

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2015**

LETTER FROM CHAIRMAN TO SHAREHOLDERS

Dear Shareholders:

Pursuit of sustainable value growth has always been our business philosophy. We achieved solid operational results for the first half of 2015 with the fine-tuning of our market strategies. Group operating revenue^{note 1} amounted to RMB134.514 billion, up 17.8%. Group net profit^{note 2} reached RMB11.295 billion, representing an increase of 64.9%, with weighted average ROE^{note 2} at 9.1%, up 2.5 percentage points. On value metrics, the embedded value of the Group amounted to RMB193.866 billion, rising 13.2% from the end of 2014. Of this, value of in-force business^{note 3} stood at RMB84.152 billion, up 13.6% from the end of 2014. At the same time, we maintained a strong capital position, with the group solvency margin ratio at 295%. On the back of strong business performance, our Fortune Global 500 ranking catapulted by 56 places to 328th in 2015, marking the 5th consecutive year of our presence on the list.

In the first half of 2015, our underwriting business achieved improved profitability amid steady development, investment income soared and transformation initiatives continued to deepen, leading to a number of milestones in several business sectors. Interim net profit

exceeded RMB10 billion for the first time in the Company's history, group assets under management (AuM) surpassed the mark of RMB1 trillion and the growth rate of the life's new business value (NBV) and the NBV margin set new records.

In respect of life insurance, the individual business, which mainly consists of the agency channel, has become the key driver of both value and volume growth, prompting a fundamental shift in the mode of our development. During the first half of the year, the life business achieved sustained growth, with the NBV amounting to RMB7.227 billion, an increase of 38.2% over the same period last year, and the NBV margin rising by 10.2 percentage points to 31.2%. Of this, the individual business accounted for 95.0% of total NBV, up by 4.5 percentage points, and has become the core driver of sustainable value growth of the Company, testifying to positive effects of the transformation initiative. On premium metrics, the individual business's share of total new business reached 74.4%, a sharp increase of 23.8 percentage points, with the renewal business taking up 67.6% of total life premium income, which would lay a solid foundation for the Company's long-term growth. Besides, the development foundation of the individual business was further solidified. The average number of agents^{note 4} reached 415,000, up 29.7%, with continued improvement in sales force mix.

In respect of property and casualty insurance, we adhered to underwriting profitability and pursued sustainable development. Specifically, given intensified focus on quality and profitability, we took a 3-pronged approach, i.e., business quality, claims costs control and expense management, and delivered a combined ratio of 99.4%, representing an improvement of 4.4 percentage points from the year of 2014. In particular, we gave priority to the development of new channels, i.e., telemarketing, internet sales and cross-selling. The new channels of the motor insurance business of CPIC P/C recorded a growth of 14.7%, higher than that of the entire business portfolio. As a result, new channels' share of motor business climbed by 3.6 percentage points to 28.6%. We also stepped up the development of emerging business lines such as agricultural insurance, government sponsored liability insurance, credit insurance, as well as internet insurance to seize opportunities of the new *Guo Shi Tiao*. In spite of the improvement, we are keenly aware of the many challenges facing us. Despite the turn-around, the foundation for underwriting profitability is yet to be enhanced. The slow-down of top-line growth calls for more innovation and faster development. We will press ahead with our transformation initiatives, and in particular, accelerate the growth of new channels to sustain long-term development.

As for asset management, we continued to improve the market-based mechanism for asset entrustment and reported a sharp increase in investment income. For the reporting

period, annualized growth rate of Group investments' net asset value reached 8.0%, up 2.7 percentage points. In the face of the volatility of the equity market, we adhered to the principle of value investing, maintained self-discipline, and struck a good balance between risk and reward. The investment income from our equity holdings increased steeply, contributing to an annualized Group total investment yield of 6.6%, up by 2.2 percentage points year-on-year. Apart from in-house asset management, we continued to expand third-party business. Our asset management and pension subsidiaries delivered a fast increase in their third-party AuM, underpinned by product innovations and improved competitiveness on the money management market. As at the end of the first half of 2015, group AuM amounted to RMB1,058.923 billion, up by 16.3% from the end of 2014. Of this, third party AuM stood at RMB216.917 billion, representing an increase of 45.9% from the end of 2014, with fee income from third-party assets^{note 4} reaching RMB279 million, up 74.4% year-on-year.

The mission of a business enterprise is to create value in a sustainable way through offering products and services. During the first half of 2015, while implementing market strategies to drive faster value growth, we forged ahead with the customer-oriented transformation which is mainly manifested in the roll-out of 18 initiatives in order to build capabilities and lay the foundation for sustainable growth. These 18 projects are showing positive effects on our business operation.

We have put in place a dual-driver model for value growth, i.e., up-sell and acquisition of new customers. Our marketing efforts, based on customer segment insights, are showing better results. In the first half of the year, we recommended life products to over 550,000 of our motor business customers, offering more comprehensive insurance solutions. Up-sell to about 630,000 of our existing customers who previously had only one insurance policy garnered a premium income of RMB9.64 billion. Meanwhile, based on the life cycle of our customers, we developed *Anxingbao* (meaning travel safe), a travel personal accident product to meet the needs for high-level protection, and *Yinfa Ankang* (meaning safe and healthy for the grey-haired), a critical illness product specifically for middle-aged and elderly people. Such product innovations proved instrumental in promoting up-sell and new customer acquisition. For the reporting period, up-sell of our life business grew by 55.2%, with 1.4 million new customers acquired, up 41.4%.

We adopted new technologies to improve operational efficiency and the ratio of input and output. We improved our internet platforms to promote O2O integration and customer interface. Now customers can reach us via multiple channels such as our agents, outlets and self-media for the purchase of motor and life insurance, policy inquiries, claims reporting and claims progress inquiries. As at the end of the first half of 2015, our e-

commerce platform (www.ecpic.com.cn) responded to 5.61 million service requests, with total registered users of 6.31 million. Our *Wechat* platform attracted 3.68 million fans, and of this, over 2 million now can access more comprehensive services through user binding. At the same time, we developed and promoted the use of a series of on-line sales-supporting tools such as *Shenxing Taibao*, *Caifu Ubao* and *Che E Bao*, through which a total of 2.21 million policies were issued during the first half of 2015. We also increased the use of mobile internet technologies, developing an APP for post-sale customer service and enabling welcome-call on the *Wechat* to improve customer service efficiency. In the first half of the year, the APP for post-sale customer service responded to 2.81 million requests, representing 30% of total requests, and has the promise of replacing traditional channels.

We intensified focus on customers' needs through customer profiling, driving product and service innovations. 79 of our branch offices finished their local customers' profiling on the basis of a centralized database with high-quality customer data, which would have been impossible without the data treatment initiative launched over 2 years ago. The profiling offered useful insights into customers' changing needs and behaviors, leading to concrete findings, many of which will be used to support product and service innovations in the future. For instances, to enhance the experience of our motor insurance telemarketing customers, our tied agents are now responsible for the delivery of policies. The initiative, while saving on outsourcing costs, presents more opportunities for our agents to deepen relations with our customers. Based on the findings about road assistance popularity, we built the most wanted service items into mobile APPs and *Wechat* to facilitate interaction with customers.

In 2014, we formed 4 new partnerships which enhanced our insurance-based business portfolio. In the first half of 2015, these new entities were more closely intertwined with other business units, enhancing collaboration and synergy. CPIC Allianz Health, leveraging distribution channels of our life and property and casualty operations, launched mid-and-high-end health products and explored ways to promote the use of mobile telecommunications technologies as well as consolidation of health care services. Changjiang Pension beefed up its business expansion across the country on the back of group resources, enhanced capabilities in pension-related asset management, and made good progress in building competitive edges in products and services. Anxin Agricultural pushed for further integration with CPIC P/C, and stepped up product innovations like target price and index insurance for agricultural produce to boost its nation-wide market development efforts. Our elderly care investment management arm explores viable service models for urban old-age facilities, and the first facility located in Shanghai's city center has commenced operation recently.

Looking ahead, in the context of the new *Guo Shi Tiao*, we are seeing a confluence of catalysts for the Chinese insurance industry. We will seize opportunities in emerging areas such as health, pension and agricultural insurance, and at the same time promote the integration of traditional insurance and new technologies in data networks and mobility. In particular, we will continue to shore up the individual business to enhance our long-term value creating capabilities. In relation to the property and casualty business, we will stay committed to underwriting profitability while striving for faster development of new channels. As for asset management, we will continue to uphold asset liability management and enhance our competitiveness in investment. We are halfway through the transformation, and at this stage it is even more important that we entrench the customer-orientation and enhance the foundation for sustainable development so as to reward our shareholders, our employees, our customers and the society.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. Based on Group's share of life's value of in-force business after solvency.
4. Figures for the same period of 2014 have been restated.

REVIEW AND ANALYSIS OF OPERATING RESULTS

Given our strategic focus on insurance, continued efforts are made to expand our insurance-based business portfolio. As such, we provide life insurance through CPIC Life, property casualty insurance through CPIC P/C and CPIC HK, health insurance through CPIC Allianz Health. We 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 life and property and casualty insurance products and services via the e-commerce platforms of CPIC Online (www.ecpic.com.cn). Besides, we engage in the investment in, and construction, operation and management of the elderly care facilities via CPIC All.

Performance Overview

I. Performance highlights

We persisted in the pursuit of sustained value growth, focused on the core business of insurance, pressed ahead with customer-oriented transitioning initiatives, and delivered sustained value growth and solid financial results for the reporting period.

In the first half of 2015, we recorded net profit^{note 1} of RMB11.295 billion, and earnings per share^{note 1} of RMB1.25, representing an increase of 64.9% for both. Weighted average

ROE^{note 1} reached 9.1%, which was 2.5 percentage points higher year-on-year. CPIC Life delivered RMB7.227 billion in NBV, up 38.2%. CPIC P/C delivered an underwriting turn-around, with the combined ratio at 99.5%. Group embedded value amounted to RMB193.866 billion, representing an increase of 13.2% from the end of 2014. Of this, value of in-force business^{note 2} reached RMB84.152 billion, up 13.6% from the end of 2014.

Individual business became the core driver of both value and volume growth in life insurance business, underpinned by up-sell and new business, leading to sustained growth of NBV

- The NBV of our life business grew by 38.2% and reached RMB7.227 billion. The individual business reported gross written premiums (GWPs) of RMB51.913 billion, up 24.2%, and its share of total life GWPs increased from 69.4% for the same period of 2014 to 83.1%. Of this, first year premiums (FYPs) amounted to RMB15.050 billion, a growth of 33.6%, with the individual business accounting for 74.4% of total life FYPs, up from 50.6% for the same period of 2014. The NBV from the individual business reached RMB6.867 billion, up 45.1% and accounting for 95.0% of total NBV, rising by 4.5 percentage points from the same period last year.
- We put in place a dual-driver model for the development of the individual business, with up-sell growing by 55.2% and new customers acquired amounting to 1.40 million during the reporting period, up 41.4%.

