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中國太平洋保險（集團）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

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

(Stock Code : 02601)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

LETTER FROM CHAIRMAN TO SHAREHOLDERS

Dear Shareholders:

The first half of 2017 saw steady growth of China's macro economy and further progress of the structural reform on the supply side. "Risk prevention" and "focus on protection" have recently become the top priorities of the insurance industry. **Against the backdrop of the smooth succession of the Board of Directors, CPIC achieved solid business results with improved quality and profitability as well as the fastest growth in recent years.** In the first half of 2017, gross written premiums (GWPs) reached RMB163.785 billion, up 24.5% compared with the same period of 2016, the highest in seven years. Group operating revenues^{note 1} amounted to RMB177.556 billion, an increase of 22.7%; Group net profits^{note 2} reached RMB6.509 billion, up 6.0%. As of the end of the first half of 2017, the Group's embedded value reached RMB271.454 billion, a growth of 10.4% from the end of the previous year. Of this, the Group's value of in-force business^{note 3} was RMB124.436 billion, up 22.9% over the end of the previous year. With solid financials, the Group's comprehensive solvency margin ratio was 297% under C-ROSS. The Group customers totaled 113.58 million.

- **On the life side, we remain focused on protection, with rapid growth of long-term protection business and record value growth.** Over the last few years, CPIC Life's shift from low-margin business toward sustainable high-margin individual business has produced remarkable results. With the individual business playing a central role in our life insurance, we continued to promote product innovation based on insights into customer needs. Risk protection products such as *Jinyou Rensheng*, *Anxingbao*, *Yinfa Ankang*, *Aiwuyou*, and *Shao'er Chaonengbao* were well-received by customers and helped a lot with customer acquisition. Annualized new premiums from long-term protection products^{note 4} for the first half of 2017 increased by 73.8% year on year. At the same time, driven by rapid growth of new and renewal business from agency channel, GWPs exceeded RMB100 billion for the first time in our history. Thanks to high-quality and fast business growth, we realized RMB19.746 billion of new business value^{note 5} (NBV) for the first half of 2017, up 59.0% year on year and higher than the total of 2016, and the NBV margin^{note 5} reached 40.6%, up by 7.6pt, both hitting a record high.
- **By putting quality first, our property and casualty business continued to improve its combined ratio with a rapid growth of agricultural insurance.** Given the strategy of "controlling business quality, enhancing foundation and boosting long-term growth potential", CPIC P/C continued to improve its capability to serve high-quality customers. Through continuous efforts, we achieved underwriting profitability in 2015. In 2016, our combined ratio was better than the industry average. In the first half of 2017, our combined ratio dropped further to 98.7%. Moreover, both the loss ratio and expense ratio improved in the first half of 2017, with underwriting profits for both automobile and non-auto business. For automobile business, we promoted various service initiatives for high-quality customers, offering branded services including *Jin Yao Shi*, and *Tai Hao Pei* to address the pain points in auto insurance claims and improve customer experience. The number of high-quality automobile business customers (e.g. low-claims, female customers) continued to grow. On the non-auto side, we expanded agricultural insurance to more geographical areas, promoted the use of "e-agricultural insurance" technology and strengthened innovation of agricultural insurance products. In the first six months of 2017, the primary insurance premiums from agricultural insurance reached RMB1.942 billion^{note 6}, 119.7% higher than that of the same period last year, with market share increasing steadily. This is no time for complacency. We still face challenges in our effort to further improve the combined ratio, given the second round of commercial auto insurance de-regulation, and frequent occurrence of natural disasters (typhoon, flood) in the third quarter. Going forward, we will continue to uphold the "quality first" principle, promote the service

initiatives for high-quality customers, further increase the share of our core automobile business channels, in order to enhance our competitiveness in the context of further reform of commercial automobile insurance; we will also strengthen quality control for non-auto business and speed up the development of emerging business such as agricultural insurance.

- **For asset management, we worked hard to prevent and mitigate investment risks while maintaining stable total investment returns.** Persisting in prudent, value and long-term investment and following the basic principles of asset-liability management (ALM), we seized the opportunity of rising market interest rates in the first half of 2017 and proactively increased allocation into fixed income assets to stabilize portfolio yields. We also captured the market opportunities of A Share blue chip and Hong Kong Stock Connect Program. As a result, the annualized total investment yield stayed flat, at 4.7%; the annualized net investment yield was 5.1%, up 0.5pt; and the annualized growth rate of investments' net asset value 4.5%, up 0.6pt. As of the end of the first half of 2017, Group assets under management (AuM) totaled RMB1,339.219 billion, rising 8.4% from the end of 2016. With a prudent ALM model, we effectively constrained the cost of liabilities and avoided reckless behaviors and systemic risks. We continued to strengthen the management of credit risks, with an increased share of non-standard assets (NSAs) with AAA external credit rating. Therefore, our overall credit risk was well under control.
- **We stayed focused on insurance, with continued improvement in Group-wide synergy and business model innovation.** We also continued to optimize the resource sharing mechanism to help our life agents cross-sell automobile insurance products, with GWPs from cross-sell amounting to RMB3.471 billion, up 36.3%. Committed to developing specialized health insurance capabilities, CPIC Allianz Health utilized the Group's existing sales networks to sell its products, which not only helped life agents in customer acquisition but also contributed to its own growth. Further integrated into CPIC Group, Anxin Agricultural collaborated with CPIC P/C in agricultural insurance products to deliver solid business results including good underwriting profitability. Focusing on pension management business, Changjiang Pension pushed forward the establishment of the "CPIC–Changjiang Pension Collaboration Centers", stepped up intra-Group collaboration, while actively participating in the development of the 3-pillar pension system to consolidate its business development foundation.
- **We stepped up efforts to strengthen risk prevention and control, and ensure compliance through various remedial actions.** We regard risk management and compliance as the foundation of the Company's healthy and stable development. In compliance with CIRC requirements, we identified potential risks and weaknesses in

