1,879	25.4
Claim reserves	984	958	2.7
Long-term life insurance contract liabilities	468,223	441,924	6.0
<b>CPIC Property</b>			
Unearned premiums	37,992	33,395	13.8
Claim reserves	25,864	24,308	6.4

## V. Investment Contract Liabilities

Our investment contract liabilities mainly consist of the non-insurance portion of relevant contracts and those contracts which failed to pass the major insurance risk testing.

unit: RMB million

	31 December 2013	Increase for the period			Decrease for the period		30 June 2014
		Deposits received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	34,443	3,628	749	246	(3,707)	(85)	35,274

## VI. Reinsurance Business

Premiums ceded to reinsurers in the first half of 2014 are shown below:

For 6 months ended 30 June	2014	2013	Unit: RMB million
			Changes (%)
<b>CPIC Life</b>	788	812	(3.0)
Traditional insurance	574	573	0.2
Participating insurance	132	137	(3.6)
Universal insurance	2	3	(33.3)
Short-term accident and health insurance	80	99	(19.2)
<b>CPIC Property</b>	6,852	6,197	10.6
Auto insurance	3,038	2,632	15.4
Non-auto insurance	3,814	3,565	7.0

The decrease in ceded premiums for life was due to lower reinsurance ratio whereas the increase in ceded premiums for property and casualty insurance was because of business growth.

Premiums assumed-in in the first half of 2014 are set out below:

For 6 months ended 30 June	2014	2013	Unit: RMB million
			Changes (%)
<b>CPIC Property</b>	40	47	(14.9)
Auto insurance	-	-	/
Non-auto insurance	40	47	(14.9)

Reinsurance assets as at the end of June, 2014 are set out below:

	30 June 2014	31 December 2013	Unit: RMB million
			Changes (%)
<b>CPIC Life</b>			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	47	55	(14.5)
Claim reserves	22	32	(31.3)
Long-term life insurance contract liabilities	6,611	6,347	4.2
<b>CPIC Property</b>			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	5,572	5,786	(3.7)
Claim reserves	5,114	5,332	(4.1)

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. Besides China Reinsurance (Group) Corporation and its subsidiaries, China Life Reinsurance Company Ltd., and China Property & Casualty Reinsurance Company Ltd., our reinsurance partners also include international giants like Munich Reinsurance Company and Swiss Reinsurance Company.

## 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 2014, 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 a decrease in net insurance contract liabilities and other policy-related liabilities as at 30 June 2014 by approximately RMB2.760 billion and an increase in profit before tax for the 6 months ended 30 June 2014 by approximately RMB2.760 billion.

The above change in accounting estimates has been approved by the board of directors of the Company on 22 August 2014.

## 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 2014, and the value of half year's sales of CPIC Life in the 6 month to 30 June 2014.

Unit: RMB Million		
Valuation Date	30 June 2014	31 December 2013
<b>Risk Discount Rate</b>	<b>11.0%</b>	<b>11.0%</b>
<b>Group Adjusted Net Worth</b>	<b>85,048</b>	<b>81,956</b>
<b>Adjusted Net Worth of CPIC Life</b>	<b>35,052</b>	<b>33,791</b>
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(4,390)	(4,370)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	88,220	80,592
Cost of Solvency Margin Held for CPIC Life	(13,791)	(12,715)

Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	70,039	63,507
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
<b>Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group</b>	<b>68,843</b>	<b>62,422</b>
<b>Group Embedded Value</b>	<b>153,891</b>	<b>144,378</b>
<b>Life Embedded Value</b>	105,091	97,298
<b>Valuation Date</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
<b>Risk Discount Rate</b>	<b>11.0%</b>	<b>11.5%</b>
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	6,074	4,993
Cost of Solvency Margin	(845)	(739)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	<b>5,230</b>	<b>4,254</b>

Note that figures may not be additive due to rounding

The Group Adjusted Net Worth represents the shareholder net equity of the Company based on the China Accounting Standards, and adjusting the relevant differences, such as difference between China Accounting Standards reserves and PRC statutory reserves, inclusive of adjustments of the value of certain assets to market value. 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 one 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 solvency margin held in the first half of year 2014 and 2013.

Unit: RMB Million

	First Year Annual Premium (FYAP) in the First Half of Year		Value of Half Year's Sales After Cost of Solvency Margin Held	
	2014	2013	2014	2013
<b>Risk Discount Rate</b>			<b>11.0%</b>	<b>11.5%</b>
Agency channel	11,842	8,533	4,412	3,417
Bancassurance	8,615	10,955	575	570
Direct sales <sup>(1)</sup>	4,459	4,126	242	267
<b>Total</b>	<b>24,916</b>	<b>23,613</b>	<b>5,230</b>	<b>4,254</b>

Notes:

1. Direct sales include telemarketing and internet sales.
2. Figures may not be additive due to rounding.

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

The Company distributed a cash dividend of RMB0.40 per share (including tax) in accordance with the “Resolution on Profit Distribution Plan for the year 2013” approved at the 2013 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 2014.

## **COMPLIANCE OF THE CORPORATE GOVERNANCE CODE AS SET OUT IN APPENDIX 14 OF THE LISTING RULES**

During the reporting period, the Company was in compliance with all code provisions and substantially all of the recommended best practices of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”), except a deviation from the code provision A.6.7 with the reason below:

All Directors (including independent non-executive Directors) attended the annual general meeting of the Company held on 29 May 2014 other than 1 non-executive Director who was not able to attend the annual general meeting as he was not in Foshan.

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

During the six months ended 30 June 2014, 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 2014 in the presence of internal and external auditors.

## **PUBLICATION OF RESULTS ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY**

The interim report of the Company for the period ended 30 June 2014 will be dispatched to the shareholders of the Company and will be published on the website of the Hong Kong

Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([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 CPIC Group
"CPIC Property"	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC Online"	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of CPIC Group
"CIRC"	China Insurance Regulatory Commission
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi
"pt"	Percentage point

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

Hong Kong, 25 August 2014

*As of the date of this announcement, the executive directors of the Company are Mr. GAO Guofu and Mr. HUO Lianhong; the non-executive directors of the Company are Mr. WANG Chengran, Ms. SUN Xiaoning, Mr. YANG Xianghai, Mr. WU Jumin, Mr. WU Junhao, Mr. ZHENG Anguo and Ms. HA Erman; and the independent non-executive directors of the Company are Mr. BAI Wei, Mr. LAM Chi Kuen, Mr. ZHOU Zhonghui, Mr. GAO Shanwen and Mr. FOK Kwong Man.*