Our property and casualty business focused on innovation and sustainable development, and achieved an underwriting turn-around, with new channels showing robust momentum.

- Our property and casualty insurance business^{note 3} reported a combined ratio of 99.4%, dropping by 4.4 percentage points from 2014. Of this, CPIC P/C recorded a combined ratio of 99.5%, down by 4.3 percentage points from the year of 2014. Specifically, its automobile insurance achieved a combined ratio of 98.4%, representing a decrease of 3.6 percentage points from 2014, and non-auto business 104.9%, representing an improvement of 7.7 percentage points from 2014.
- CPIC P/C registered GWPs of RMB48.380 billion, up 0.4%, with new channels showing advantage in cost and growth. In particular, new channels of automobile business, i.e., telemarketing, internet sales and cross-selling reported RMB10.490 billion in GWPs, a growth of 14.7% and representing 28.6% of total motor insurance premiums, up by 3.6 percentage points.

Rapid growth of investment income for asset management business, with sustained expansion of third-party AuM

- Group in-house assets generated a total investment income of RMB31.799 billion, an increase of 121.1%. Total investment yield on an annualized basis reached 6.6%, up 2.2

percentage points, with annualized net investment yield at 4.9%, same as that of the first half of 2014. The annualized growth rate of investments' net asset value was 8.0%, representing an increase of 2.7 percentage points over the same period of 2014.

- Group AuM amounted to RMB1,058.923 billion, representing an increase of 16.3% from the end of 2014. Of this, third-party AuM totaled RMB216.917 billion, a growth of 45.9% from the end of 2014 and generating a fee income^{note 4} of RMB279 million, up 74.4%.

Notes:

1. Attributable to equity holders of the parent.
2. Based on Group's share of life's value of in-force business after solvency.
3. This includes both CPIC P/C and CPIC HK.
4. Figures for the same period of 2014 have been restated.

II. Key performance indicators

Indicators	Unit: RMB million		
	As at 30 June 2015/for the period between January and June in 2015	As at 31 December 2014/for the period between January and June in 2014	Changes (%)
Key value indicators			
Embedded value of the Group	193,866	171,294	13.2
Value of in-force business ^{note 1}	84,152	74,064	13.6
Net assets of the Group ^{note 2}	128,600	117,131	9.8
NBV of CPIC Life	7,227	5,230	38.2
NBV margin of CPIC Life (%)	31.2	21.0	10.2pt
Combined ratio of CPIC P/C (%)	99.5	99.5	-
Growth rate of investments' net asset value (annualized) (%)	8.0	5.3	2.7pt
Key operating indicators			
GWPs	110,891	108,413	2.3
CPIC Life	62,465	60,205	3.8
CPIC P/C	48,380	48,165	0.4
Market share			
CPIC Life (%)	6.6	7.8	(1.2pt)
CPIC P/C (%)	11.3	12.6	(1.3pt)
Number of Group customers (in thousand) ^{note 3}	90,911	84,627	7.4
Average number of insurance policies per customer	1.54	1.52	1.3
Monthly average agent number (in thousand) ^{note 4}	415	320	29.7
Monthly average FYPs per agent (RMB) ^{note 4}	5,928	5,720	3.6
Total investment yield (annualized) (%)	6.6	4.4	2.2pt
Net investment yield (annualized) (%)	4.9	4.9	-
Third-party AuM	216,917	148,656	45.9
Third-party AuM by CPIC AMC	138,992	89,841	54.7
Assets under investment management by Changjiang Pension	77,925	58,815	32.5
Key financial indicators			
Net Profit attributable to equity holders of the parent	11,295	6,848	64.9

CPIC Life	6,467	4,914	31.6
CPIC P/C	3,268	1,474	121.7
Solvency margin ratio (%)			
CPIC Group	295	280	15pt
CPIC Life	225	218	7pt
CPIC P/C	201	177	24pt

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.
4. Figures for the same period of 2014 have been restated.

Life insurance business

In the first half of 2015, CPIC Life adhered to sustainable development, continued to deepen its business strategy of focusing on the agency channel and regular premium business, and delivered a fundamental shift in the mode of its development, with the individual business serving as the key driver of both value and volume growth. For the reporting period, NBV amounted to RMB7.227 billion, up 38.2%. The NBV margin reached 31.2%, up 10.2 percentage points versus the same period of 2014.

I. Business analysis

In the first half of 2015, CPIC Life adhered to sustainable development, continued to focus on the agency channel and regular premium business, and delivered a rapid growth in NBV and big improvement in NBV margin. It reported GWPs of RMB62.465 billion, up 3.8%. Of this, FYPs reached RMB20.216 billion, down by 9.3%, and renewal business RMB42.249 billion, up 11.4%. The NBV amounted to RMB7.227 billion, up 38.2%. The NBV margin reached 31.2%, up 10.2 percentage points.

(I) Analysis by channels

For 6 months ended 30 June	2015	2014	Unit: RMB million Changes (%)
Individual business			
GWPs	51,913	41,803	24.2
New policies	15,050	11,264	33.6
Regular premium	14,482	10,645	36.0
Single premium	568	619	(8.2)
Renewed policies	36,863	30,539	20.7
Group & Partnerships			
GWPs	10,552	18,402	(42.7)
New policies	5,166	11,013	(53.1)
Regular premium	829	911	(9.0)
Single premium	4,337	10,102	(57.1)
Renewed policies	5,386	7,389	(27.1)
Total	62,465	60,205	3.8

Note: Figures for the same period of 2014 have been restated.

As part of our strategic transformation centered on customers' needs, we restructured our life insurance into the individual business and group & partnerships, based on the difference in customer types. The former focuses on the development of individual customers, while the latter on corporate clients, government business and third-party agency channels.

1. The individual business

For the reporting period, we realized RMB51.913 billion in GWPs for individual business, up 24.2%, representing 83.1% of total life GWPs. Of this, new policies contributed RMB15.050 billion, up 33.6%, and renewal business RMB36.863 billion, an increase of 20.7%.

We persisted in promoting the quality and productivity of our sales force, stepping up selection during recruitment, revamping agency management rules to promote retention, enhancing customer insights to improve the delivery of customer services, and driving product innovations to promote new customer acquisition as well as up-sell. We also focused agency infrastructure management in training and attendance so as to enhance agents' skills and capabilities in an all-around way. As a result of these measures, the mix of our sales force continued to improve. Monthly average headcount reached 415,000, up 29.7%, with increased proportions of productive and high-performing agents. Monthly average FYPs per agent reached RMB5,928, up 3.6%. Going forward, we will continue to solidify the individual business as the core driver of value and volume growth, and in particular, focus on improving the retention of agents so as to further consolidate the development foundation of the individual business and improve our value creating capabilities.

For 6 months ended 30 June	2015	2014	Changes (%)
Monthly average agent number (in thousand)	415	320	29.7
Monthly average FYPs per agent (RMB)	5,928	5,720	3.6
Average number of new long-term life insurance policies per agent per month	1.65	1.23	34.1

Note: Figures for the same period of 2014 have been restated.

2. Group & partnerships

In the first half of 2015, group & partnerships focused on corporate clients, third-party agency channels and government business and continued to step up transformation. For the reporting period, as we enhanced business selection, the channel realized RMB10.552 billion in GWPs, down by 42.7%, which consisted of RMB5.166 billion in FYPs, down by 53.1% and RMB5.386 billion in renewal business, down by 27.1%.

For third-party agency channels, we stepped up the transformation of bancassurance, and re-defined the positioning customer segments to improve profitability. For corporate clients, we strived to seize the opportunity of the tax-incentivized health insurance schemes and stepped up the accumulation of high-quality clients. As for government

business, we actively participated in government-sponsored health insurance program for terminal illnesses, while continuing to extend our scope of service. As of the end of the first half of 2015, we already participated in the terminal illness programs of 11 provinces/municipalities.

(II) Analysis by product types

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
GWPs	62,465	60,205	3.8
Traditional insurance	11,422	14,208	(19.6)
Participating insurance	47,005	42,477	10.7
Universal insurance	20	22	(9.1)
Short-term accident and health insurance	4,018	3,498	14.9

We give priority to risk protection and long-term savings products. For the reporting period, we further improved the mix of traditional business, which generated RMB11.422 billion in GWPs, down by 19.6%, with participating business realizing GWPs of RMB47.005 billion, up by 10.7%, and short-term accident & health RMB4.018 billion, up 14.9%.

(III) Policy persistency ratio

For 6 months ended 30 June	2015	2014	Changes
Individual life insurance customer 13-month persistency ratio (%) ^{note 1}	90.9	90.6	0.3pt
Individual life insurance customer 25-month persistency ratio (%) ^{note 2}	86.7	86.4	0.3pt

Notes:

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

The Company's policy persistency maintained an overall healthy level, with both the 13-month ratio and the 25-month ratio improved by 0.3 percentage point.

(IV) Top 10 regions for GWPs

Our GWPs mainly came from economically developed regions or populous areas.

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
GWPs	62,465	60,205	3.8
Jiangsu	6,829	6,676	2.3
Henan	6,024	5,416	11.2
Shandong	5,155	4,707	9.5
Zhejiang	4,374	4,139	5.7
Guangdong	4,190	4,414	(5.1)
Hebei	3,746	3,400	10.2
Shanxi	3,157	2,837	11.3
Hubei	2,829	2,839	(0.4)
Beijing	2,441	2,325	5.0
Heilongjiang	1,961	1,631	20.2
Subtotal	40,706	38,384	6.0
Others	21,759	21,821	(0.3)

II. Financial analysis

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
Net premiums earned	61,136	58,933	3.7
Investment income ^{note}	23,805	11,391	109.0
Other operating income	534	457	16.8
Total income	85,475	70,781	20.8
Net policyholders' benefits and claims	(59,358)	(50,683)	17.1
Finance costs	(1,187)	(1,175)	1.0
Interest credited to investment contracts	(694)	(749)	(7.3)
Other operating and administrative expenses	(15,343)	(11,797)	30.1
Total benefits, claims and expenses	(76,582)	(64,404)	18.9
Profit before tax	8,893	6,377	39.5
Income tax	(2,426)	(1,463)	65.8
Net profit	6,467	4,914	31.6

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

Investment income for the reporting period was RMB23.805 billion, up 109.0%, due to higher securities trading gains and no charge of impairment losses on investment assets in the first half of 2015.

Net policyholders' benefits and claims amounted to RMB59.358 billion, up 17.1%, largely due to the impact of higher amounts in life insurance death and other benefits paid.

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
Net policyholders' benefits and claims	59,358	50,683	17.1
Life insurance death and other benefits paid	30,148	22,011	37.0
Claims incurred	1,194	979	22.0
Changes in long-term insurance contract liabilities	24,720	25,440	(2.8)
Policyholder dividends	3,296	2,253	46.3

Other operating and management expenses amounted to RMB15.343 billion, up 30.1%. The increase was mainly caused by higher commissions and expenses related to investment contracts.

As a result, CPIC Life recorded a net profit of RMB6.467 billion for the first half of 2015.