risk control, focusing on 9 key areas: illegal fund-raising, new business management, data authenticity, reputational risk, "five frauds", mis-selling, reluctance to make claims payment, and external credit risks, aiming to ensure detection, early reporting, and early handling of risks. We increased the accountability, established the "naming and shaming" mechanism for violations. Internal accountability inquiries were conducted for all the 12 administrative penalties issued by the regulators. To ensure long-term effect, we focused on building a comprehensive risk management and internal control system which covers all employees and processes, fully embedded into the Company's operation. In the first half of the year, the Company boasted strong solvency, stable profitability and good liquidity, without any occurrence of major risks. Our key compliance indicators stayed at comfortable levels.

- **We made efforts to fully honor our corporate social responsibility (CSR) to deliver value to both the Company and society.** We are fully committed to CSR. Given our unique value proposition in long-term risk management, we continued to play an important role in serving the real economy, contributing to social governance innovation, and promoting people's well-being. The Company provides a variety of risk protection products to support strategic emerging industries such as high-end manufacturing, environmental protection, new energy and new materials, and biotechnology. We supported the development of the real economy by investing in key national infrastructure projects (expressway, energy projects, and tunnel & bridge projects), urban renovation, land reserve and public rental housing. We are also involved in national strategies including the "Belt and Road" initiative, the Yangtze River Economic Zone, the Beijing-Tianjin-Hebei coordinated development initiative, and the Shanghai FTZ. We also provided innovative solutions to social governance, improving service efficiency and the lot of the Chinese people. In the first half of 2017, we undertook 98 government-sponsored health insurance projects across China (terminal illness schemes, basic medical insurance, supplementary medical insurance, and long-term care insurance), covering more than 70 million people. By leveraging our professional expertise, we were involved in poverty alleviation in a number of ways. We continued to carry out charitable activities such as donating to financially-underprivileged students, caring for orphans, and taking part in disaster relief efforts. We have been running the "Love for Orphans" program for 22 consecutive years. These activities helped to empower the underprivileged communities and promoted our branding as a responsible company.

2017 is a crucial year for CPIC. Ten years ago, we got listed on the A-share market, a key step in the history of our development. The listing helped us build up a sound and market-oriented corporate governance. Under the leadership of successive Board of Directors, and

through the joint efforts of all our employees, CPIC has grown into a comprehensive insurance group with solid capital position, and strong value-creating and risk control capabilities. In particular, since the implementation of the strategic transformation in 2011, the Company has achieved initial success in understanding customer needs, improving customer interface, and enhancing customer experience, which prepared us for a new round of strategic opportunities arising from the industry's return to protection as its core value proposition.

Ten years on, CPIC is about to embark on a new journey. In the first half of this year, we lected a new board. As the new chairman of the board, I keenly feel the responsibility on my shoulders. We have been thinking about how to seize the strategic opportunity of the insurance industry, adapt to market changes, and deliver value to our shareholders, customers, employees and the society. Our answer is to be both "consistent" and "different".

"Consistent" means to stay true to our original mission. There was a divergence of development strategies among insurers in recent years. Given the long-term nature of insurance business across economic cycles, we decided to take matters into our own stride, and have never waverd in our pursuit of the original value-oriented business philosophy. We believe this was indispensable to the sustainable value growth we have delivered in an environment of intense market competition. Our understanding of insurance business will continue to form the basis of our future strategies. Going forward, we will stay the course, committed to the core business of insurance, and be good at it, striving to be a leader in promoting the healthy development of China's insurance industry.

"Different" means to deepen the reform and upgrade the transformation. Building on the achievements of previous transformation, the new board will launch "Transformation 2.0", which would focus on 5 central tasks, **"talent development"**, **"digitalization"**, **"enhancing synergy"**, **"improving strategic control"** and **"diversifying insurance-based business portfolios"**. To be more specific, we will enhance our capabilities in the following key areas:

- Organizational restructuring for more efficiency and flexibility, and in particular, building a strategic talent pool with accommodating human resource management mechanism to attract and retain talented people, enhance employees' engagement, and foster higher productivity;
- Implementing "digitalization" for breakthroughs in customer experience, digital decision-making, collaborative sharing of digital tools, and digital talent and leadership;
- Deepening collaboration between CPIC subsidiaries in terms of customers, channels and resources for integrated development;
- Redefining the positioning and management processes of the Group, its subsidiaries and branches to strengthen centralized strategic control, streamlining the decision-

making process to improve efficiency;

- Diversifying the insurance-based portfolio, optimizing resource allocation by giving priority to major cities, and stepping up investments in health and pension business.