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**FOR THE PERIOD ENDED 30 JUNE 2014**



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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**FORTHE PERIOD ENDED 30 JUNE 2014**

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CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT  
 For the six months ended 30 June 2014

(All amounts expressed in Renminbi (“RMB”) million unless otherwise specified)

	Notes	Six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
Gross written premiums	6(a)	108,413	98,662
Less: Premiums ceded to reinsurers	6(b)	(7,476)	(6,864)
Net written premiums	6	100,937	91,798
Net change in unearned premium reserves		(5,309)	(4,053)
<b>Net premiums earned</b>		<b>95,628</b>	<b>87,745</b>
Investment income	7	14,138	15,348
Other operating income		820	737
<b>Other income</b>		<b>14,958</b>	<b>16,085</b>
<b>Total income</b>		<b>110,586</b>	<b>103,830</b>
Net policyholders’ benefits and claims:			
Life insurance death and other benefits paid	8	(22,011)	(14,214)
Claims incurred	8	(24,362)	(21,073)
Changes in long-term life insurance contract liabilities	8	(25,440)	(35,398)
Policyholder dividends	8	(2,253)	(1,812)
Finance costs		(1,379)	(1,271)
Interest credited to investment contracts		(749)	(895)
Other operating and administrative expenses		(25,213)	(22,239)
<b>Total benefits, claims and expenses</b>		<b>(101,407)</b>	<b>(96,902)</b>
<b>Profit before tax</b>	9	<b>9,179</b>	<b>6,928</b>
Income tax	10	(2,220)	(1,382)
<b>Net profit for the period</b>		<b>6,959</b>	<b>5,546</b>
Attributable to:			
Equity holders of the parent		6,848	5,464
Non-controlling interests		111	82
		<b>6,959</b>	<b>5,546</b>
Basic earnings per share	11	<b>RMB0.76</b>	<b>RMB0.60</b>
Diluted earnings per share	11	<b>RMB0.76</b>	<b>RMB0.60</b>

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 For the six months ended 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note</u>	<u>Six months ended 30 June</u>	
		<u>2014</u>	<u>2013</u>
		(unaudited)	(unaudited)
<b>Net profit for the period</b>		<u>6,959</u>	<u>5,546</u>
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		3	(5)
Available-for-sale financial assets		5,612	(2,917)
Income tax relating to available-for-sale financial assets		(1,400)	724
<b>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<u>4,215</u>	<u>(2,198)</u>
<b>Other comprehensive income/(loss) for the period</b>	12	<u>4,215</u>	<u>(2,198)</u>
<b>Total comprehensive income for the period</b>		<u><u>11,174</u></u>	<u><u>3,348</u></u>
Attributable to:			
Equity holders of the parent		10,998	3,301
Non-controlling interests		176	47
		<u><u>11,174</u></u>	<u><u>3,348</u></u>

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET  
 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2014</u> (unaudited)	<u>31 December 2013</u> (audited)
<b>ASSETS</b>			
Goodwill		962	962
Property and equipment		10,763	10,542
Investment properties		6,680	6,795
Other intangible assets		840	907
Prepaid land lease payments		59	59
Investment in a joint venture	13	11	11
Held-to-maturity financial assets	14	295,389	262,942
Investments classified as loans and receivables	15	54,321	41,320
Restricted statutory deposits		5,380	3,600
Term deposits	16	163,688	144,317
Available-for-sale financial assets	17	177,163	175,489
Financial assets at fair value through profit or loss	18	19,684	4,926
Securities purchased under agreements to resell		1,153	2,394
Policy loans		10,441	8,444
Interest receivables		13,366	12,003
Reinsurance assets	19	17,195	17,388
Deferred income tax assets	20	2,252	3,178
Insurance receivables		11,835	7,763
Other assets	21	7,665	3,932
Cash and short-term deposits	22	22,544	16,561
<b>Total assets</b>		<u>821,391</u>	<u>723,533</u>

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)  
 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2014</u> (unaudited)	<u>31 December 2013</u> (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	23	9,062	9,062
Reserves	24	68,762	64,612
Retained profits	24	28,517	25,294
Equity attributable to equity holders of the parent		106,341	98,968
Non-controlling interests		1,527	1,418
<b>Total equity</b>		<u>107,868</u>	<u>100,386</u>
<b>Liabilities</b>			
Insurance contract liabilities	25	535,498	502,536
Investment contract liabilities	26	35,274	34,443
Policyholders' deposits		76	77
Subordinated debt	27	19,570	15,500
Long-term borrowings		187	188
Financial liabilities at fair value through profit or loss		2,282	-
Securities sold under agreements to repurchase		67,074	25,199
Deferred income tax liabilities	20	1,035	1,021
Income tax payable		1,858	867
Premium received in advance		3,444	4,886
Policyholder dividend payable		14,559	13,875
Payables to reinsurers		4,170	4,703
Other liabilities		28,496	19,852
<b>Total liabilities</b>		<u>713,523</u>	<u>623,147</u>
<b>Total equity and liabilities</b>		<u><u>821,391</u></u>	<u><u>723,533</u></u>

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 For the six months ended 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2014 (unaudited)								
	Attributable to equity holders of the parent								
	Issued capital	Capital reserve	Surplus reserves	Reserves		Retained profits	Total	Non-controlling interests	Total equity
Foreign currency translation reserve				Available-for-sale investment revaluation reserve					
At 1 January 2014	9,062	66,742	3,089	(64)	(5,155)	25,294	98,968	1,418	100,386
Total comprehensive income	-	-	-	3	4,147	6,848	10,998	176	11,174
Dividends declared <sup>1</sup>	-	-	-	-	-	(3,625)	(3,625)	-	(3,625)
Dividends paid to Non-controlling interests shareholders	-	-	-	-	-	-	-	(67)	(67)
At 30 June 2014	<u>9,062</u>	<u>66,742</u>	<u>3,089</u>	<u>(61)</u>	<u>(1,008)</u>	<u>28,517</u>	<u>106,341</u>	<u>1,527</u>	<u>107,868</u>

<sup>1</sup> Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2013, amounting to RMB3,625 million (RMB0.4 per share).