Property and casualty insurance

In the first half of 2015, our property and casualty business adhered to underwriting profitability and sustainable development, and delivered an underwriting turn-around, with the combined ratio at 99.4%, down by 4.4 percentage points from 2014. We reported RMB48.423 billion in GWPs, up 0.4%. Going forward, we will speed up top-line growth while consolidating the foundation for underwriting profitability. In particular, we will accelerate the development of new channels for automobile business and explore opportunities of the automobile value chain and new drivers of non-auto business, and increase the use of new technologies to pursue sustainable development.

I. CPIC P/C

(I) Business analysis

In the first half of 2015, CPIC P/C reported GWPs of RMB48.380 billion, up 0.4%, with a combined ratio of 99.5%, down by 4.3 percentage points from 2014 thanks to improvement in risk selection, claims costs control and expense management.

1. Analysis by lines of business

For 6 months ended 30 June	2015	2014	Unit: RMB million Changes (%)
GWPs	48,380	48,165	0.4
Automobile insurance	36,620	36,524	0.3
Compulsory motor insurance	8,005	8,026	(0.3)
Commercial automobile insurance	28,615	28,498	0.4
Non-automobile insurance	11,760	11,641	1.0
Commercial property insurance	3,336	3,566	(6.4)
Liability insurance	2,171	2,048	6.0
Accident insurance	1,362	1,428	(4.6)
Cargo insurance	1,077	1,085	(0.7)
Others	3,814	3,514	8.5

(1) Automobile insurance

For the reporting period, we reported GWPs of RMB36.620 billion from automobile business, up 0.3%, with a combined ratio of 98.4%, representing a decrease of 3.6 percentage points from 102.0% in the year of 2014, due to strengthened claims cost control and improved underwriting.

During the first half of 2015, we strengthened differentiation in channel strategies, giving priority to new channels, and enhanced centralized claims management. These steps led to improved business quality and lower claims frequency. The proportion of renewal commercial automobile policies with reported claims from 0 to 1 went up by 2.6 percentage points.

Going forward, we will step up channel specialization and differentiation, accelerating the development of low-cost and more sustainable channels, i.e., telemarketing, internet sales and cross-selling, while strictly controlling high-cost channels. Building on the business mix improvement, we will continue to optimize the split of business between on-line and off-line, between individual customers and corporate clients. Efforts will also be made to further rationalize the centralized claims management system, improve the risk pricing mechanisms, increase the use of big data, enhance capabilities in risk management based on customer segmentation and put in place mechanisms for channel-specific pricing.

(2) Non-auto insurance

For the reporting period, GWPs from non-auto business amounted to RMB11.760 billion, up 1.0%. Due to increased competitions and lower premium adequacy, the combined ratio reached 104.9%, down by 7.7 percentage points from 112.6% in the year of 2014.

During the reporting period, we seized the opportunities of the new *Guo Shi Tiao*, and vigorously fostered new growth drivers via differentiation in customer segments, industries, products and geographies. We achieved leadership in the development of small and medium sized clients on the back of products innovation based on customer insights. We pushed for faster growth of the emerging lines of business such as agricultural insurance, credit insurance and internet insurance in a bid to improve the mix of non-auto business. Given the relaxation of qualification requirement for agricultural insurance, we beefed up market development, and in collaboration with Anxin Agricultural, stepped up product innovations and promotion, and introduced new technologies like satellite remote control and GPS to improve underwriting and loss investigation efficiency to foster competitive edge in this area.

Going forward, we will continue with the optimization of the business mix, and in particular, strive for faster development of government-sponsored liability insurance, credit insurance and surety bond and internet insurance. Efforts will also be made to enhance the control of claims management and the development of major accounts, and tap the potential of medium, small and micro sized clients.

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2015						
Name of insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	36,620	5,905,219	21,711	50,614	536	98.4
Commercial property insurance	3,321	6,888,503	1,233	6,138	(132)	107.6
Liability insurance	2,168	3,779,162	932	3,846	(254)	117.8
Accident insurance	1,362	13,844,325	592	2,218	(103)	108.0
Cargo insurance	1,072	3,076,987	485	864	96	86.0

2. Analysis by distribution channels

Unit: RMB million

For 6 months ended 30 June	2015	2014	Changes (%)
GWPs	48,380	48,165	0.4
Direct sales	8,010	8,066	(0.7)
Agents	25,506	26,110	(2.3)
Brokers	4,058	4,521	(10.2)
Telemarketing, Internet sales and cross-selling	10,806	9,468	14.1

In the first half of 2015, we made steadfast efforts to boost new channels to enhance the ability of telemarketing and internet to acquire customers and contribute value. GWPs from telemarketing and internet sales amounted to RMB8.772 billion, up 15.1%. We refined the model for cross-selling to promote resource-sharing, with RMB2.034 billion in GWPs from cross-selling, up 9.9%. These two channels combined represented 22.3% of total GWPs of CPIC P/C, up by 2.6 percentage points.

3. Top 10 regions for GWPs

We derived our GWPs mainly from China's eastern coastal provinces and prosperous inland regions. Looking ahead, 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	2015	2014	Changes (%)
GWPs	48,380	48,165	0.4
Guangdong	6,337	6,582	(3.7)
Jiangsu	5,815	5,757	1.0
Zhejiang	4,672	4,532	3.1
Shanghai	4,015	3,737	7.4
Shandong	2,992	3,248	(7.9)
Beijing	2,602	2,606	(0.2)
Chongqing	1,802	1,388	29.8
Fujian	1,542	1,553	(0.7)
Sichuan	1,508	1,618	(6.8)
Guizhou	1,413	1,196	18.1
Sub-total	32,698	32,217	1.5
Others	15,682	15,948	(1.7)

(II) Financial analysis

Unit: RMB million			
For 6 months ended 30 June	2015	2014	Changes (%)
Net premiums earned	40,723	36,501	11.6
Investment income ^{note}	4,433	1,976	124.3
Other operating income	149	155	(3.9)
Total income	45,305	38,632	17.3
Claims incurred	(26,422)	(23,279)	13.5
Finance costs	(174)	(171)	1.8
Interest credited to investment contract	(1)	-	/
Other operating and administrative expenses	(14,341)	(13,152)	9.0
Total benefits, claims and expenses	(40,938)	(36,602)	11.8
Profit before tax	4,367	2,030	115.1
Income tax	(1,099)	(556)	97.7
Net profit	3,268	1,474	121.7

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

Investment income for the reporting period amounted to RMB4.433 billion, up 124.3%, mainly attributable to increase in securities trading gains.

Claims incurred totaled RMB26.422 billion, representing an increase of 13.5%, mainly due to rising claims costs.

Other operating and administrative expenses amounted to RMB14.341 billion, up 9.0%, mainly due to increased commissions and decreased reinsurers' share of expenses.

Hence, a net profit of RMB3.268 billion was booked for CPIC P/C for the first half of 2015.

II. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2015, its total assets stood at RMB807 million, with net assets reaching RMB329 million. Its GWPs for the reporting period amounted to RMB223 million, with a combined ratio of 85.9%, down by 3.8 percentage points, and a net profit of RMB40 million.

Asset management business

Our asset management, committed to serving in-house clients and asset liability management, further improved the market-based mechanism for asset entrustment and made great effort to expand the third-party business. As of the end of the first half of 2015, group AuM reached RMB1,058.923 billion, a growth of 16.3% from the end of 2014. Group investment income amounted to RMB31.799 billion, up 121.1%, with annualized total investment yield reaching 6.6% and the annualized growth rate of Group investments' net asset value of 8.0%.

I. Group AuM

As of the end of the first half of 2015, group AuM amounted to RMB1,058.923 billion, a growth of 16.3% from the end of 2014. Of this, in-house assets rose by 10.5% from the end of 2014 to RMB842.006 billion. Third-party AuM stood at RMB216.917 billion, up 45.9% as compared with the end of 2014, and generating a fee income^{note} of RMB279 million, up 74.4%.

	30 June 2015	31 December 2014	Unit: RMB million Changes (%)
AuM of the Group	1,058,923	910,542	16.3
Group in-house assets	842,006	761,886	10.5
Third-party AuM	216,917	148,656	45.9
Third-party AuM by CPIC AMC	138,992	89,841	54.7
Assets under investment management by Changjiang Pension	77,925	58,815	32.5

Note: Figures for the same period of 2014 have been restated.

II. Group in-house assets

During the reporting period, China's economic growth slowed down amid steady development. The equity market experienced big volatility, and yields on fixed income assets fell. We pro-actively responded to the swings of the capital market, and adjusted our positions to minimize the impact of the market volatility. On the other hand, we moderately increased the allocation in credit products, and improved the overall yield through investing in "quasi-fixed income products" such as IPO funds, preferred shares and the A tranche of structured funds.

(I) Consolidated investment portfolios

Unit: RMB million

	30 June 2015	Share (%)	Share change (pt)	Change (%)
Group investment assets (Total)	842,006	100.0	-	10.5
By investment category				
Fixed income investments	694,714	82.5	(4.2)	5.1
– Debt securities	425,098	50.5	(4.7)	1.1
– Term deposits	175,670	20.8	(0.9)	6.1
– Debt investment plans	50,420	6.0	(0.3)	6.0
– Wealth management product ^{note 1}	22,040	2.6	1.4	133.2
- Preferred shares	600	0.1	0.1	/
- Other fixed income investments ^{note 2}	20,886	2.5	0.2	17.1
Equity investments	122,226	14.5	3.9	51.7
– Investment funds ^{note 3}	51,456	6.1	1.7	54.0
– Equity securities	35,990	4.3	0.5	23.9
– Wealth management products ^{note 1}	19,770	2.3	1.3	163.2
- Preferred shares	1,400	0.2	0.2	/
– Other equity investments ^{note 4}	13,610	1.6	0.2	28.2
Investment properties	6,454	0.8	(0.1)	(1.7)
Cash and cash equivalents	18,612	2.2	0.4	32.5
By investment purpose				
Financial assets at fair value through profit or loss	23,874	2.9	0.6	34.4
Available-for-sale financial assets	206,155	24.5	2.6	23.7
Held-to-maturity financial assets	313,564	37.2	(3.8)	0.5
Interests in associates	285	-	-	12.6
Investment in joint ventures	14	-	-	27.3
Loans and other investments ^{note 5}	298,114	35.4	0.6	12.4

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 2015 and 31 December 2014 were RMB14.902 billion and RMB17.453 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 reporting period, our fixed income assets increased by RMB34.015 billion. Of this, debt securities and term deposits increased by 1.1% and 6.1% from the end of 2014 respectively. Debt investment plans and fixed-income wealth management products grew by 6.0% and 133.2% from the end of 2014 respectively. The share of equity investments accounted for 14.5%, up by 3.9 percentage points from the end of 2014. New fixed income assets for the reporting period were mainly allocated in instruments of high credit ratings, with overall credit risk under control.