Looking ahead, the new board is confident that with the hard work of all CPIC employees and unstinting support of our investors, we can continue to upgrade "Transformation 2.0", enhance quality and profitability, and deliver sustainable value for all stakeholders.

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. Long-term risk protection business includes whole life insurance, term life insurance, long-term health insurance and long-term accident insurance, etc.
5. Figures for the same period of the previous year have been restated.
6. Consolidated data of CPIC P/C and Anxin Agricultural.

REVIEW AND ANALYSIS OF OPERATING RESULTS

Business overview

I. Key businesses

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

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

In the first half of 2017, China's insurance market realized a premium income of RMB2.31 trillion, a growth of 23.0%. Of this, premium from life/health insurance companies amounted to RMB1,786.424 billion, up 26.0% compared with the same period of 2016, and that from property and casualty insurance companies RMB527.586 billion, up 13.9%. CPIC Life and CPIC P/C are China's 3rd largest listed insurer for life and property and casualty insurance, respectively.

II. Core Competitiveness

We are a leading integrated insurance group in China, ranking 252nd among Fortune Global 500. We persist in customer-orientation and focus on insurance to be a "specialist" in the business. We pursue innovation of insurance products and services, and commit ourselves to enhancing customer experience, creating sustainable value and generating stable

returns for our shareholders.

- We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management.
- With a leading insurance franchise, we have put in place a distribution network across China, with 113.58 million customers.
- The customer-oriented transformation begins to pay dividends, building capabilities in Customer Profile Delineation, with enhanced product innovation capabilities for life business based on customer segmentation and improved abilities to serve high quality customers for property and casualty insurance.
- We put in place ALM mechanisms, persisting in prudent investment, value investment and long-term investment, which served to curb the cost of liabilities, and generating an investment return consistently in excess of the cost of liabilities.
- With state-of-the-art and reliable IT systems and investment in enterprise-level applications, we have fostered market-leading capabilities in operational support and new technology application.
- We boast an experienced management team and a Group-centralized platform of management, coupled with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well co-ordinated mechanisms.
- We established a leading system for risk management and internal control, which ensures healthy and sustainable development of the Company.

Performance overview

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

I. Performance highlights

During the reporting period, Group operating revenues^{note 1} amounted to RMB177.556 billion, of which, GWPs reached RMB163.785 billion, a growth of 24.5%. Group net profits^{note 2} reached RMB6.509 billion, up 6.0%. CPIC Life delivered RMB19.746 billion in half-year NBV, up 59.0%. CPIC P/C recorded a combined ratio of 98.7%, down by 0.7pt compared with the same period of 2016. Annualized net investment yield on Group in-house assets stood at 5.1%, up 0.5pt. Group embedded value amounted to RMB271.454 billion, an increase of 10.4% from the end of 2016. Of this, value of in-force business^{note 3} reached RMB124.436 billion, up 22.9% from the end of 2016.

Life business picked up in top-line growth, with new records in both NBV growth and margin.

- CPIC Life realized half-year NBV of RMB19.746 billion, up 59.0% and an NBV margin of 40.6%, up by 7.6pt, both setting records.
- CPIC Life delivered RMB110.551 billion in GWPs, up 34.4% and for the first time exceeding the mark of one hundred billion for half year premium. The strong growth was driven by both new policies and renewal policies, growing by 35.8% and 33.6%, respectively.
- Annualized first year premiums (FYPs) from long-term protection business^{note 4} amounted RMB20.621 billion, a growth of 73.8%, which underpinned a 25.0% growth of residual margin of life business versus the end of 2016, at RMB215.749 billion.
- CPIC Allianz Health, committed to fostering specialized health insurance capabilities, realized RMB567 million in GWPs and management fees, a growth of 97.6%.

Property and casualty business achieved continued improvement in combined ratio, with non-automobile business reporting underwriting profits for the first time in 3 years, and rapid growth of agricultural insurance.

- CPIC P/C reported a combined ratio of 98.7%, an improvement of 0.7pt from the first half of 2016. Of this, the loss ratio and expense ratio both went down, by 0.3pt and 0.4pt, respectively.
- The combined ratio of non-automobile business improved considerably by 6.3pt to 99.3%. Automobile business maintained underwriting profitability, with a combined ratio of 98.6%.
- Agricultural insurance realized RMB1.942 billion in primary insurance premiums^{note 5}, with a fast increase in market share. Of this, CPIC P/C promoted its “e-agricultural insurance” system, continued to expand the geographical scope for business, stepped up product innovation and recorded primary insurance premiums of RMB1.552 billion, up 75.6%. Anxin Agricultural vigorously pushed for closer co-operation with CPIC P/C, realizing primary insurance premiums of RMB390 million, up 6.8%.