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)  
 For the six months ended 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2013 (unaudited)								
	Attributable to equity holders of the parent								
	Issued capital	Capital reserve	Surplus reserves	Reserves		Retained profits	Total	Non-controlling interests	Total equity
Foreign currency translation reserve				Available-for-sale investment revaluation reserve					
At 1 January 2013	9,062	66,742	2,698	(55)	(1,866)	19,596	96,177	1,392	97,569
Total comprehensive income	-	-	-	(5)	(2,158)	5,464	3,301	47	3,348
Dividends declared <sup>1</sup>	-	-	-	-	-	(3,172)	(3,172)	-	(3,172)
Dividends paid to Non-controlling interests shareholders	-	-	-	-	-	-	-	(57)	(57)
At 30 June 2013	<u>9,062</u>	<u>66,742</u>	<u>2,698</u>	<u>(60)</u>	<u>(4,024)</u>	<u>21,888</u>	<u>96,306</u>	<u>1,382</u>	<u>97,688</u>

<sup>1</sup> Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2012, amounting to RMB3,172 million (RMB0.35 per share).

The accompanying notes form an integral part of this financial information.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
For the six months ended 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2014 (unaudited)	2013 (unaudited)
<b>OPERATING ACTIVITIES</b>			
Cash generated from operating activities	28	25,619	29,586
Income tax paid		(1,671)	(941)
<b>Net cash inflow from operating activities</b>		<b>23,948</b>	<b>28,645</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment, intangible assets and other assets		(1,241)	(1,832)
Proceeds from sale of items of property and equipment, intangible assets and other assets		53	4
Purchases of investments, net		(81,237)	(33,267)
Acquisition of a subsidiary and interest in a joint venture		-	(382)
Interest received		14,490	11,730
Dividends received from investments		1,534	1,297
<b>Net cash outflow from investing activities</b>		<b>(66,401)</b>	<b>(22,450)</b>
<b>FINANCING ACTIVITIES</b>			
Securities sold under agreements to repurchase, net		43,539	(1,689)
Repayment of borrowings		(1)	(1)
Proceeds from issuance of subordinated debt		4,000	-
Interest paid		(652)	(747)
Dividends paid		(12)	(24)
Others		-	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>46,874</b>	<b>(2,461)</b>
Effects of exchange rate changes on cash and cash equivalents		42	(125)
Net increase in cash and cash equivalents		4,463	3,609
Cash and cash equivalents at beginning of period		19,335	24,990
<b>Cash and cash equivalents at end of period</b>		<b>23,798</b>	<b>28,599</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and on hand		16,408	9,035
Time deposits with original maturity of no more than three months		5,630	16,463
Other monetary assets		506	1,440
Investments with original maturity of no more than three months		1,254	1,661
<b>Cash and cash equivalents at end of period</b>		<b>23,798</b>	<b>28,599</b>

The accompanying notes form an integral part of this financial information.



(All amounts expressed in Renminbi (“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 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 2014 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 2013.

(All amounts expressed in RMB million unless otherwise specified)

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

2.2 Significant accounting policies

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 2013, except for the adoption of new and revised standards and interpretations as of 1 January 2014, as described below:

- **HKAS 32 Amendments: Offsetting Financial Assets and Financial Liabilities**  
These amendments are to the application guidance in HKAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. Currently, the amendments had no impact on the Group's financial information.
- **HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments: Investment Entities**  
These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS/HKFRS 12 to introduce disclosures that an investment entity needs to make. Currently, the amendments had no impact on the Group's financial information.
- **HKAS 36 Amendments: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets**  
This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. Currently, the amendments did not have any significant impact on the Group's financial information.
- **HKAS 39 Amendments: Novation of Derivatives and Continuation of Hedge Accounting**  
This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. Currently, the amendments had no impact on the Group's financial information.
- **HK(IFRIC)-Int 21: Levies**  
This is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. Currently, this new interpretation did not have any significant impact on the Group's financial information.

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

(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 2014, 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 decrease in net insurance contract liabilities and other policy-related liabilities as at 30 June 2014 by approximately RMB2,760 million and a increase in profit before tax for the six months ended 30 June 2014 by approximately RMB2,760 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 22 August 2014.

### 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 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; and
- 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 2014, gross written premiums from transactions with the top five external customers amounted to 0.3% (during the six months ended 30 June 2013: 0.6%) of the Group's total gross written premiums.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2014

	Life insurance	Property and casualty insurance			Others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations			
Gross written premiums	60,205	48,165	226	(183)	48,208	-	108,413
Less: Premiums ceded to reinsurers	(788)	(6,852)	(19)	183	(6,688)	-	(7,476)
Net written premiums	59,417	41,313	207	-	41,520	-	100,937
Net change in unearned premium reserves	(484)	(4,812)	(13)	-	(4,825)	-	(5,309)
<b>Net premiums earned</b>	<b>58,933</b>	<b>36,501</b>	<b>194</b>	<b>-</b>	<b>36,695</b>	<b>-</b>	<b>95,628</b>
Investment income	11,388	1,976	12	-	1,988	911	14,138
Other operating income	457	155	2	-	157	1,085	820
<b>Other income</b>	<b>11,845</b>	<b>2,131</b>	<b>14</b>	<b>-</b>	<b>2,145</b>	<b>1,996</b>	<b>14,958</b>
<b>Segment income</b>	<b>70,778</b>	<b>38,632</b>	<b>208</b>	<b>-</b>	<b>38,840</b>	<b>1,996</b>	<b>110,586</b>
Net policyholders' benefits and claims:							
Life insurance death and other benefits paid	(22,011)	-	-	-	-	-	(22,011)
Claims incurred	(979)	(23,279)	(104)	-	(23,383)	-	(24,362)
Changes in long-term life insurance contract liabilities	(25,440)	-	-	-	-	-	(25,440)
Policyholder dividends	(2,253)	-	-	-	-	-	(2,253)
Finance costs	(1,175)	(171)	-	-	(171)	(33)	(1,379)
Interest credited to investment contracts	(749)	-	-	-	-	-	(749)
Other operating and administrative expenses	(11,797)	(13,152)	(79)	-	(13,231)	(1,013)	(25,213)
<b>Segment benefits, claims and expenses</b>	<b>(64,404)</b>	<b>(36,602)</b>	<b>(183)</b>	<b>-</b>	<b>(36,785)</b>	<b>(1,046)</b>	<b>(101,407)</b>
<b>Segment results</b>	<b>6,374</b>	<b>2,030</b>	<b>25</b>	<b>-</b>	<b>2,055</b>	<b>950</b>	<b>9,179</b>
<b>Share of profits of associates</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3)</b>	<b>-</b>
<b>Profit before tax</b>	<b>6,377</b>	<b>2,030</b>	<b>25</b>	<b>-</b>	<b>2,055</b>	<b>950</b>	<b>9,179</b>
Income tax	(1,463)	(556)	(3)	-	(559)	(198)	(2,220)
<b>Net profit for the period</b>	<b>4,914</b>	<b>1,474</b>	<b>22</b>	<b>-</b>	<b>1,496</b>	<b>(203)</b>	<b>6,959</b>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.  
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
30 June 2014