The non-standard assets of our investment portfolio mainly consisted of wealth management products issued by commercial banks, loan assets backed securities from banking institutions, collective trust plans from trust firms, special asset management plans

by securities firms, infrastructure-related investment plans, real estate investment plans and project assets backed schemes from insurance asset management companies. As of the end of the reporting period, non-standard assets amounted to RMB90.930 billion, up 41.1% from the end of 2014, accounting for 10.8% of our total in-house assets.

In the context of relaxation of investment restrictions, insurance companies can now invest in more classes of non-standard assets. We enhanced the study and analysis of the newly investable assets and made continued efforts to improve on internal infrastructure-building, such as investment procedures and risk control mechanisms. Risk management covers the whole process of non-standard assets investment including product screening, pre-investment assessment and follow-up management. Our non-standard assets have an overall high credit-rating. As of the end of the reporting period, for those assets with an external credit-rating, 96.3% had an AAA rating, and 3.7% AA or above.

2. By investment purpose

By investment purpose, our in-house assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) investments as well as loans and other investments. Financial assets at fair value through profit or loss rose by 34.4% from the end of 2014 on the back of increased allocation in funds for trading. AFS financial assets grew by 23.7% from the end of 2014, primarily due to increased investment in equity assets and increase in unrealized gains on investment assets.

(II) Investment income

For the reporting period, our investment income totaled RMB31.799 billion, up 121.1%. Total investment yield on an annualized basis reached 6.6%, up 2.2 percentage points, mainly attributable to higher net investment income, a steep rise in trading gains on equity securities and no booking of asset impairment provisions.

Net investment income amounted to RMB19.759 billion, up 12.8%. This increase stemmed mainly from higher interest income on fixed income investments, which increased by 13.3%. Net investment yield on an annualized basis reached 4.9%, the same as that for the first half of 2014.

The annualized growth rate of investments' net asset value reached 8.0%, up 2.7 percentage points, mainly due to increase in total investment yield and unrealized gains on AFS financial assets.

1. Group consolidated

	Unit: RMB million		
For 6 months ended 30 June	2015	2014	Changes (%)
Interest income from fixed income investments	17,821	15,726	13.3
Dividend income from equity securities	1,647	1,553	6.1
Rental income from investment properties	291	245	18.8
Net investment income	19,759	17,524	12.8

Realized gains	11,592	134	8,550.7
Unrealized gains	278	166	67.5
Charge of impairment losses on investment assets	-	(3,572)	(100.0)
Other income ^{note 1}	170	131	29.8
Total investment income	31,799	14,383	121.1
Net investment yield (annualized) (%) ^{note 2}	4.9	4.9	-
Total investment yield (annualized) (%) ^{note 2}	6.6	4.4	2.2pt
Growth rate of investments' net asset value (annualized) (%) ^{notes 2, 3}	8.0	5.3	2.7pt

Notes:

1. Other income includes interest income on cash and short-term time deposits, securities purchased under agreements to resell and share of profit in equity accounted investees, etc.
2. The impact of securities sold under agreements to repurchase was considered in the calculation of net investment yield. Average investment assets 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.

2. CPIC Life

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
Net investment income	16,433	14,657	12.1
Net investment yield (annualized) (%)	4.9	5.0	(0.1pt)
Total investment income	23,971	11,560	107.4
Total investment yield (annualized) (%)	6.1	4.4	1.7pt

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 P/C

For 6 months ended 30 June	Unit: RMB million		
	2015	2014	Changes (%)
Net investment income	2,283	1,950	17.1
Net investment yield (annualized) (%)	5.0	4.8	0.2pt
Total investment income	4,433	1,965	125.6
Total investment yield (annualized) (%)	7.5	4.8	2.7pt

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

For 6 months ended 30 June	Unit: %		
	2015	2014	Changes (pt)
Total investment yield (annualized)	6.6	4.4	2.2
Fixed income investments ^{note}	5.4	5.3	0.1
Equity investments ^{note}	14.7	(2.2)	16.9
Investment properties ^{note}	9.1	7.4	1.7
Cash and cash equivalents ^{note}	0.9	0.8	0.1

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

III. Third-party AuM

(I) Third-party AuM by CPIC AMC

CPIC AMC seeks to expand its third-party business through product innovations. As of the

end of the first half of 2015, its third-party AuM rose by 54.7% from the end of 2014, amounting to RMB138.992 billion, with a fee income^{note} of RMB161 million, up 91.7%. During the reporting period, it successfully launched 10 debt investment plans of various types, raising in total RMB8.961 billion. Besides, CPIC AMC further extended its product line-up and launched 58 asset management products, covering cash management, equity, bonds, hybrid, index, FOF, deposits and innovative types (including alternative and income rights investments). The clients of these products spanned both banks as well as non-banking financial institutions such as insurance companies and trust firms, testifying to our leadership position in this area.

(II) Assets under investment management by Changjiang Pension

During the reporting period, Changjiang Pension leveraged the resources of CPIC Group and stepped up the nation-wide expansion of its pension-related asset management business. It also enhanced its asset management capabilities and fostered differentiated competitive edge through product innovations. It successfully launched a pension product for its individual customers, the first of its kind in the company's history, and participated in the hybrid-ownership reform of SOEs under the central government.

As of the end of the reporting period, Changjiang Pension's assets under investment management reached RMB77.925 billion, rising by 32.5% from the end of 2014, and assets under custody amounted to RMB56.819 billion, up 14.4% from the end of 2014.

Note: Figures for the same period of 2014 have been restated.

Analysis of Specific Items

This part has 6 components, including items concerning fair value accounting, solvency and sensitivity analysis.

I. Items concerning fair value accounting

	30 June 2015	31 December 2014	Changes	Unit: RMB million Impact of fair value changes on profits ^{note}
Financial assets at fair value through profit or loss	23,874	17,764	6,110	278
Available-for-sale financial assets	206,155	166,601	39,554	-
Total	230,029	184,365	45,664	278

Note: Change of fair value for AFS financial assets refers to charge for impairment losses.

II. Solvency

We calculate and disclose our actual solvency margin, minimum solvency margin 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 CIRC.

Unit: RMB million

	30 June 2015	31 December 2014	Reasons of Change
CPIC Group			
Actual solvency margin	111,419	103,293	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets
Minimum solvency margin	37,807	36,842	Growth of life and property and casualty insurance business
Solvency margin ratio (%)	295	280	
CPIC Life			
Actual solvency margin	57,475	53,747	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets and capital injection
Minimum solvency margin	25,556	24,611	Growth of insurance business
Solvency margin ratio (%)	225	218	
CPIC P/C			
Actual solvency margin	24,339	21,461	Profit for the period, change of the fair value of investment assets
Minimum solvency margin	12,121	12,106	Growth of insurance business
Solvency margin ratio (%)	201	177	

The first quarter of 2015 marked the beginning of the transitional period of C-ROSS. The new regime is risk oriented and features 3 pillars. It is more favorable to companies focusing on prudent operation and sustainable value growth. The results of quantitative testing under Pillar I indicate that as of the end of the reporting period, all of the solvency margin ratios of CPIC Group, CPIC Life and CPIC P/C all improved as compared with the levels under the current system.

III. Sensitivity analysis

(I) Sensitivity analysis of solvency

1. CPIC Life

As at 30 June of 2015, CPIC Life's actual solvency margin and minimum solvency margin amounted to RMB57.475 billion and RMB25.556 billion respectively, with a solvency margin ratio of 225%. The required capital and other market conditions being equal, we assumed a 50BPs-change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets^{note 1} move in proportion to stock prices), and tested their impact on our solvency margin ratio^{note 2} as at 30 June 2015. The results are as follows:

30 June 2015	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	-10%
Solvency margin ratio (%)	221	230	238	212

Notes:

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

2. After policyholder participation.

2. CPIC P/C

As at 30 June of 2015, CPIC P/C's actual solvency margin and minimum solvency margin

amounted to RMB24.339 billion and RMB12.121 billion respectively, with a solvency margin ratio of 201%. We assumed, while the required capital and other market conditions being equal, a 50BPs-change in interest rates or a 10% change in stock prices (assuming the fair value of equity assets^{note} move in proportion to stock prices), and tested their impact on our solvency margin ratio as at 30 June 2015. The results are as follows:

30 June 2015	Changes in interest rates		Changes in equity securities prices	
	+50bp	-50bp	+10%	-10%
Solvency margin ratio (%)	200	202	205	197

Note: Equity assets do not include bond investment funds, money market investment funds, wealth management products or other equity investments, etc.

(II) Sensitivity analysis of price risk

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

Unit: RMB million

Market value	Jan. to June 2015 / 30 June 2015	
	Impact on profit before tax	Impact on equity
+10%	714	4,824
-10%	(714)	(4,824)

Notes:

1. After policyholder participation.
2. Equity assets do not include bond funds, money market funds, wealth management products, preferred shares or other equity investments.

IV. Insurance contract liabilities

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

As at 30 June 2015, insurance contract liabilities of CPIC Life amounted to RMB527.996 billion, representing an increase of 6.2% from the end of 2014. Those of CPIC P/C amounted to RMB71.756 billion, an increase of 6.4%. 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.

	30 June 2015	31 December 2014	Unit: RMB million
			Changes (%)
CPIC Life			
Unearned premiums	2,511	1,868	34.4
Claim reserves	1,412	1,316	7.3
Long-term life insurance contract liabilities	524,073	493,905	6.1

CPIC P/C			
Unearned premiums	38,615	37,297	3.5
Claim reserves	33,141	30,168	9.9

V. Investment contract liabilities

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

Unit: RMB million

	31 December 2014	Increase for the period			Decrease for the period		30 June 2015
		Deposit received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	35,662	4,586	695	1,346	(3,042)	(71)	39,176

VI. Reinsurance business

In the first half of 2015, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 6 months ended 30 June	2015	2014	Changes (%)
CPIC Life	694	788	(11.9)
Traditional insurance	528	574	(8.0)
Participating insurance	126	132	(4.5)
Universal insurance	1	2	(50.0)
Short-term accident and health insurance	39	80	(51.3)
CPIC P/C	6,840	6,852	(0.2)
Automobile insurance	2,891	3,038	(4.8)
Non-automobile insurance	3,949	3,814	3.5

The decrease in ceded premiums for CPIC Life was due to lower reinsurance ratio whereas that for CPIC P/C was because of slower business growth.

In the first half of 2015, premiums ceded inwardly are set out below:

Unit: RMB million

For 6 months ended 30 June	2015	2014	Changes (%)
CPIC P/C	128	40	220.0
Automobile insurance	-	-	/
Non-automobile insurance	128	40	220.0

As at 30 June 2015, reinsurance assets are set out below:

Unit: RMB million

	30 June 2015	31 December 2014	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	20	11	81.8
Claim reserves	8	11	(27.3)
Long-term life insurance contract liabilities	7,170	6,873	4.3
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	4,760	4,259	11.8
Claim reserves	5,828	6,202	(6.0)

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. Normally, only domestic reinsurance companies with good records or international reinsurance companies of ratings of A- or above would qualify. Other than 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 such as Swiss Reinsurance Company and Munich 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 2015, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 30 June 2015 by approximately RMB807 million and a decrease in profit before tax for the 6 months ended 30 June 2015 by approximately RMB807 million.