Steady growth of AuM, with stable total investment yield.

- Group AuM amounted to RMB1,339.219 billion, an increase of 8.4% from the end of 2016. Of this, Group in-house assets reached RMB1,031.309 billion, up 9.5% and exceeding 1 trillion for the first time.
- Group annualized total investment yield was 4.7%, the same as that for the first half of 2016, with annualized net investment yield of 5.1%, up 0.5pt, and annualized growth rate of investments’ net asset value of 4.5%, up 0.6pt.

- Third-party AuM amounted to RMB307.910 billion, an increase of 4.9% from the end of 2016, with a fee income of RMB460 million, up 27.8%.

Notes:

1. Based on PRC GAAP.
2. Attributable to shareholders of the Company.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Long-term risk protection business includes whole life insurance, term life insurance, long-term health insurance and long-term accident insurance, etc.
5. Based on primary insurance premiums, excluding premium income ceded-in.

II. Key performance indicators

| Indicators | Unit: RMB million | | |
|--|--|---|----------------|
| | As at 30 June 2017/for the period between January and June in 2017 | As at 31 December 2016/for the period between January and June in 2016 | Changes (%) |
| Key value indicators | | | |
| Group embedded value | 271,454 | 245,939 | 10.4 |
| Value of in-force business ^{note 1} | 124,436 | 101,288 | 22.9 |
| Group net assets ^{note 2} | 131,514 | 131,764 | (0.2) |
| NBV of CPIC Life ^{note 4} | 19,746 | 12,419 | 59.0 |
| New business margin of CPIC Life (%) ^{note 4} | 40.6 | 33.0 | 7.6pt |
| Combined ratio of CPIC P/C (%) | 98.7 | 99.4 | (0.7pt) |
| Annualized growth rate of investments' net asset value (%) | 4.5 | 3.9 | 0.6pt |
| Key operating indicators | | | |
| GWPs | 163,785 | 131,537 | 24.5 |
| CPIC Life | 110,551 | 82,234 | 34.4 |
| CPIC P/C | 52,485 | 49,224 | 6.6 |
| Number of Group customers (in thousand) ^{note 3} | 113,575 | 104,435 | 8.8 |
| Average number of insurance policies per customer | 1.69 | 1.64 | 3.0 |
| Monthly average agent number (in thousand) | 870 | 582 | 49.5 |
| Monthly average FYPs per agent (RMB) | 7,189 | 7,403 | (2.9) |
| Surrender rate of CPIC Life (%) | 0.8 | 1.2 | (0.4pt) |
| Annualized total investment yield (%) | 4.7 | 4.7 | - |
| Annualized net investment yield (%) | 5.1 | 4.6 | 0.5pt |
| Third-party AuM | 307,910 | 293,612 | 4.9 |
| Third-party AuM by CPIC AMC | 135,053 | 167,837 | (19.5) |
| Assets under investment management by Changjiang Pension | 172,857 | 125,775 | 37.4 |
| Key financial indicators | | | |
| Net profit attributable to equity holders of the parent | 6,509 | 6,142 | 6.0 |
| CPIC Life | 4,381 | 4,246 | 3.2 |
| CPIC P/C | 2,049 | 2,156 | (5.0) |
| Comprehensive solvency margin ratio (%) | | | |
| CPIC Group | 297 | 294 | 3pt |
| CPIC Life | 257 | 257 | - |
| CPIC P/C | 272 | 296 | (24pt) |

Notes:

1. Based on the Group's share of CPIC Life's value of in-force business after solvency.
2. Attributable to equity holders of the parent.

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

4. Figures for the same period of the previous year have been restated.

Life/health insurance business

In the first half of 2017, CPIC Life continued to strengthen its capabilities in “customer operation”, i.e., acquisition of new customers and up-sell to existing ones, stepped up innovation of protection products, and delivered rapid growth of long-term protection business, with NBV growth and margin both setting records. CPIC Allianz Health, committed to fostering specialized health insurance capabilities, stepped up product innovation to help with customer acquisition by CPIC Life’s agents, and delivered rapid business growth.

I. CPIC Life

(I) Business analysis

In the first half of 2017, CPIC Life persisted in customer-orientation, upheld protection as the basic value proposition of insurance, deepened product and service innovations to enhance its capabilities in “customer operation”. As a result, for the reporting period, it reported GWPs of RMB110.551 billion, up 34.4%. Half-year NBV amounted to RMB19.746 billion, up 59.0%, with an NBV margin of 40.6%, up by 7.6pt.