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2013

	Life insurance	Property and casualty insurance			Others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations			
Gross written premiums	56,270	42,354	205	(167)	42,392	-	98,662
Less: Premiums ceded to reinsurers	(812)	(6,196)	(23)	167	(6,052)	-	(6,864)
Net written premiums	55,458	36,158	182	-	36,340	-	91,798
Net change in unearned premium reserves	(337)	(3,705)	(11)	-	(3,716)	-	(4,053)
<b>Net premiums earned</b>	<b>55,121</b>	<b>32,453</b>	<b>171</b>	<b>-</b>	<b>32,624</b>	<b>-</b>	<b>87,745</b>
Investment income	13,152	1,648	12	-	1,660	542	15,348
Other operating income	417	117	-	-	117	969	737
<b>Other income</b>	<b>13,569</b>	<b>1,765</b>	<b>12</b>	<b>-</b>	<b>1,777</b>	<b>1,511</b>	<b>16,085</b>
<b>Segment income</b>	<b>68,690</b>	<b>34,218</b>	<b>183</b>	<b>-</b>	<b>34,401</b>	<b>1,511</b>	<b>103,830</b>
Net policyholders' benefits and claims:							
Life insurance death and other benefits paid	(14,214)	-	-	-	-	-	(14,214)
Claims incurred	(776)	(20,193)	(104)	-	(20,297)	-	(21,073)
Changes in long-term life insurance contract liabilities	(35,398)	-	-	-	-	-	(35,398)
Policyholder dividends	(1,812)	-	-	-	-	-	(1,812)
Finance costs	(1,234)	(27)	-	-	(27)	(10)	(1,271)
Interest credited to investment contracts	(895)	-	-	-	-	-	(895)
Other operating and administrative expenses	(10,289)	(11,604)	(62)	-	(11,666)	(1,119)	(22,239)
<b>Segment benefits, claims and expenses</b>	<b>(64,618)</b>	<b>(31,824)</b>	<b>(166)</b>	<b>-</b>	<b>(31,990)</b>	<b>(1,129)</b>	<b>(96,902)</b>
<b>Segment results</b>	<b>4,072</b>	<b>2,394</b>	<b>17</b>	<b>-</b>	<b>2,411</b>	<b>382</b>	<b>6,928</b>
<b>Share of losses of associates</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit before tax</b>	<b>4,069</b>	<b>2,394</b>	<b>17</b>	<b>-</b>	<b>2,411</b>	<b>382</b>	<b>6,928</b>
Income tax	(607)	(654)	-	-	(654)	(92)	(1,382)
<b>Net profit for the period</b>	<b>3,462</b>	<b>1,740</b>	<b>17</b>	<b>-</b>	<b>1,757</b>	<b>290</b>	<b>5,546</b>

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5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2014 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Organization code	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")	Property and casualty insurance	Shanghai	The PRC	73337320-X	18,000,000	18,000,000	98.50	-	98.50	
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Life insurance	Shanghai	The PRC	73337090-6	7,600,000	7,600,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Investment management	Shanghai	Shanghai	78954956-9	500,000	500,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Property and casualty insurance	Hong Kong	Hong Kong	Not applicable	HK\$250,000 thousand	HK\$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Management of properties	Shanghai	Shanghai	13370078-0	115,000	115,000	100.00	-	100.00	
Fenghua Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	72639899-4	8,000	8,000	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd.	Pension business and investment management	Shanghai	Shanghai	66246731-2	787,610	787,610	-	51.00	51.75	
CPIC Investment Management (H.K.) Company Limited	Investment management	Hong Kong	Hong Kong	Not applicable	HK\$50,000 thousand	HK\$50,000 thousand	49.00	50.83	100.00	(1)

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5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2014 are as follows (continued):

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Organization code	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	
							Direct	Indirect		
City Island Developments Limited (“City Island”)	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US\$50,000	US\$1,000	-	98.29		100.00
Great Winwick Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US\$50,000	US\$100	-	98.29		100.00
Great Winwick (Hong Kong) Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK\$10,000	HK\$1	-	98.29		100.00
Newscott Investments Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US\$50,000	US\$100	-	98.29		100.00
Newscott (Hong Kong) Investments Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK\$10,000	HK\$1	-	98.29		100.00
Shanghai Xinhui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60720379-5	US\$15,600 thousand	US\$15,600 thousand	-	98.29		100.00
Shanghai Hehui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60732576-8	US\$46,330 thousand	US\$46,330 thousand	-	98.29		100.00
Pacific Insurance Online Services Technology Co., Ltd.	Consulting services, etc	Shandong	The PRC	58877325-7	200,000	200,000	100.00	-		100.00
Tianjin Trophy Real Estate Co., Ltd. (“Tianjin Trophy”)	Real estate	Tianjin	Tianjin	66306432-0	353,690	353,690	-	98.29		100.00

\* Subsidiaries of City Island

(1) On 28 August 2013, CPIC Investment (H.K.) submitted to the Securities and Futures Commission (the “SFC”) a request for cessation of business. On 2 May 2014, the SFC officially approved the request.

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5. SCOPE OF CONSOLIDATION (continued)

(b) As at 30 June 2014, the Company consolidated the following significant principal structured entities:

Name	Attributable equity interest	Paid-in capital (Units in thousand)	Principal activities
Pacific Stable Wealth Management NO.1	50.84	2,804,803	Mainly investing in bonds (including the debt part of warrant bonds) except convertible bonds, bond repurchases, bank deposits and the other fix income instruments in which insurance funds are permitted by laws and regulations or CIRC to invest.
Pacific Excellent Wealth NO.1 (Corporate Bond)	53.98	1,162,197	Mainly investing in corporate bonds (including the debt part of warrant bonds), other bonds except convertible bonds, bond repurchases, bank deposits, Asset-Backed securities and the other fix income instruments in which insurance funds are permitted by laws and regulations or CIRC to invest.
Pacific Excellent Wealth Cash Management No.1406	96.77	1,550,000	All investing in bank deposits, including but not limited to current deposits, term deposits, call deposits, agreement deposits, negotiation deposits (including negotiation deposits with rights of redemption), interbank deposits, etc.
Pacific Excellent Wealth Cash Management No.1407	100.00	1,000,000	All investing in bank deposits, including but not limited to current deposits, term deposits, call deposits, agreement deposits, negotiation deposits (including negotiation deposits with rights of redemption), interbank deposits, etc.
Pacific Excellent Wealth Cash Management No.1408	91.73	1,500,000	All investing in bank deposits, including but not limited to current deposits, term deposits, call deposits, agreement deposits, negotiation deposits (including negotiation deposits with rights of redemption), interbank deposits, etc.