The above change in accounting estimates has been approved by the Board of Directors of the Company on 28 August 2015.

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 2015, and the value of half year's sales of CPIC Life in the 6 month to 30 June 2015 at risk discount rate of 11%.

Valuation Date	Unit: RMB million	
	30 June 2015	31 December 2014
Group Adjusted Net Worth	109,713	97,230
Adjusted Net Worth of CPIC Life	57,599	50,386
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(4,640)	(4,721)

Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	106,029	94,938
Cost of Solvency Margin Held for CPIC Life	(15,775)	(14,867)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	85,614	75,351
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group	84,152	74,064
Group Embedded Value	193,866	171,294
Life Embedded Value	143,214	125,737
Valuation Date	30 June 2015	30 June 2014
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	8,336	6,074
Cost of Solvency Margin	(1,109)	(845)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	7,227	5,230

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 half year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

New Business Volumes and Value of Half Year's Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of half year's sales of CPIC Life after cost of solvency margin held in the first half of year 2015 and 2014.

	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	
	2015	2014	2015	2014
Individual business	16,993	13,010	6,867	4,732
Group & Partnerships	6,178	11,906	360	498
Total	23,171	24,916	7,227	5,230

Note: Figures may not be additive due to rounding.

IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

The Company distributed a cash dividend of RMB0.50 per share (including tax) in accordance with the "Resolution on Profit Distribution Plan for the year 2014" approved at the 2014 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 2015.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

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.

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

During the six months ended 30 June 2015, 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 2015 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 2015 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) and the Company's website (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 P/C"	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC AMC"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC Allianz Health"	CPIC Allianz Health Insurance 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 holding subsidiary of CPIC Group
"CPIC Online"	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of CPIC Group
"CPIC AII"	Pacific Insurance Aging Industry Investment Management Co., Ltd.
"Anxin Agricultural"	Anxin Agricultural Insurance Co., Ltd.

“Guo Shi Tiao”	Several Opinions of the State Council on Accelerating the Development of the Modern Insurance Service Industry
“C-ROSS”	China Risk Oriented Solvency System
“CIRC”	China Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC GAAP”	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
“Corporate Governance Code”	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi
“pt”	Percentage point

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

Hong Kong, 31 August 2015

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 Jian, Mr. WANG Chengran, Ms. SUN Xiaoning, 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 and Mr. GAO Shanwen.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

FOR THE PERIOD ENDED 30 JUNE 2015

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

FOR THE PERIOD ENDED 30 JUNE 2015

CONTENTS	Pages
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	1
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	
Interim condensed consolidated income statement	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated balance sheet	4 - 5
Interim condensed consolidated statement of changes in equity	6 - 7
Interim condensed consolidated cash flow statement	8
Notes to the interim condensed consolidated financial information	9 - 46

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

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 46, which comprises the interim condensed consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2015

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
Gross written premiums	6(a)	110,891	108,413
Less: Premiums ceded to reinsurers	6(b)	(7,345)	(7,476)
Net written premiums	6(c)	103,546	100,937
Net change in unearned premium reserves		(1,484)	(5,309)
Net premiums earned		102,062	95,628
Investment income	7	31,490	14,138
Other operating income		978	820
Other income		32,468	14,958
Total income		134,530	110,586
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(30,148)	(22,011)
Claims incurred	8	(27,730)	(24,362)
Changes in long-term life insurance contract liabilities	8	(25,433)	(25,440)
Policyholder dividends	8	(3,296)	(2,253)
Finance costs		(1,439)	(1,379)
Interest credited to investment contracts		(695)	(749)
Other operating and administrative expenses		(30,226)	(25,213)
Total benefits, claims and expenses		(118,967)	(101,407)
Share of profit in equity accounted investees		18	-
Profit before tax	9	15,581	9,179
Income tax	10	(4,094)	(2,220)
Net profit for the period		11,487	6,959
Attributable to:			
Equity holders of the parent		11,295	6,848
Non-controlling interests		192	111
		11,487	6,959
Basic earnings per share	11	RMB1.25	RMB0.76
Diluted earnings per share	11	RMB1.25	RMB0.76

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the six months ended 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note</u>	<u>Six months ended 30 June</u>	
		<u>2015</u>	<u>2014</u>
		(unaudited)	(unaudited)
Net profit for the period		11,487	6,959
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-	3
Available-for-sale financial assets		6,379	5,612
Income tax relating to available-for-sale financial assets		(1,595)	(1,400)
Share of other comprehensive income in equity accounted investees		15	-
Other comprehensive income to be reclassified to profit or loss in subsequent period		4,799	4,215
Other comprehensive income for the period	12	4,799	4,215
Total comprehensive income for the period		<u>16,286</u>	<u>11,174</u>
Attributable to:			
Equity holders of the parent		16,000	10,998
Non-controlling interests		286	176
		<u>16,286</u>	<u>11,174</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2015</u> (unaudited)	<u>31 December 2014</u> (audited)
ASSETS			
Goodwill		962	962
Property and equipment		12,785	12,960
Investment properties		6,454	6,563
Other intangible assets		830	886
Prepaid land lease payments		58	58
Interests in associates	13	285	253
Investment in joint ventures	14	14	11
Held-to-maturity financial assets	15	313,564	311,998
Investments classified as loans and receivables	16	76,492	61,259
Restricted statutory deposits		6,038	5,580
Term deposits	17	175,670	165,562
Available-for-sale financial assets	18	206,155	166,601
Financial assets at fair value through profit or loss	19	23,874	17,764
Securities purchased under agreements to resell		1,712	2,822
Policy loans		14,848	12,253
Interest receivables		14,372	15,232
Reinsurance assets	20	17,569	17,167
Deferred income tax assets	21	38	148
Insurance receivables		12,236	8,357
Other assets	22	10,829	7,444
Cash and short-term time deposits	23	16,900	11,220
Total assets		<u>911,685</u>	<u>825,100</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)
 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2015</u> (unaudited)	<u>31 December 2014</u> (audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital	24	9,062	9,062
Reserves	25	86,080	81,375
Retained profits	25	33,458	26,694
Equity attributable to equity holders of the parent		128,600	117,131
Non-controlling interests		2,264	2,064
Total equity		<u>130,864</u>	<u>119,195</u>
Liabilities			
Insurance contract liabilities	26	599,845	564,643
Investment contract liabilities	27	39,176	35,662
Policyholders' deposits		76	76
Subordinated debts	28	19,496	19,496
Long-term borrowings		186	187
Securities sold under agreements to repurchase		49,066	26,908
Deferred income tax liabilities	21	3,189	1,628
Income tax payable		3,130	1,631
Premium received in advance		3,730	7,860
Policyholder dividend payable		17,058	16,024
Payables to reinsurers		4,613	3,577
Other liabilities		41,256	28,213
Total liabilities		<u>780,821</u>	<u>705,905</u>
Total equity and liabilities		<u>911,685</u>	<u>825,100</u>

 GAO Guofu
 Director

 HUO Lianhong
 Director

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 2015 (unaudited)										
	Attributable to equity holders of the parent										
	Issued capital	Capital reserves	Surplus reserves	General reserves	Reserves			Retained profits	Total	Non-controlling interests	Total equity
Available-for-sale investment revaluation reserves					Foreign currency translation reserves	Share of other comprehensive income in equity accounted investees					
At 1 January 2015	9,062	66,742	3,574	5,539	5,573	(63)	10	26,694	117,131	2,064	119,195
Total comprehensive income	-	-	-	-	4,690	-	15	11,295	16,000	286	16,286
Dividend declared ¹	-	-	-	-	-	-	-	(4,531)	(4,531)	-	(4,531)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(86)	(86)
At 30 June 2015	9,062	66,742	3,574	5,539	10,263	(63)	25	33,458	128,600	2,264	130,864

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2014, amounting to 4,531million (RMB 0.50 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 2014 (unaudited)									
	Attributable to equity holders of the parent									
	Issued capital	Capital reserves	Surplus reserves	General reserves	Reserves		Retained profits	Total	Non-controlling interests	Total equity
Available-for-sale investment revaluation reserves					Foreign currency translation reserves					
At 1 January 2014	9,062	66,742	3,089	4,544	(5,155)	(64)	20,750	98,968	1,418	100,386
Total comprehensive income	-	-	-	-	4,147	3	6,848	10,998	176	11,174
Dividend declared ¹	-	-	-	-	-	-	(3,625)	(3,625)	-	(3,625)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(67)	(67)
At 30 June 2014	9,062	66,742	3,089	4,544	(1,008)	(61)	23,973	106,341	1,527	107,868

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2013, amounting to RMB3,625 million (RMB0.40 per share)

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2015

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	29	15,786	25,619
Income tax paid		(2,329)	(1,671)
Net cash inflow from operating activities		13,457	23,948
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(752)	(1,241)
Proceeds from sale of property and equipment, intangible assets and other assets		6	53
Purchases of investments, net		(51,999)	(81,237)
Interest received		18,952	14,490
Dividends received from investments		1,670	1,534
Net cash outflow from investing activities		(32,123)	(66,401)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		22,158	43,539
Repayment of borrowings		-	(1)
Proceeds from issuance of subordinated debts		-	4,000
Interest paid		(904)	(652)
Dividends paid		-	(12)
Proceeds from NCI of consolidated structured entities		1,983	-
Net cash inflow from financing activities		23,237	46,874
Effects of exchange rate changes on cash and cash equivalents		(1)	42
Net increase in cash and cash equivalents		4,570	4,463
Cash and cash equivalents at beginning of period		14,042	19,335
Cash and cash equivalents at end of period		18,612	23,798
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		13,306	16,408
Time deposits with original maturity of no more than three months		2,784	5,630
Other monetary assets		810	506
Investments with original maturity of no more than three months		1,712	1,254
Cash and cash equivalents at end of period		18,612	23,798

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

(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 2015 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 2014.

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

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

2.2 Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of amended standards as of 1 January 2015 as described below. The adoption of these amended HKFRSs currently has been either not applicable or not significant on these consolidated financial statements.

- **HKAS 19 Amendments: Regarding defined benefit plans**
This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.
- **Annual Improvements 2010-2012 Cycle: Amendments to a number of HKFRSs**
 - **HKFRS2, ‘Share-based payment’**
The amendment clarifies the definition of a ‘vesting condition’ and separately defines ‘performance condition’ and ‘service condition’.
 - **HKFRS3, ‘Business combinations’ and consequential amendments to HKFRS9, ‘Financial instruments’, HKAS37, ‘Provisions, contingent liabilities and contingent assets’, and HKAS39, ‘Financial instruments – Recognition and measurement’**
The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS/HKAS 32, ‘Financial instruments: Presentation’. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.
 - **HKFRS8, ‘Operating segments’**
The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity’s assets when segment assets are reported.