1. Analysis by channels

| | | Unit: RMB million | | |
|-----------------------------|----------------|-------------------|-------------|--|
| For 6 months ended 30 June | 2017 | 2016 | Changes (%) | |
| Individual customers | 106,950 | 79,388 | 34.7 | |
| Agency channel | 98,172 | 68,572 | 43.2 | |
| New policies | 36,440 | 24,098 | 51.2 | |
| Regular premium business | 35,239 | 23,293 | 51.3 | |
| Renewed policies | 61,732 | 44,474 | 38.8 | |
| Other channels | 8,778 | 10,816 | (18.8) | |
| Group clients | 3,601 | 2,846 | 26.5 | |
| Total GWPs | 110,551 | 82,234 | 34.4 | |

(1) Business from individual customers

For the reporting period, we realized RMB106.950 billion in GWPs from individual customers, up 34.7%. Of this, new policies from the agency channel amounted to RMB36.440 billion, up 51.2%, and renewal business RMB61.732 billion, an increase of 38.8%. New business from the agency channel accounted for 85.8% of total FYPs, up 8.7pt compared with the same period of 2016.

We persisted in the “dual-driver” model, namely, focusing on both the quality of new recruits and productivity gains to improve the mix of the sales force. We introduced new

agency management rules, followed the principle of “improving recruitment, stabilizing promotion, promoting advancement, enhancing management and strengthening support” so that agent performance evaluation can play an even better part in sales force quality enhancement. We intensified efforts in basic management, granted more autonomy to manager-level agents and promoted differentiated training for new agents and managers to drive the growth of active and high-performing agents. Monthly average number of agents for the reporting period stood at 870,000, an increase of 49.5% year-on-year. FYP per agent per month reached RMB7,189, of which, that from long-term protection business reached RMB3,582, up 19.5%. Monthly average number of active and high-performing agents reached 326,000 and 191,000, up 44.9% and 49.2%, respectively.

| For 6 months ended 30 June | 2017 | 2016 | Changes (%) |
|---|-------|-------|-------------|
| Monthly average agent number (in thousand) | 870 | 582 | 49.5 |
| Monthly average first-year GWPs per agent (RMB) | 7,189 | 7,403 | (2.9) |
| Average number of new long-term life insurance policies per agent per month | 2.54 | 2.31 | 10.0 |

We implemented customer segmentation via enhanced customer insights and and upgraded “customer operation” through product customization. For example, we expanded the scope of protection coverage and launched *Shao'er Chaonengbao 2.0*, a critical illness product tailor-made for children, offering minor illnesses protection. For mid- and high-end customers, we launched *Lexiang Baiwan*, a medical insurance product with high levels of sum assured. Such products, with increased protection, helped agents acquire new customers. In the meantime, the Targeted Marketing Initiative boosted our capabilities in up-sell to target customer segments.

(2) Business from group clients

In the first half of 2017, we persisted in transformation development, optimized the organizational structure of health and pension business units, rolled out the project-based management model, and enhanced the role of government-sponsored programs and employee benefits business in public administration and the development of real economy. As a result, the segment realized RMB3.601 billion in GWPs, up by 26.5%.

2. Analysis by product types

We focus on risk protection and long-term savings products. For the reporting period, traditional business generated RMB32.702 billion in GWPs, up 35.0%. Of this, long-term health insurance contributed RMB12.409 billion, up 73.2%. Participating business delivered RMB71.439 billion in GWPs, up 35.7%.

| For 6 months ended 30 June | 2017 | 2016 | Changes (%) |
|----------------------------|----------------|---------------|-------------|
| GWPs | 110,551 | 82,234 | 34.4 |
| Traditional | 32,702 | 24,217 | 35.0 |
| Long-term health insurance | 12,409 | 7,165 | 73.2 |
| Participating | 71,439 | 52,631 | 35.7 |

Unit: RMB million

| | | | |
|--------------------------------|-------|-------|------|
| Universal | 23 | 19 | 21.1 |
| Short-term accident and health | 6,387 | 5,367 | 19.0 |

3. Policy persistency ratio

| For 6 months ended 30 June | 2017 | 2016 | Changes |
|---|------|------|---------|
| Individual life insurance customer 13-month persistency ratio (%) ^{note 1} | 94.1 | 91.8 | 2.3pt |
| Individual life insurance customer 25-month persistency ratio (%) ^{note 2} | 88.9 | 87.5 | 1.4pt |

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 13-month and 25-month persistency ratios up by 2.3pt and 1.4pt respectively year-on-year.

4. Top 10 regions for GWPs

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

| For 6 months ended 30 June | Unit: RMB million | | |
|----------------------------|-------------------|---------------|-------------|
| | 2017 | 2016 | Changes (%) |
| GWPs | 110,551 | 82,234 | 34.4 |
| Henan | 11,885 | 8,306 | 43.1 |
| Jiangsu | 11,787 | 8,901 | 32.4 |
| Shandong | 9,488 | 7,265 | 30.6 |
| Zhejiang | 7,974 | 5,722 | 39.4 |
| Hebei | 6,654 | 4,986 | 33.5 |
| Guangdong | 6,638 | 5,211 | 27.4 |
| Shanxi | 5,087 | 4,025 | 26.4 |
| Hubei | 4,692 | 3,573 | 31.3 |
| Heilongjiang | 4,373 | 2,862 | 52.8 |
| Xinjiang | 3,527 | 2,584 | 36.5 |
| Subtotal | 72,105 | 53,435 | 34.9 |
| Others | 38,446 | 28,799 | 33.5 |