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6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Long-term life insurance premiums	56,707	53,309
Short-term life insurance premiums	3,498	2,961
Property and casualty insurance premiums	48,208	42,392
	<u>108,413</u>	<u>98,662</u>

(b) Premiums ceded to reinsurers

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Long-term life insurance premiums ceded to reinsurers	(708)	(713)
Short-term life insurance premiums ceded to reinsurers	(80)	(99)
Property and casualty insurance premiums ceded to reinsurers	(6,688)	(6,052)
	<u>(7,476)</u>	<u>(6,864)</u>

(c) Net written premiums

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Net written premiums	<u>100,937</u>	<u>91,798</u>

7. INVESTMENT INCOME

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Interest and dividend income (a)	17,410	15,701
Realized gains (b)	134	207
Unrealized gains/(losses) (c)	166	(72)
Charge of impairment losses on financial assets	(3,572)	(488)
	<u>14,138</u>	<u>15,348</u>

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7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	176	6
- Investment funds	15	13
- Equity securities	28	22
	<u>219</u>	<u>41</u>
Held-to-maturity financial assets		
- Fixed maturity investments	6,791	6,048
Loans and receivables		
- Fixed maturity investments	6,149	5,606
Available-for-sale financial assets		
- Fixed maturity investments	2,741	2,026
- Investment funds	727	761
- Equity securities	746	1,153
- Other equity investments	37	66
	<u>4,251</u>	<u>4,006</u>
	<u><u>17,410</u></u>	<u><u>15,701</u></u>

(b) Realized gains

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(8)	31
- Investment funds	(30)	2
- Equity securities	16	18
	<u>(22)</u>	<u>51</u>
Available-for-sale financial assets		
- Fixed maturity investments	(20)	5
- Investment funds	56	388
- Equity securities	120	(237)
	<u>156</u>	<u>156</u>
	<u><u>134</u></u>	<u><u>207</u></u>

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7. INVESTMENT INCOME (continued)

(c) Unrealized gains/(losses)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	203	46
- Wealth management products	2	-
- Investment funds	(1)	(4)
- Equity securities	(38)	(114)
	<u>166</u>	<u>(72)</u>

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	<b>Six months ended 30 June 2014</b>		
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	22,273	(262)	22,011
Claims incurred			
- Short-term life insurance	981	(2)	979
- Property and casualty insurance	26,921	(3,538)	23,383
Changes in long-term life insurance contract liabilities	25,704	(264)	25,440
Policyholder dividends	2,253	-	2,253
	<u>78,132</u>	<u>(4,066)</u>	<u>74,066</u>

	<b>Six months ended 30 June 2013</b>		
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>
Life insurance death and other benefits paid	14,439	(225)	14,214
Claims incurred			
- Short-term life insurance	775	1	776
- Property and casualty insurance	22,977	(2,680)	20,297
Changes in long-term life insurance contract liabilities	35,771	(373)	35,398
Policyholder dividends	1,812	-	1,812
	<u>75,774</u>	<u>(3,277)</u>	<u>72,497</u>

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9. PROFIT BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Employee benefit expense (including directors' and supervisors' emoluments)	6,296	5,743
Auditors' remuneration	10	8
Operating lease payments in respect of land and buildings	410	399
Depreciation of investment properties	110	105
Depreciation of property and equipment	555	506
Amortization of other intangible assets	146	132
Amortization of prepaid land lease payments	-	-
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(29)	(1)
Charge of impairment loss on insurance receivables	158	137
Charge of impairment loss on financial assets (note 7)	3,572	488
Foreign exchange (gain)/loss, net	(66)	190

10. INCOME TAX

(a) Income tax

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Current income tax	2,680	1,308
Deferred income tax (note 20)	(460)	74
	<u>2,220</u>	<u>1,382</u>

(b) Tax recorded in other comprehensive income

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Deferred income tax (note 20)	<u>(1,400)</u>	<u>724</u>

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the estimated 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.

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10. INCOME TAX (continued)

(c) Reconciliation of tax expense (continued)

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>2014</b>	<b>2013</b>
Profit before tax	9,179	6,928
Tax computed at the statutory tax rate	2,295	1,732
Adjustments to income tax in respect of previous periods	(58)	(38)
Income not subject to tax	(635)	(640)
Expenses not deductible for tax	577	302
Others	41	26
Tax expense at the Group's effective rate	2,220	1,382

11. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Consolidated net profit for the period attributable to equity holders of the parent	6,848	5,464
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	RMB0.76	RMB0.60
Diluted earnings per share	RMB0.76	RMB0.60

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2014 and 30 June 2013.

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12. OTHER COMPREHENSIVE INCOME/(LOSS)

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Exchange differences on translation of foreign operations	3	(5)
Available-for-sale financial assets		
Gain/(loss) arising during the period	2,258	(3,263)
Reclassification adjustments for gain included in profit or loss	(156)	(156)
Fair value change on available-for-sale financial assets attributable to policyholders	(62)	14
Impairment charges reclassified to the income statement	3,572	488
	5,612	(2,917)
Income tax relating to available-for-sale financial assets	(1,400)	724
	4,212	(2,193)
Other comprehensive income/(loss)	4,215	(2,198)

13. INVESTMENT IN A JOINT VENTURE

	<b>30 June 2014</b>	<b>31 December 2013</b>
Share of net assets	11	11

In 2013, CPIC Property and a third party set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd (“Binjiang-Xiangrui”) to develop a parcel of land located in Huangpu District, Shanghai as the owner of the land use right to this parcel of land.

Particulars of the joint venture as at 30 June 2014 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				
Binjiang-Xiangrui	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	(RMB thousand)	(RMB thousand)
Share of the joint venture’s net loss:	(4)	(6)
Share of the joint venture’s other comprehensive income:	-	-

As at 30 June 2014, the Group’s investment in a joint venture had no impairment. The Group received no cash dividend from Binjiang-Xiangrui.