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

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

2.2 Changes in accounting policy and disclosures (continued)

- Annual Improvements 2010-2012 Cycle: Amendments to a number of HKFRSs (continued)
 - HKAS16, ‘Property, plant and equipment’ and HKAS38, ‘Intangible assets’
Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
 - HKAS 24, ‘Related Party Disclosures’
The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.
- Annual Improvements 2011-2013 Cycle: Amendments to a number of HKFRSs
 - HKFRS3, ‘Business combinations’
It clarifies that IFRS/HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS /HKFRS 11 in the financial statements of the joint arrangement.
 - HKFRS13, ‘Fair value measurement’
It clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.
 - HKAS40, ‘Investment property’
Preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

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

(All amounts expressed in Renminbi (“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 2015, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 30 June 2015 by approximately RMB807 million and a decrease in profit before tax for the six months ended 30 June 2014 by approximately RMB807 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 28 August 2015.

4. SEGMENT INFORMATION

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

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

The Group’s operating segments are listed as follows:

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

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

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

During the six months ended 30 June 2015, gross written premiums from transactions with the top five external customers amounted to 0.3% (during the six months ended 30 June 2014: 0.3%) of the Group’s total gross written premiums.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2015

	Life	Property and			Corporate and others	Elimina- tions	Total	
	insurance	casualty insurance						
	Mainland China	Hong Kong	Elimina- tions	Sub-total				
Gross written premiums	62,480	48,380	223	(180)	48,423	-	(12)	110,891
Less: Premiums ceded to reinsurers	(679)	(6,840)	(18)	180	(6,678)	-	12	(7,345)
Net written premiums	61,801	41,540	205	-	41,745	-	-	103,546
Net change in unearned premium reserves	(668)	(817)	1	-	(816)	-	-	(1,484)
Net premiums earned	61,133	40,723	206	-	40,929	-	-	102,062
Investment income	23,811	4,415	11	-	4,426	8,606	(5,353)	31,490
Other operating income	535	149	9	-	158	1,356	(1,071)	978
Other income	24,346	4,564	20	-	4,584	9,962	(6,424)	32,468
Segment income	85,479	45,287	226	-	45,513	9,962	(6,424)	134,530
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(30,148)	-	-	-	-	-	-	(30,148)
Claims incurred	(1,198)	(26,422)	(110)	-	(26,532)	-	-	(27,730)
Changes in long-term life insurance contract liabilities	(24,720)	-	-	-	-	-	(713)	(25,433)
Policyholder dividends	(3,296)	-	-	-	-	-	-	(3,296)
Finance costs	(1,187)	(174)	-	-	(174)	(78)	-	(1,439)
Interest credited to investment contracts	(694)	(1)	-	-	(1)	-	-	(695)
Other operating and administrative expenses	(15,386)	(14,341)	(70)	-	(14,411)	(1,319)	890	(30,226)
Segment benefits, claims and expenses	(76,629)	(40,938)	(180)	-	(41,118)	(1,397)	177	(118,967)
Segment results	8,850	4,349	46	-	4,395	8,565	(6,247)	15,563
Share of profit in equity accounted investees	30	18	-	-	18	-	(30)	18
Profit before tax	8,880	4,367	46	-	4,413	8,565	(6,277)	15,581
Income tax	(2,424)	(1,099)	(6)	-	(1,105)	(334)	(231)	(4,094)
Net profit for the period	6,456	3,268	40	-	3,308	8,231	(6,508)	11,487

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

(All amounts expressed in Renminbi (“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)
Net premiums earned	58,933	36,501	194	-	36,695	-	95,628
Investment income	11,388	1,976	12	-	1,988	911	14,138
Other operating income	457	155	2	-	157	1,085	820
Other income	11,845	2,131	14	-	2,145	1,996	14,958
Segment income	70,778	38,632	208	-	38,840	1,996	110,586
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)
Segment benefits, claims and expenses	(64,404)	(36,602)	(183)	-	(36,785)	(1,046)	(101,407)
Segment results	6,374	2,030	25	-	2,055	950	9,179
Share of profit in equity accounted investees	3	-	-	-	-	(3)	-
Profit before tax	6,377	2,030	25	-	2,055	950	9,179
Income tax	(1,463)	(556)	(3)	-	(559)	(198)	(2,220)
Net profit for the period	4,914	1,474	22	-	1,496	752	6,959

The segment assets as at 30 June 2015 and 31 December 2014 are as following:

	Life insurance	Property and casualty insurance			Others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				Sub-total
30 June 2015 (Unaudited)	746,817	122,264	807	(351)	122,720	61,873	(19,725)	911,685
31 December 2014 (Audited)	670,265	114,481	764	(361)	114,884	56,660	(16,709)	825,100

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
 30 June 2015

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

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company’s incorporated subsidiaries as at 30 June 2015 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	19,470,000	19,470,000	98.50	-	98.50	
China Pacific Life Insurance Co., Ltd. (“CPIC Life”)	Life insurance	Shanghai	The PRC	73337090-6	8,420,000	8,420,000	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. (“Changjiang Pension”)	Pension business and investment management	Shanghai	Shanghai	66246731-2	787,610	787,610	-	51.00	51.75	
CPIC Investment Management (H.K.) Company Limited (“CPIC Investment (H.K.)”)	Investment management	Hong Kong	Hong Kong	Not applicable	HK\$50,000 thousand	HK\$50,000 thousand	49.00	50.83	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
 30 June 2015

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

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company’s incorporated subsidiaries as at 30 June 2015 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		Percentage of voting rights attributable to the Company	Note
							to the Company	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	
Pacific Insurance Aging Industry Investment Management Co., Ltd. (“CPIC Aging Investment”)	Pension business investment, etc	Shanghai	Shanghai	31257444-1	100,000	100,000	-	98.29	100.00	
CPIC Allianz Health Insurance Co.,Ltd. (“CPIC Allianz Health”)	Health insurance	Shanghai	Shanghai	32465377-X	1,000,000	1,000,000	77.05	-	77.05	

* Subsidiaries of City Island

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
 30 June 2015

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

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 30 June 2015, the consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Paid-in capital (Units in thousand)	Principal activities
Pacific Stable Wealth Management NO.1	19.23	4,094,519	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)	33.91	1,062,155	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 CSI 300 Index	99.61	1,859,760	All investing in CSI300 constituent stock and alternative one, new shares(newly- issued in primary market), government bond due within one year, exchange-traded securities purchased under agreements to resell, current deposits, monetary funds and the other financial instruments which are permitted by laws and regulations.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2015	2014
Long-term life insurance premiums	58,447	56,707
Short-term life insurance premiums	4,018	3,498
Property and casualty insurance premiums	48,426	48,208
	<u>110,891</u>	<u>108,413</u>

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2015	2014
Long-term life insurance premiums ceded to reinsurers	(655)	(708)
Short-term life insurance premiums ceded to reinsurers	(39)	(80)
Property and casualty insurance premiums ceded to reinsurers	(6,651)	(6,688)
	<u>(7,345)</u>	<u>(7,476)</u>

(c) Net written premiums

	Six months ended 30 June	
	2015	2014
Net written premiums	<u>103,546</u>	<u>100,937</u>

7. INVESTMENT INCOME

	Six months ended 30 June	
	2015	2014
Interest and dividend income (a)	19,620	17,410
Realized gains (b)	11,592	134
Unrealized gains (c)	278	166
Charge of impairment losses on financial assets	-	(3,572)
	<u>31,490</u>	<u>14,138</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	Six months ended 30 June	
	2015	2014
Financial assets at fair value through profit or loss		
- Fixed maturity investments	357	176
- Investment funds	14	15
- Equity securities	28	28
	<u>399</u>	<u>219</u>
Held-to-maturity financial assets		
- Fixed maturity investments	7,784	6,791
Loans and receivables		
- Fixed maturity investments	7,462	6,149
Available-for-sale financial assets		
- Fixed maturity investments	2,370	2,741
- Investment funds	1,016	727
- Equity securities	366	746
- Other equity investments	223	37
	<u>3,975</u>	<u>4,251</u>
	<u>19,620</u>	<u>17,410</u>

(b) Realized gains

	Six months ended 30 June	
	2015	2014
Financial assets at fair value through profit or loss		
- Fixed maturity investments	231	(8)
- Investment funds	(5)	(30)
- Equity securities	2,402	16
	<u>2,628</u>	<u>(22)</u>
Available-for-sale financial assets		
- Fixed maturity investments	174	(20)
- Investment funds	1,752	56
- Equity securities	7,027	120
- Other equity investments	11	-
	<u>8,964</u>	<u>156</u>
	<u>11,592</u>	<u>134</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

9. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
Employee benefit expense (including directors’ and supervisors’ emoluments)	7,443	6,296
Auditors’ remuneration	10	10
Operating lease payments in respect of land and buildings	418	410
Depreciation of property and equipment	533	555
Depreciation of investment properties	109	110
Amortization of other intangible assets	162	146
Amortization of other assets	11	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(5)	(29)
Charge of impairment loss on insurance receivables	137	158
Charge of impairment loss on financial assets (note 7)	-	3,572
Foreign exchange loss/(gain), net	3	(66)

10. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2015	2014
Current income tax	4,018	2,680
Deferred income tax (note 21)	76	(460)
	<u>4,094</u>	<u>2,220</u>

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2015	2014
Deferred income tax (note 21)	<u>(1,595)</u>	<u>(1,400)</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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

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:

	Six months ended 30 June	
	2015	2014
Profit before tax	15,581	9,179
Tax computed at the statutory tax rate	3,895	2,295
Adjustments to income tax in respect of previous periods	(74)	(58)
Income not subject to tax	(772)	(635)
Expenses not deductible for tax	1,026	577
Others	19	41
Tax expense at the Group’s effective rate	<u>4,094</u>	<u>2,220</u>

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
Consolidated net profit for the period attributable to equity holders of the parent	11,295	6,848
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	<u>RMB1.25</u>	<u>RMB0.76</u>
Diluted earnings per share	<u>RMB1.25</u>	<u>RMB0.76</u>

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2015 and 30 June 2014.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

12. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	2014
Exchange differences on translation of foreign operations	-	3
Available-for-sale financial assets		
Gains arising during the period	19,300	2,258
Reclassification adjustments for (gains) included in profit or loss	(8,964)	(156)
Fair value change on available-for-sale financial assets attributable to policyholders	(3,957)	(62)
Impairment charges reclassified to the income statement	-	3,572
	<u>6,379</u>	<u>5,612</u>
Income tax relating to available-for-sale financial assets	(1,595)	(1,400)
	<u>4,784</u>	<u>4,212</u>
Share of other comprehensive income in equity accounted investees	15	-
Other comprehensive income	<u>4,799</u>	<u>4,215</u>

13. INTERESTS IN ASSOCIATES

	30 June 2015					At 30 June 2015
	Historical cost	At 1 January 2015	Additions	Share of profit	Other comprehensive income	
Anxin Agriculture Insurance Co., Ltd.(the “Anxin”)	219	251	-	17	15	283
Taiji (Shanghai) Information Technology Co., Ltd.(the “Taiji”)	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>221</u>	<u>253</u>	<u>-</u>	<u>17</u>	<u>15</u>	<u>285</u>

On 7 July 2014, CPIC Property signed the ownership transfer contract with Shanghai International Group and Shanghai State-owned Asset Management Co., Ltd. for transferring 171,669,200 shares of Anxin. After this transaction, the Company has an ownership percentage of 33.825 percent, which is held indirectly through CPIC Property. This provides CPIC Property for 34.34 percent of the voting rights in Anxin’s. On 11 October 2014, the CIRC officially approved this transaction.