(II) Financial analysis

| For 6 months ended 30 June | Unit: RMB million | | |
|---|-------------------|-----------------|-------------|
| | 2017 | 2016 | Changes (%) |
| Net premiums earned | 107,739 | 80,074 | 34.5 |
| Investment income ^{note} | 21,961 | 19,951 | 10.1 |
| Other operating income | 1,157 | 845 | 36.9 |
| Total income | 130,857 | 100,870 | 29.7 |
| Net policyholders' benefits and claims | (93,650) | (72,887) | 28.5 |
| Finance costs | (1,435) | (974) | 47.3 |
| Interest credited to investment contracts | (1,179) | (1,024) | 15.1 |
| Other operating and administrative expenses | (28,265) | (19,468) | 45.2 |
| Total benefits, claims and expenses | (124,529) | (94,353) | 32.0 |
| Profit before tax | 6,328 | 6,517 | (2.9) |
| Income tax | (1,947) | (2,271) | (14.3) |
| Net profit | 4,381 | 4,246 | 3.2 |

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

Investment income for the reporting period was RMB21.961 billion, up by 10.1%, due to

higher interest income from fixed income investment and increased dividends income from equity investments.

Net policyholders' benefits and claims amounted to RMB93.650 billion, up 28.5%, largely due to higher death and other benefit pay-outs.

| For 6 months ended 30 June | Unit: RMB million | | |
|---|-------------------|---------------|-------------|
| | 2017 | 2016 | Changes (%) |
| Net policyholders' benefits and claims | 93,650 | 72,887 | 28.5 |
| Life insurance death and other benefits paid | 23,426 | 22,749 | 3.0 |
| Claims incurred | 2,567 | 2,049 | 25.3 |
| Changes in long-term insurance contract liabilities | 63,375 | 44,418 | 42.7 |
| Policyholder dividends | 4,282 | 3,671 | 16.6 |

Other operating and administrative expenses for the reporting period amounted to RMB28.265 billion, up 45.2%. The increase was mainly caused by fast business growth.

As a result, CPIC Life recorded a net profit of RMB4.381 billion for the first half of 2017, up 3.2%.

II. CPIC Allianz Health

The company is positioned as a specialized health insurance entity within the Group, and is committed to building capabilities in professional health insurance management. At the same time, it seeks to expand co-operation with the Group's distributional networks in order to promote resource-sharing and collaboration.

In the first half of 2017, CPIC Allianz Health continued to promote product innovation based on customer segmentation, and contributed to customer value growth for its partnership channels within the Group. It increased the use of new technologies to improve customer service interface such as self-service claims management and insurance application, which helped to enhance customer experience. The subsidiary continued to strengthen capabilities in health management, expanded and put in place a global network of health-care providers which supported direct payment. During the reporting period, it delivered RMB567 million in GWPs and management fees, a growth of 97.6%.

Property and Casualty Insurance

In the first half of 2017, the property and casualty business^{note 1} reported RMB53.145 billion in GWPs^{note 2}, up 7.9%, with the combined ratio at 98.7%, down by 0.6pt from the same period of 2016. CPIC P/C^{note 3} persisted in the development strategy of "improving quality, enhancing foundation and boosting long-term growth potential", and delivered continued improvement in its combined ratio. Automobile insurance maintained underwriting profitability, while non-auto business realized underwriting profit, with rapid growth of emerging business such as agricultural insurance. Anxin Agricultural

focused on product innovation, deepened collaboration with CPIC P/C and reported solid business results.

Notes:

1. Property and casualty business here includes CPIC P/C, Anxin Agricultural and CPIC HK.
2. GWPs include income from both primary business and reinsurance.
3. References to CPIC P/C in this report do not include Anxin Agricultural.

I. CPIC P/C

(I) Business analysis

During the reporting period, CPIC P/C strived to consolidate progress in the improvement of business performance, while deepening transformation to meet challenges. It reported GWPs of RMB52.485 billion, up 6.6%, with a combined ratio of 98.7%, down by 0.7pt.

1. Analysis by lines of business

| For 6 months ended 30 June | Unit: RMB million | | |
|---------------------------------|-------------------|---------------|-------------|
| | 2017 | 2016 | Changes (%) |
| GWPs | 52,485 | 49,224 | 6.6 |
| Automobile insurance | 39,843 | 37,655 | 5.8 |
| Compulsory automobile insurance | 8,418 | 8,182 | 2.9 |
| Commercial automobile insurance | 31,425 | 29,473 | 6.6 |
| Non-automobile insurance | 12,642 | 11,569 | 9.3 |
| Commercial property insurance | 2,774 | 3,107 | (10.7) |
| Liability insurance | 2,223 | 2,159 | 3.0 |
| Agricultural insurance | 1,564 | 904 | 73.0 |
| Health insurance | 1,251 | 992 | 26.1 |
| Others | 4,830 | 4,407 | 9.6 |

(1) Automobile insurance

For the reporting period, we reported GWPs of RMB39.843 billion from automobile business, up 5.8%, with a combined ratio of 98.6%, an increase of 0.4pt from the first half of 2016. Of this, the loss ratio stood at 61.1%, up 0.4pt while the expense ratio staying flat, at 37.5%.