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14. HELD-TO-MATURITY FINANCIAL ASSETS

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Listed		
Debt investments		
- Government bonds	1,354	1,354
- Finance bonds	5,667	5,575
- Corporate bonds	11,137	9,665
	<u>18,158</u>	<u>16,594</u>
Unlisted		
Debt investments		
- Government bonds	60,210	50,222
- Finance bonds	110,282	110,275
- Corporate bonds	106,739	85,851
	<u>277,231</u>	<u>246,348</u>
	<u>295,389</u>	<u>262,942</u>

15. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>30 June 2014</u>	<u>31 December 2013</u>
Debt investments		
- Finance bonds	5,739	5,639
- Debt investment scheme	43,049	34,545
- Wealth management products	5,533	1,136
	<u>54,321</u>	<u>41,320</u>

As at 30 June 2014, CPIC Asset Management, a subsidiary of the Group, issued 39 debt investment schemes with a total value of RMB81.53 billion among which the carrying amounts approximately RMB36.15 billion are recognized in the Group's consolidated financial information. Meanwhile, the Group also had investments in debt schemes launched by other insurance asset management companies with a value of approximately RMB6.90 billion. The majority of the debt schemes invested by the Group were guaranteed by third parties or pledge. For debt schemes launched by CPIC Asset Management 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 schemes is limited to its carrying amounts.

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16. TERM DEPOSITS

	<u>30 June 2014</u>	<u>31 December 2013</u>
1 month to 3 months (including 3 months)	1,362	1,330
3 months to 1 year (including 1 year)	9,136	3,007
1 to 2 years (including 2 years)	51,990	25,910
2 to 3 years (including 3 years)	55,410	47,980
3 to 4 years (including 4 years)	18,950	45,000
4 to 5 years (including 5 years)	26,700	20,950
More than 5 years	140	140
	<u>163,688</u>	<u>144,317</u>

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Listed		
Equity investments		
- Equity securities	25,875	30,130
- Investment funds	6,693	8,508
Debt investments		
- Government bonds	10	10
- Finance bonds	1,455	1,063
- Corporate bonds	11,839	18,892
- Wealth management products	2,389	540
	<u>48,261</u>	<u>59,143</u>
Unlisted		
Equity investments		
- Investment funds	30,266	24,370
- Wealth management products	6,826	1,815
- Other equity investments	8,800	8,576
Debt investments		
- Government bonds	123	108
- Finance bonds	11,253	12,423
- Corporate bonds	71,549	68,970
- Wealth management products	85	84
	<u>128,902</u>	<u>116,346</u>
	<u>177,163</u>	<u>175,489</u>



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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All the Group's financial assets at fair value through profit or loss are held for trading and were as follows:

	<u>30 June 2014</u>	<u>31 December 2013</u>
Listed		
Equity investments		
- Equity securities	2,189	1,071
- Investment funds	676	148
Debt investments		
- Government bonds	13	7
- Finance bonds	2,900	3,171
- Corporate bonds	7,301	29
	<u>13,079</u>	<u>4,426</u>
Unlisted		
Equity investments		
- Investment funds	1,377	500
- Wealth management products	2	-
Debt investments		
- Finance bonds	125	-
- Corporate bonds	5,101	-
	<u>6,605</u>	<u>500</u>
	<u>19,684</u>	<u>4,926</u>

19. REINSURANCE ASSETS

	<u>30 June 2014</u>	<u>31 December 2013</u>
Reinsurers' share of insurance contract (note 25)	<u>17,195</u>	<u>17,388</u>

20. 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 2014</u>	<u>31 December 2013</u>
Net deferred income tax assets, at beginning of period/year	2,157	1,109
Acquisition of a subsidiary	-	(42)
Recognized in profit or loss (note 10(a))	460	(15)
Recognized in other comprehensive income (note 10(b))	(1400)	1,105
	<u>1,217</u>	<u>2,157</u>
Net deferred income tax assets, at end of period/year	<u>1,217</u>	<u>2,157</u>
Represented by:		
Deferred tax assets	2,252	3,178
Deferred tax liabilities	(1,035)	(1,021)

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21. OTHER ASSETS

	<u>30 June 2014</u>	<u>31 December 2013</u>
Due from a related-party (1)	1,034	1,034
Tax receivable other than income tax	1,429	1,008
Receivable from securities clearance	2,695	205
Due from agents	448	166
Co-insurance receivable	112	107
Others	1,947	1,412
	<u>7,665</u>	<u>3,932</u>

(1) As at 30 June 2014, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,034 million.

22. CASH AND SHORT-TERM TIME DEPOSITS

	<u>30 June 2014</u>	<u>31 December 2013</u>
Cash at banks and on hand	16,408	8,432
Time deposits with original maturity of no more than three months	5,630	7,697
Other monetary assets	506	432
	<u>22,544</u>	<u>16,561</u>

The Group's bank balances denominated in RMB amounted to RMB17,194 million as at 30 June 2014 (31 December 2013: RMB12,523 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.

23. ISSUED CAPITAL

	<u>30 June 2014</u>	<u>31 December 2013</u>
Number of shares issued and fully paid at RMB1 each (million)	<u>9,062</u>	<u>9,062</u>

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## 24. RESERVES AND RETAINED PROFITS

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

### (a) Capital reserve

Capital reserve mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in CPIC Life, the Company's life insurance subsidiary, 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 reserve (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, RMB4,605 million as at 30 June 2014 (31 December 2013: RMB4,605 million) represents the Company's share of its subsidiaries' surplus reserve fund.

#### (ii) Discretionary surplus reserve (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.

### (c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. 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. Such reserve is not available for profit distribution or transfer to capital.

Of the Group's retained profits, RMB4,544 million as at 30 June 2014 (31 December 2013: RMB4,544 million) represents the Company's share of its subsidiaries' general reserve.

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24. RESERVES AND RETAINED PROFITS (continued)

(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 4th meeting of the Company's 7th term of board of directors held on 28 March 2014, a final dividend of approximately RMB3,625 million (equivalent to RMB0.4 per share (including tax)) was proposed after the appropriation of statutory surplus reserve. The dividend distribution was approved by the annual general meeting held on 29 May 2014.