On 22 September 2014, CPIC Online Services and Zhonghe-Xintai(Fujian) Investment set up Taiji lasting 20 years with registered capital of RMB15 million. Among all, CPIC Online Services stands for 40 percent shares and its first capital contribution reaches RMB2.3 million.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

13. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 30 June 2015

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				
Anxin	Shanghai	-	33.83%	34.34%	500,000	500,000	Insurance Technology development and consulting, etc.
Taiji	Shanghai	-	40.00%	40.00%	15,000	4,600	

Summarised financial information for associates

	Six months ended 30 June 2015
Net profit for the period	52
Other comprehensive income for the period	43
Total comprehensive income for the period	<u>95</u>
Total comprehensive income attributable to the Group	<u>32</u>
Carrying amount of the Group’s interest	<u>285</u>

14. INVESTMENT IN JOINT VENTURES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Share of net assets	<u>14</u>	<u>11</u>

In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. (“Binjiang-Xiangrui”) as the owner of the land use right to this parcel of land and construction development subject. Binjiang-Xiangrui finally acquired the enterprise business license in March 2013.

On 10 June 2015, CPIC Online Services and Jiaxing-Taiyi Technology and Jiaxing-Taizhong Investment set up Taiyi (Shanghai) Information Technology Co., Ltd.(the “Taiyi”) lasting 20 years with registered capital of RMB10 million. Among all, CPIC Online Services stands for 48 percent shares and its first capital contribution reaches RMB3 million.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

14. INVESTMENT IN JOINT VENTURES (continued)

Particulars of the joint venture as at 30 June 2015 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
Taiyi	Shanghai	-	48.00	48.00	10,000	3,000	Used car information service platform

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

	Six months ended 30 June	
	2015 (RMB thousand)	2014 (RMB thousand)
The joint venture’s net loss:	(14)	(4)
The joint venture’s other comprehensive income:	-	-

As at 30 June 2015, Binjiang-Xiangrui was still under construction and the net loss reaches RMB14,000 yuan (31 December 2014:RMB17,000 yuan).

As at 30 June 2015, the Group’s investment in joint ventures had no impairment. The Group received no cash dividend from Binjiang-Xiangrui and Taiyi.

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

15. HELD-TO-MATURITY FINANCIAL ASSETS

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

	30 June 2015	31 December 2014
Listed		
Debt investments		
- Government bonds	1,360	1,357
- Finance bonds	6,063	6,070
- Corporate bonds	12,838	12,573
	<u>20,261</u>	<u>20,000</u>
Unlisted		
Debt investments		
- Government bonds	70,385	70,384
- Finance bonds	108,859	109,053
- Corporate bonds	114,059	112,561
	<u>293,303</u>	<u>291,998</u>
	<u>313,564</u>	<u>311,998</u>

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

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>30 June 2015</u>	<u>31 December 2014</u>
Debt investments		
- Finance bonds	4,568	5,688
- Debt investment scheme	50,420	47,573
- Wealth management products	20,904	7998
- Preference share	600	-
	<u>76,492</u>	<u>61,259</u>

As at 30 June 2015, CPIC Asset Management, a subsidiary of the Group, issued 64 debt investment schemes with a total value of RMB109.18 billion. Of these, the carrying amounts approximately RMB40.06 billion are recognized in the Group’s consolidated financial information (As at 31 December 2014, CPIC Asset Management issued 54 debt investment schemes with a total value of 99.21 billion. Of these, the carrying amounts approximately RMB39.23 billion are recognized in the Group’s consolidated financial information) As at 30 June 2015, Changjiang Pension, a subsidiary of the Group, issued 5 debt investment schemes with a total value of RMB6 billion. Of these, the carrying amounts approximately RMB40 million are recognized in the Group’s consolidated financial information (31 December 2014, issued 4 debt investment schemes with a total value of RMB5 billion. Of these, the carrying amounts approximately RMB40 million are recognized in the Group’s consolidated financial information) Meanwhile, the Group also had investments in debt investment schemes launched by other insurance asset management companies with a value of approximately RMB10.32 billion (31 December 2014, 8.30 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are RMB47.43 billion. For debt investment schemes launched by CPIC Asset Management and Changjiang Pension and invested by the Group, the Group did not provide any guarantees or financial support. The Group’s maximum exposure to loss in the debt investment schemes is limited to its carrying amounts.

17. TERM DEPOSITS

	<u>30 June 2015</u>	<u>31 December 2014</u>
1 month to 3 months (including 3 months)	14,935	5,581
3 months to 1 year (including 1 year)	39,580	22,367
1 to 2 years (including 2 years)	55,510	47,180
2 to 3 years (including 3 years)	18,950	45,160
3 to 4 years (including 4 years)	19,650	20,950
4 to 5 years (including 5 years)	27,005	24,184
More than 5 years	40	140
	<u>175,670</u>	<u>165,562</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(continued)
30 June 2015

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

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>30 June 2015</u>	<u>31 December 2014</u>
Listed		
Equity investments		
- Equity securities	32,032	24,886
- Investment funds	11,195	6,609
- Wealth management products	1,048	1,000
Debt investments		
- Government bonds	5,403	19
- Finance bonds	1,761	1,492
- Corporate bonds	10,444	11,844
- Wealth management products	1,050	1,384
	<u>62,933</u>	<u>47,234</u>
Unlisted		
Equity investments		
- Investment funds	33,509	25,078
- Wealth management products	18,635	6,471
- Other equity investments	13,311	10,354
- Preference share	1,400	-
Debt investments		
- Government bonds	5,044	89
- Finance bonds	8,620	10,590
- Corporate bonds	62,617	66,717
- Wealth management products	86	68
	<u>143,222</u>	<u>119,367</u>
	<u>206,155</u>	<u>166,601</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

19. 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 2015</u>	<u>31 December 2014</u>
Listed		
Equity investments		
- Equity securities	3,958	4,160
- Investment funds	368	180
Debt investments		
- Government bonds	74	86
- Finance bonds	384	441
- Corporate bonds	8,935	11,317
	<u>13,719</u>	<u>16,184</u>
Unlisted		
Equity investments		
- Investment funds	6,384	1,540
- Wealth management products	87	40
Debt investments		
- Government bonds	41	-
- Finance bonds	912	-
- Corporate bonds	2,731	-
	<u>10,155</u>	<u>1,580</u>
	<u>23,874</u>	<u>17,764</u>

20. REINSURANCE ASSETS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Reinsurers’ share of insurance contracts (note 26)	<u>17,569</u>	<u>17,167</u>

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

	<u>30 June 2015</u>	<u>31 December 2014</u>
Net deferred income tax assets, at beginning of period	(1,480)	2,157
Acquisition of a subsidiary	-	-
Recognized in profit or loss (note 10(a))	(76)	(20)
Recognized in other comprehensive income (note 10(b))	(1,595)	(3,617)
Net deferred income tax (liabilities), at end of the period	<u>(3,151)</u>	<u>(1,480)</u>
Net deferred income tax (liabilities)	(3,151)	(1,480)
Represented by:		
Deferred tax assets	38	148
Deferred tax liabilities	<u>(3,189)</u>	<u>(1,628)</u>

22. OTHER ASSETS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Due from a related-party (1)	1,119	1,080
Tax receivable other than income tax	1,074	1,293
Receivable from securities clearance	6,186	2,789
Due from agents	379	441
Co-insurance receivable	112	96
Others	1,959	1,745
	<u>10,829</u>	<u>7,444</u>

(1) As at 31 June 2015, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,119 million (31 December 2014, RMB1,080 million).

23. CASH AND SHORT-TERM TIME DEPOSITS

	<u>30 June 2015</u>	<u>31 December 2014</u>
Cash at banks and on hand	13,306	7,819
Time deposits with original maturity of no more than three months	2,784	2,803
Other monetary assets	810	598
	<u>16,900</u>	<u>11,220</u>

The Group’s bank balances denominated in RMB amounted to RMB15,933 million as at 30 June 2015 (31 December 2014: RMB10,585 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.

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

23. CASH AND SHORT-TERM TIME DEPOSITS (continued)

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

As at 30 June 2015, RMB716 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2014, RMB454 million).

24. ISSUED CAPITAL

	<u>30 June 2015</u>	<u>31 December 2014</u>
Number of shares issued and fully paid at RMB1 each (million)	<u>9,062</u>	<u>9,062</u>

25. RESERVES AND RETAINED PROFITS

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

(a) Capital reserves

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

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

25. RESERVES AND RETAINED PROFITS (continued)

(b) Surplus reserves

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

(i) Statutory surplus reserves (the “SSR”)

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

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

Of the Group’s retained profits, RMB5,630 million as at 30 June 2015 (31 December 2014: RMB5,630 million) represents the Company’s share of its subsidiaries’ surplus reserve fund.

(ii) Discretionary surplus reserves (the “DSR”)

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

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

(c) General reserves

In accordance with the relevant regulations, general reserves 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 as capital injection.

Of the Group’s reserves, RMB5,539 million as at 30 June 2015 (31 December 2014: RMB5,539 million) represents the Company’s share of its subsidiaries’ general reserves.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

25. 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 8th meeting of the Company’s 7th term of board of directors held on 27 March 2015, a final dividend of approximately RMB4,531million (equivalent to RMB0.50 per share (including tax)) was proposed after the appropriation of statutory surplus reserves.

26. INSURANCE CONTRACT LIABILITIES

	30 June 2015		
	Insurance contract liabilities	Reinsurers’ share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	524,073	(7,170)	516,903
Short-term life insurance contracts			
- Unearned premiums	2,548	(23)	2,525
- Claim reserves	1,417	(9)	1,408
	<u>3,965</u>	<u>(32)</u>	<u>3,933</u>
Property and casualty insurance contracts			
- Unearned premiums	38,608	(4,603)	34,005
- Claim reserves	33,199	(5,764)	27,435
	<u>71,807</u>	<u>(10,367)</u>	<u>61,440</u>
	<u>599,845</u>	<u>(17,569)</u>	<u>582,276</u>
Incurred but not reported claim reserves	<u>5,719</u>	<u>(821)</u>	<u>4,898</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(continued)
30 June 2015

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

26. INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2014		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	493,905	(6,873)	487,032
Short-term life insurance contracts			
- Unearned premiums	1,868	(11)	1,857
- Claim reserves	1,316	(11)	1,305
	3,184	(22)	3,162
Property and casualty insurance contracts			
- Unearned premiums	37,322	(4,133)	33,189
- Claim reserves	30,232	(6,139)	24,093
	67,554	(10,272)	57,282
	564,643	(17,167)	547,476
Incurred but not reported claim reserves	5,164	(877)	4,287

27. INVESTMENT CONTRACT LIABILITIES

At 1 January 2014	34,443
Deposits received	5,259
Deposits withdrawn	(6,199)
Fees deducted	(164)
Interest credited	1,374
Others	949
At 31 December 2014	35,662
Deposits received	4,586
Deposits withdrawn	(3,042)
Fees deducted	(71)
Interest credited	695
Others	1,346
At 30 June 2015	39,176

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

28. SUBORDINATED DEBTS

On 21 December 2011, CPIC Life issued a 10-year subordinated debt with a total face value of RMB8 billion. 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 RMB7.5 billion. 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.