We persisted in the core channel priority strategy. The core channels as a share of the automobile business, measured by primary insurance premiums, grew by 0.4pt and reached 63.7%. Of this, cross-selling recorded RMB3.471 billion in premium, a growth of 36.3%. At the same time, we linked resource-allocation with business quality, and delivered continued quality improvement. Efforts were also intensified to enhance claims reserves management, strengthen claims cost control and improve capabilities in serving high-quality customers to drive profitable business growth.

| For 6 months ended 30 June | Unit: RMB million | | |
|-------------------------------------|-------------------|---------------|-------------|
| | 2017 | 2016 | Changes (%) |
| GWPs | 39,843 | 37,655 | 5.8 |
| Primary insurance premiums | 39,448 | 37,655 | 4.8 |
| Core channels ^{notes 1, 2} | 25,148 | 23,855 | 5.4 |
| Non-core channels ^{note 2} | 14,300 | 13,800 | 3.6 |

Notes:

1. Core channels include telemarketing & internet, cross-selling and car dealerships.
2. Figures for the same period of the previous year have been restated.

Next, in response to further deregulation of automobile insurance, we'll continue to roll out channel management strategies so as to ensure sustainable business development; improve resource allocation and risk selection to optimize business mix; press ahead with tool innovation to increase centralized operation; focus on the building of service capabilities and step up customer relation management to improve the renewal ratio and the overall management capabilities.

(2) Non-automobile insurance

For the reporting period, we strived to promote the shift towards "customer-orientation", and at the same time stepped up business quality control with continued efforts to eliminate high loss-ratio business. GWPs from non-automobile business amounted to RMB12.642 billion, up by 9.3%, with a combined ratio of 99.3%, down by 6.3pt and reporting underwriting profits for the first time in 3 years. Of this, the loss ratio went down by 3.4pt to 60.1% and the expense ratio 2.9pt to 39.2%. Major non-auto business lines such as property, liability, accident and cargo all turned underwriting profits. Agricultural insurance continued to expand the geographical scope of business, beefed up product innovation, rolled out the "e-agricultural insurance" system, and delivered rapid growth while ensuring healthy business quality. It reported RMB1.564 billion in GWPs, up 73.0%, with a combined ratio of 95.3%, down by 3.6pt.

Next, we will deepen risk pricing to improve premium adequacy, set up a business management system centering on resource-allocation, and put in place a customer-oriented business operational model. We will make continuous efforts to increase product and technology innovation to drive rapid development of agricultural insurance. Given opportunities arising from the "Belt and Road" Initiative, Shanghai Pilot Free Trade Zone and other government-sponsored business, we will also step up innovation and foster capabilities in emerging business lines and new market niches.

(3) Key financials of major business lines

Unit: RMB million

For 6 months ended 30 June 2017

| Name of insurance | GWPs | Amounts Insured | Claims paid | Reserves | Underwriting profit | Combined ratio (%) |
|-------------------------------|--------|-----------------|-------------|----------|---------------------|--------------------|
| Automobile insurance | 39,843 | 8,097,774 | 22,284 | 52,052 | 515 | 98.6 |
| Commercial property insurance | 2,774 | 6,521,990 | 1,476 | 5,789 | 14 | 99.0 |
| Liability insurance | 2,223 | 33,325,540 | 1,072 | 4,563 | 78 | 94.9 |
| Agricultural insurance | 1,564 | 61,923 | 433 | 1,703 | 30 | 95.3 |
| Health insurance | 1,251 | 8,758,446 | 635 | 1,514 | (71) | 108.1 |

2. Top 10 regions for GWPs

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

| For 6 months ended 30 June | Unit: RMB million | | |
|----------------------------|-------------------|---------------|-------------|
| | 2017 | 2016 | Changes (%) |
| GWPs | 52,485 | 49,224 | 6.6 |
| Jiangsu | 6,252 | 6,026 | 3.8 |
| Guangdong | 6,013 | 5,935 | 1.3 |
| Zhejiang | 5,002 | 4,867 | 2.8 |
| Shanghai | 4,045 | 4,002 | 1.1 |
| Shandong | 2,908 | 2,831 | 2.7 |
| Beijing | 2,856 | 2,688 | 6.3 |
| Chongqing | 1,955 | 1,842 | 6.1 |
| Sichuan | 1,876 | 1,557 | 20.5 |
| Hebei | 1,676 | 1,384 | 21.1 |
| Guizhou | 1,634 | 1,543 | 5.9 |
| Subtotal | 34,217 | 32,675 | 4.7 |
| Others | 18,268 | 16,549 | 10.4 |