25. INSURANCE CONTRACT LIABILITIES

	<b>30 June 2014</b>		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	Net
Long-term life insurance contracts	468,223	(6,611)	461,612
Short-term life insurance contracts			
- Unearned premiums	2,356	(47)	2,309
- Claim reserves	984	(22)	962
	<u>3,340</u>	<u>(69)</u>	<u>3,271</u>
Property and casualty insurance contracts			
- Unearned premiums	38,017	(5,448)	32,569
- Claim reserves	25,918	(5,067)	20,851
	<u>63,935</u>	<u>(10,515)</u>	<u>53,420</u>
	<u>535,498</u>	<u>(17,195)</u>	<u>518,303</u>
Incurred but not reported claim reserves	<u>4,380</u>	<u>(730)</u>	<u>3,650</u>

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25. INSURANCE CONTRACT LIABILITIES (continued)

	<b>31 December 2013</b>		Net
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	
Long-term life insurance contracts	441,924	(6,347)	435,577
Short-term life insurance contracts			
- Unearned premiums	1,879	(55)	1,824
- Claim reserves	958	(32)	926
	<u>2,837</u>	<u>(87)</u>	<u>2,750</u>
Property and casualty insurance contracts			
- Unearned premiums	33,418	(5,673)	27,745
- Claim reserves	24,357	(5,281)	19,076
	<u>57,775</u>	<u>(10,954)</u>	<u>46,821</u>
	<u>502,536</u>	<u>(17,388)</u>	<u>485,148</u>
Incurred but not reported claim reserves	<u>4,020</u>	<u>(771)</u>	<u>3,249</u>

26. INVESTMENT CONTRACT LIABILITIES

	<b>30 June 2014</b>	<b>31 December 2013</b>
At beginning of period/year	34,443	41,754
Deposits received	3,628	3,355
Deposits withdrawn	(3,707)	(12,595)
Fees deducted	(85)	(187)
Interest credited	749	1,924
Others	246	192
At end of period/year	<u>35,274</u>	<u>34,443</u>

27. SUBORDINATED DEBT

On 21 December 2011, CPIC Life issued a 10-year subordinated debt with a total face value of RMB8,000 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.5% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.5% and would remain unchanged for the remaining term.

On 20 August 2012, CPIC Life issued a 10-year subordinated debt with a total face value of RMB7,500 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 4.58% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 6.58% and would remain unchanged for the remaining term.

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27. SUBORDINATED DEBT (continued)

On 5 March 2014, CPIC Property issued a 10-year subordinated debt with a total face value of RMB4,000 million. 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.

28. NOTE TO INTERIM CONSOLIDATED CASH FLOW STATEMENT

Reconciliation from profit before tax to cash generated from operating activities:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Profit before tax	9,179	6,928
Investment income	(14,138)	(15,348)
Foreign currency (gains)/losses, net	(66)	190
Finance costs	1,163	1,083
Charge of impairment losses on insurance receivables and other assets, net	158	140
Depreciation of investment properties	110	105
Depreciation of property and equipment	555	506
Amortization of other intangible assets	146	132
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(29)	(1)
Reversal of provision for lawsuits	-	(4)
	(2,912)	(6,259)
Decrease/(increase) in reinsurance assets	193	(747)
Increase in insurance receivables	(4,072)	(1,027)
(Increase)/decrease in other assets	(2,906)	356
Increase in insurance contract liabilities	32,367	41,266
Increase/(decrease) in other operating liabilities	2,949	(4,003)
Cash generated from operating activities	<u>25,619</u>	<u>29,586</u>

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29. RELATED PARTY TRANSACTIONS

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	39	26

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

(b) Claims paid

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	16	1

(c) Compensation of key management personnel of the Group

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Salaries, allowances and other short-term benefits	12	12
Long-term incentive paid(1)	6	5
Total compensation of key management personnel	18	17

(1) This represents amount paid under the Group's long-term incentive plans. Amounts accrued for all eligible participants under the plan as a whole but not yet allocated to individual personnel are not included above because such amounts are not yet fully vested.

(d) The Company had the following major transactions with the joint venture:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
Payments made on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses	-	1,024

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

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29. RELATED PARTY TRANSACTIONS (continued)

(e) 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.

During the six-month periods ended 30 June 2013 and 2014, 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.

30. COMMITMENTS

(a) Capital commitments

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

		<u>30 June 2014</u>	<u>31 December 2013</u>
Contracted, but not provided for	(1)(2)	4,509	2,440
Authorized, but not contracted for	(1)	798	798
		<u>5,307</u>	<u>3,238</u>

(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 2014, the cumulative amount incurred by the Company amounted to RMB509 million. Of the balance, RMB693 million was disclosed as a capital commitment contracted but not provided for and RMB798 million was disclosed as a capital commitment authorized but not contracted for.

(2) In December 2013, the Company purchased a commercial property under construction located at Xuhui District, Shanghai, with a total investment of approximately RMB1,130 million. As at 30 June 2014, the cumulative amount incurred by the Company amounted to RMB400 million. The balance of RMB730 million will be paid as the construction progresses and was disclosed as a capital commitment contracted but not provided for.



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30. COMMITMENTS (continued)

(b) Operating lease commitments

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

	<u>30 June 2014</u>	<u>31 December 2013</u>
Within 1 year (including 1 year)	574	600
1 to 2 years (including 2 years)	424	434
2 to 3 years (including 3 years)	290	272
3 to 5 years (including 5 years)	291	277
More than 5 years	390	387
	<u>1,969</u>	<u>1,970</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 2014</u>	<u>31 December 2013</u>
Within 1 year (including 1 year)	414	404
1 to 2 years (including 2 years)	280	255
2 to 3 years (including 3 years)	144	133
3 to 5 years (including 5 years)	27	40
More than 5 years	-	6
	<u>865</u>	<u>838</u>

31. CONTINGENT LIABILITIES

Owing to the nature of 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 so low.

In addition to the above legal proceedings, as at 30 June 2014, 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.

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32. 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 2014</b>					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
<b>Assets:</b>						
Financial assets at fair value through profit or loss	-	5,385	8,622	4,026	4,242	22,275
Held-to-maturity financial assets	-	19,017	103,977	422,011	-	545,005
Available-for-sale financial assets	177	31,175	63,998	35,118	70,978	201,446
Investments classified as loans and receivables	-	4,718	41,637	25,902	-	72,257
Securities purchased under agreements to resell	-	1,153	-	-	-	1,153
Term deposits	-	20,842	173,744	154	-	194,740
Restricted statutory deposits	-	170	6,499	-	-	6,669
Insurance receivables	2,803	8,521	832	49	-	12,205
Cash and short-term time deposits	16,914	5,630	-	-	-	22,544
Others	4,193	16,319	1,624	1	-	22,137
<b>Total</b>	<b>24,087</b>	<b>112,930</b>	<b>400,933</b>	<b>487,261</b>	<b>75,220</b>	<b>1,100,431</b>
<b>Liabilities:</b>						
Financial liabilities at fair value through profit or loss	-	180	-	-	2,102	2,282
Insurance contract liabilities	-	72,856	97,241	365,401	-	535,498
Investment contract liabilities	-	2,712	2,355	30,206	-	35,273
Policyholders' deposits	-	77	-	-	-	77
Subordinated debt	-	784	21,481	-	-	22,265
Securities sold under agreements to repurchase	-	67,156	-	-	-	67,156
Long-term borrowings	-	14	192	-	-	206
Others	34,345	11,324	1,184	72	-	46,925
<b>Total</b>	<b>34,345</b>	<b>155,103</b>	<b>122,453</b>	<b>395,679</b>	<b>2,102</b>	<b>709,682</b>