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

	31 December 2014	Issuance	Premium amortization	Redemption	30 June 2015
CPIC Life	15,500	-	-	-	15,500
CPIC Property	3,996	-	-	-	3,996
	<u>19,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,496</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

29. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2015	2014
Profit before tax	15,581	9,179
Investment income	(31,490)	(14,138)
Foreign currency losses/(income)	3	(66)
Finance costs	1,193	1,163
Charge of impairment losses on insurance receivables and other assets, net	137	158
Depreciation of property and equipment	533	555
Depreciation of investment properties	109	110
Amortization of other intangible assets	162	146
Amortization of other assets	11	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(5)	(29)
	(13,766)	(2,912)
(Increase)/decrease in reinsurance assets	(402)	193
Increase in insurance receivables	(3,879)	(4,072)
Increase in other assets	(3,385)	(2,906)
Change in insurance contract liabilities	30,774	32,367
Increase in other operating liabilities	6,444	2,949
Cash generated from operating activities	<u>15,786</u>	<u>25,619</u>

30. RELATED PARTY TRANSACTIONS

The Group had the following major transactions with related parties:

- (a) Sale of insurance contracts

	Six months ended 30 June	
	2015	2014
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	<u>27</u>	<u>25</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

30. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions of asset management products

	Six months ended 30 June	
	2015	2014
Associates of the Company	20	-

(c) Dividends paid

	Six months ended 30 June	
	2015	2014
Equity holders who individually own more than 5% of equity interests of the Company	1,535	1,236

(d) Compensation of key management personnel

	Six months ended 30 June	
	2015	2014
Salaries, allowances and other short-term benefits	10	12
Deferred bonus (1)	-	6
Total compensation of key management personnel	10	18

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

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

	Six months ended 30 June	
	2015	2014
Payments made on behalf of Binjiang-Xiangrui for the purchase of land, construction fees and etc	39	-

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

(f) The Company had the following major transactions with the associates:

	Six months ended 30 June	
	2015	2014
Premium income from Anxin	1	-

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

30. RELATED PARTY TRANSACTIONS (continued)

(g) 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 2014 and 2015, 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.

31. COMMITMENTS

(a) Capital commitments

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

		<u>30 June 2015</u>	<u>31 December 2014</u>
Contracted, but not provided for	(1)(2)	1,368	841
Authorized, but not contracted for	(1)(2)	945	1,344
		<u>2,313</u>	<u>2,185</u>

Major projects with capital commitments are as follows:

- (1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2 billion. As at 30 June 2015, the cumulative amount incurred by the Company amounted to RMB966 million. Of the balance, RMB638 million was disclosed as a capital commitment contracted but not provided for and RMB396 million was disclosed as a capital commitment authorized but not contracted for.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

31. COMMITMENTS (continued)

(a) Capital commitments (continued)

(2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. (“Binjiang-Xiangrui”) as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB2 billion. As at 30 June 2015, the cumulative amount incurred by the Company amounted to RMB1,119 million. Of the balance, RMB333 million was disclosed as a capital commitment contracted but not provided for and RMB548 million was disclosed as a capital commitment authorized but not contracted for.

(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 2015</u>	<u>31 December 2014</u>
Within 1 year (including 1 year)	685	666
1 to 2 years (including 2 years)	495	453
2 to 3 years (including 3 years)	344	306
3 to 5 years (including 5 years)	387	289
More than 5 years	363	170
	<u>2,274</u>	<u>1,884</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 2015</u>	<u>31 December 2014</u>
Within 1 year (including 1 year)	523	288
1 to 2 years (including 2 years)	418	159
2 to 3 years (including 3 years)	190	88
3 to 5 years (including 5 years)	53	13
More than 5 years	2	5
	<u>1,186</u>	<u>553</u>

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

32. CONTINGENT LIABILITIES

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

In addition to the above legal proceedings, as at 30 June 2015, 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.

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows.

	As at 30 June 2015					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Held-to-maturity financial assets	-	19,746	120,250	424,028	-	564,024
Investments classified as loans and receivables	-	9,675	63,508	21,437	-	94,620
Restricted statutory deposits	50	1,774	5,227	-	-	7,051
Term deposits	-	63,999	135,657	43	-	199,699
Available-for-sale financial assets	-	39,129	58,110	54,536	90,968	242,743
Financial assets at fair value through profit or loss	-	1,726	8,222	6,601	10,711	27,260
Securities purchased under agreements to resell	-	1,712	-	-	-	1,712
Insurance receivables	3,270	9,206	178	42	-	12,696
Cash and short-term time deposits	14,069	2,831	-	-	-	16,900
Others	676	23,962	1,126	-	-	25,764
Total	18,065	173,760	392,278	506,687	101,679	1,192,469
Liabilities:						
Investment contract liabilities	71	3,621	1,999	33,485	-	39,176
Policyholders’ deposits	-	76	-	-	-	76
Subordinated debts	-	1,020	21,335	-	-	22,355
Long-term borrowings	-	192	-	-	-	192
Securities sold under agreements to repurchase	-	49,124	-	-	-	49,124
Others	31,752	17,171	216	11	26	49,176
Total	31,823	71,204	23,550	33,496	26	160,099

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2014					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Held-to-maturity financial assets	-	20,490	111,170	443,268	-	574,928
Investments classified as loans and receivables	-	7,807	48,778	20,275	-	76,860
Restricted statutory deposits	-	464	5,943	-	-	6,407
Term deposits	-	36,281	154,781	160	-	191,222
Available-for-sale financial assets	-	30,261	58,900	32,035	66,378	187,574
Financial assets at fair value through profit or loss	-	1,164	7,528	6,657	5,920	21,269
Securities purchased under agreements to resell	-	2,828	-	-	-	2,828
Insurance receivables	1,664	6,847	153	30	-	8,694
Cash and short-term time deposits	8,417	2,804	-	-	-	11,221
Others	918	17,878	1,091	-	-	19,887
Total	10,999	126,824	388,344	502,425	72,298	1,100,890
Liabilities:						
Investment contract liabilities	105	2,769	2,277	30,511	-	35,662
Policyholders' deposits	-	76	-	-	-	76
Subordinated debts	-	1,020	21,571	-	-	22,591
Long-term borrowings	-	199	-	-	-	199
Securities sold under agreements to repurchase	-	26,973	-	-	-	26,973
Others	30,724	11,337	281	14	20	42,376
Total	30,829	42,374	24,129	30,525	20	127,877

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

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

The Group’s financial liabilities mainly include securities sold under agreements to repurchase, policyholders’ deposits, investment contract liabilities, 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.

	<u>As at 30 June 2015</u>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	313,564	324,546
Investments classified as loans and receivables	<u>76,492</u>	<u>79,547</u>
Financial liabilities:		
Subordinated debt	<u>19,496</u>	<u>20,512</u>
	<u>As at 31 December 2014</u>	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	311,998	317,417
Investments classified as loans and receivables	<u>61,259</u>	<u>60,929</u>
Financial liabilities:		
Subordinated debt	<u>19,496</u>	<u>19,985</u>

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

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

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

35. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the 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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

35. 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:

	As at 30 June 2015			Total fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	3,621	337	-	3,958
- Investment funds	6,752	-	-	6,752
- Debt securities	6,444	6,633	-	13,077
- Others	-	87	-	87
	<u>16,817</u>	<u>7,057</u>	<u>-</u>	<u>23,874</u>
Available-for-sale financial assets				
- Equity securities	27,562	4,470	-	32,032
- Investment funds	44,391	313	-	44,704
- Debt securities	15,425	78,464	-	93,889
- Others	-	22,219	13,311	35,530
	<u>87,378</u>	<u>105,466</u>	<u>13,311</u>	<u>206,155</u>
Assets for which fair values are disclosed				
Investments classified as loans and receivables				
	-	6,291	73,256	79,547
Held-to-maturity financial assets	13,254	311,292	-	324,546
Investment properties	-	-	8,489	8,489
	<u>-</u>	<u>317,583</u>	<u>81,745</u>	<u>416,312</u>
Liabilities for which fair values are disclosed				
Subordinated debt				
	-	-	20,512	20,512

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2015

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

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2014			Total fair value
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	3,948	212	-	4,160
- Investment funds	1,720	-	-	1,720
- Debt securities	10,453	1,391	-	11,844
- Others	-	40	-	40
	<u>16,121</u>	<u>1,643</u>	<u>-</u>	<u>17,764</u>
Available-for-sale financial assets				
- Equity securities	20,282	4,604	-	24,886
- Investment funds	30,631	1,056	-	31,687
- Debt securities	11,036	79,715	-	90,751
- Others	-	8,923	10,354	19,277
	<u>61,949</u>	<u>94,298</u>	<u>10,354</u>	<u>166,601</u>
Assets for which fair values are disclosed				
Investments classified as loans and receivables	-	5,858	55,071	60,929
Held-to-maturity financial assets	20,212	297,205	-	317,417
Investment properties	-	-	8,456	8,456
Liabilities for which fair values are disclosed				
Subordinated debts	-	-	19,985	19,985

During the six months ended 30 June 2015, 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 2015, the Group transferred the debt securities with a carrying amount of RMB9,420 million from Level 1 to Level 2 and RMB724 million from Level 2 to Level 1. As at 31 December 2014, the Group also transferred the debt securities with a carrying amount of RMB2,127 million from Level 1 to Level 2 and RMB8,102 million from Level 2 to Level 1.

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

35. 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:

	As at 30 June 2015			
	Beginning of period	Purchases	Net unrealised gain recognized in other comprehensive income	End of period
Available-for-sale financial assets				
- Other equity investments	10,354	1,668	1,289	13,311
	<u>10,354</u>	<u>1,668</u>	<u>1,289</u>	<u>13,311</u>
	As at 31 December 2014			
	Beginning of year	Purchases	Net unrealised gain recognized in other comprehensive income	End of year
Available-for-sale financial assets				
- Other equity investments	6,526	2,943	885	10,354
	<u>6,526</u>	<u>2,943</u>	<u>885</u>	<u>10,354</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 Renminbi (“RMB”) million unless otherwise specified)

36. POST BALANCE SHEET EVENT

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

37. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information have been approved and authorized for issue by the Company’s directors on 28 August 2015.