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32. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	<b>As at 31 December 2013</b>					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
<b>Assets:</b>						
Financial assets at fair value through profit or loss	-	39	2,249	1,125	1,719	5,132
Held-to-maturity financial assets	-	17,492	82,899	379,228	-	479,619
Available-for-sale financial assets	-	35,093	64,796	33,296	69,534	202,719
Investments classified as loans and receivables	-	3,971	26,863	22,017	-	52,851
Securities purchased under agreements to resell	-	2,408	-	-	-	2,408
Term deposits	-	12,604	158,942	163	-	171,709
Restricted statutory deposits	-	43	4,381	-	-	4,424
Insurance receivables	1,136	6,343	474	29	-	7,982
Cash and short-term time deposits	8,864	7,697	-	-	-	16,561
Others	668	10,773	1,055	2	-	12,498
<b>Total</b>	<b>10,668</b>	<b>96,463</b>	<b>341,659</b>	<b>435,860</b>	<b>71,253</b>	<b>955,903</b>
<b>Liabilities:</b>						
Insurance contract liabilities	-	53,778	80,208	368,550	-	502,536
Investment contract liabilities	-	2,381	2,489	29,573	-	34,443
Policyholders' deposits	66	11	-	-	-	77
Subordinated debt	-	784	17,410	-	-	18,194
Securities sold under agreements to repurchase	-	25,237	-	-	-	25,237
Long-term borrowings	-	14	200	-	-	214
Others	25,010	10,741	550	33	-	36,334
<b>Total</b>	<b>25,076</b>	<b>92,946</b>	<b>100,857</b>	<b>398,156</b>	<b>-</b>	<b>617,035</b>

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33. 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, subordinated debt, long-term borrowings, etc.

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

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

	<b>As at 30 June 2014</b>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	295,389	285,594
Investments classified as loans and receivables	54,321	53,782
Financial liabilities:		
Subordinated debt	19,570	20,112
	<b>As at 31 December 2013</b>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	262,942	236,976
Investments classified as loans and receivables	41,320	40,614
Financial liabilities:		
Subordinated debt	15,500	15,103

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.

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#### 34. 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 financial information 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 are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers.

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. The assets or liabilities valued by this method are generally classified as Level 3.

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.

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34. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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

	<b>As at 30 June 2014</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	2,189	-	-	2,189
- Investment funds	2,050	3	-	2,053
- Debt securities	8,697	6,743	-	15,440
- Others	-	2	-	2
	<u>12,936</u>	<u>6,748</u>	<u>-</u>	<u>19,684</u>
Available-for-sale financial assets				
- Equity securities	23,340	2,535	-	25,875
- Investment funds	36,426	533	-	36,959
- Debt securities	11,357	84,872	-	96,229
- Others	-	9,300	8,800	18,100
	<u>71,123</u>	<u>97,240</u>	<u>8,800</u>	<u>177,163</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables	-	10,259	43,523	53,782
Held-to-maturity financial assets	17,697	267,897	-	285,594
Investment properties	-	-	8,391	8,391
	<u>-</u>	<u>-</u>	<u>8,391</u>	<u>8,391</u>
<b>Liabilities for which fair values are disclosed</b>				
Subordinated debt	-	-	20,112	20,112
	<u>-</u>	<u>-</u>	<u>20,112</u>	<u>20,112</u>

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34. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2013			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	1,071	-	-	1,071
- Investment funds	648	-	-	648
- Debt securities	3,207	-	-	3,207
	<u>4,926</u>	<u>-</u>	<u>-</u>	<u>4,926</u>
Available-for-sale financial assets				
- Equity securities	30,130	-	-	30,130
- Investment funds	32,878	-	-	32,878
- Debt securities	17,209	84,257	-	101,466
- Others	-	4,489	6,526	11,015
	<u>80,217</u>	<u>88,746</u>	<u>6,526</u>	<u>175,489</u>
<b>Assets for which fair values are disclosed</b>				
Investments classified as loans and receivables				
	-	6,069	34,545	40,614
Held-to-maturity financial assets	9,353	227,623	-	236,976
Investment properties	-	-	8,356	8,356
	<u>-</u>	<u>233,692</u>	<u>42,901</u>	<u>277,593</u>
<b>Liabilities for which fair values are disclosed</b>				
Subordinated debt				
	-	-	15,103	15,103
	<u>-</u>	<u>-</u>	<u>15,103</u>	<u>15,103</u>

During the six months ended 30 June 2014, 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 2014, the Group transferred the debt securities with a carrying amount of RMB2,321 million from Level 1 to Level 2 and RMB8,449 million from Level 2 to Level 1. As at 31 December 2013, the Group also transferred the debt securities with a carrying amount of RMB8,334 million from Level 1 to Level 2 and RMB200 million from Level 2 to Level 1.

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34. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	<b>As at 30 June 2014</b>			
	Beginning of period	Purchases	Net unrealised gain recognized in other comprehensive income	End of period
Available-for-sale financial assets				
- Other equity investments	6,526	2,106	168	8,800
	<u>6,526</u>	<u>2,106</u>	<u>168</u>	<u>8,800</u>
	<b>As at 31 December 2013</b>			
	Beginning of year	Purchases	Net unrealised loss recognized in other comprehensive income	End of year
Available-for-sale financial assets				
- Other equity investments	7,141	-	(615)	6,526
	<u>7,141</u>	<u>-</u>	<u>(615)</u>	<u>6,526</u>

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 comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

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.



(All amounts expressed in RMB million unless otherwise specified)

35. POST BALANCE SHEET EVENT

On 7 July 2014, CPIC Property, the Group's holding subsidiary, signed a contract of property rights transaction with Shanghai International Group and Shanghai State-owned Assets Operation Co., Ltd. (together, the "Counterparties"), whereby CPIC Property planned to acquire approximately 172 million shares of Anxin Agricultural Insurance Co., Ltd. ("AAIC") from the Counterparties with approximately RMB224 million. Upon the completion of the transaction, CPIC Property's ownership in AAIC will be 34.34% while the Company will hold 33.825% of AAIC's ownership indirectly through CPIC Property. The transaction is still subject to CIRC's approval.

Other than as mentioned in other notes, the Group does not have other significant post balance sheet events.

36. 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 22 August 2014.