(II) Financial analysis

| For 6 months ended 30 June | Unit: RMB million | | |
|---|-------------------|-----------------|--------------|
| | 2017 | 2016 | Changes (%) |
| Net premiums earned | 42,762 | 41,628 | 2.7 |
| Investment income ^{note} | 2,549 | 2,759 | (7.6) |
| Other operating income | 207 | 160 | 29.4 |
| Total income | 45,518 | 44,547 | 2.2 |
| Claims incurred | (25,998) | (25,440) | 2.2 |
| Finance costs | (176) | (143) | 23.1 |
| Other operating and administrative expenses | (16,403) | (16,061) | 2.1 |
| Total benefits, claims and expenses | (42,577) | (41,644) | 2.2 |
| Profit before tax | 2,941 | 2,903 | 1.3 |
| Income tax | (892) | (747) | 19.4 |
| Net profit | 2,049 | 2,156 | (5.0) |

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

Investment income for the reporting period amounted to RMB2.549 billion, down by 7.6%, mainly attributable to decrease in interest income from fixed income investment and decrease in securities trading gains.

Other operating and administrative expenses amounted to RMB16.403 billion, up 2.1%, mainly due to business growth and market competitions.

Hence, a net profit of RMB2.049 billion was booked for CPIC P/C for the first half of 2017, down by 5.0% from the same period of 2016.

II. Anxin Agricultural

In the first half 2017, the subsidiary focused on the core business of agricultural insurance, with intensified efforts in product innovation and collaboration. For the reporting period, it delivered RMB607 million in GWPs, up 9.4%, of which, agricultural insurance RMB404 million, up 10.7%. Its combined ratio stood at 95.2%, maintaining healthy underwriting

profitability with net profits of RMB41 million.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2017, its total assets stood at RMB1.199 billion, with net assets of RMB445 million. GWPs for the reporting period amounted to RMB254 million, with a combined ratio of 95.3%, and a net profit of RMB18 million.

Asset Management

We persisted in ALM, continued to optimize strategic asset allocation (SAA), while seizing market opportunities with effective measures to forestall major risks. As at the end of the first half of 2017, Group AuM totaled RMB1,339.219 billion, rising 8.4% from the end of 2016. Of this, Group in-house assets reached RMB1,031.309 billion, a growth of 9.5% from the end of 2016, with total investment yield of 4.7%, net investment yield of 5.1% and growth rate of investments' net asset value of 4.5%, all on an annualized basis.

I. Group AuM

As of the end of the first half of 2017, Group AuM totaled RMB1,339.219 billion, rising 8.4% from the end of 2016. Of this, third-party AuM totaled RMB307.910 billion, up 4.9%, with a fee income of RMB460 million, up 27.8%.

| | 30 June 2017 | 31 December 2016 | Changes (%) |
|--|------------------|------------------|-------------|
| Group AuM | 1,339,219 | 1,235,372 | 8.4 |
| Group in-house assets | 1,031,309 | 941,760 | 9.5 |
| Third-party AuM | 307,910 | 293,612 | 4.9 |
| Third-party AuM by CPIC AMC | 135,053 | 167,837 | (19.5) |
| Assets under investment management by Changjiang Pension | 172,857 | 125,775 | 37.4 |

Unit: RMB million

II. Group in-house assets

During the reporting period, China's economy performed steadily. The supply-side structural reform deepened. Government enhanced financial regulation and its coordination in a bid to fend off and mitigate financial risks. In terms of market conditions, the fixed income market experienced volatility, given the spikes in market rates. The stock market was polarized, with blue chips experiencing a "structural rally". We persisted in ALM, proactively increased allocation into fixed income assets in the context of risking rates so as to stabilize the portfolio yield. Meanwhile, we adhered to the principle of long-term and prudent investment, and seized opportunities of A-share blue chips and Hong Kong Stock Connect.

(I) Consolidated investment portfolios

Unit: RMB million

| | 30 June 2017 | Share (%) | Share change from the end of 2016 (pt) | Change (%) |
|---|--------------|-----------|--|------------|
| Group investment assets (Total) | 1,031,309 | 100.0 | - | 9.5 |
| By investment category | | | | |
| Fixed income investments | 829,074 | 80.5 | (1.8) | 7.0 |
| - Debt securities | 498,979 | 48.4 | (1.6) | 5.9 |
| - Term deposits | 93,473 | 9.1 | (5.0) | (29.3) |
| - Debt investment plans | 84,235 | 8.2 | 1.7 | 37.2 |
| - Wealth management products ^{note 1} | 82,248 | 8.0 | 3.3 | 87.1 |
| - Preferred shares | 32,000 | 3.1 | (0.3) | - |
| - Other fixed income investments ^{note 2} | 38,139 | 3.7 | 0.1 | 12.4 |
| Equity investments | 154,098 | 14.9 | 2.6 | 33.0 |
| - Equity funds | 20,283 | 2.0 | - | 8.0 |
| - Bond funds | 21,288 | 2.1 | - | 9.7 |
| - Equity securities | 44,248 | 4.3 | 1.0 | 41.9 |
| - Wealth management products ^{note 1} | 37,586 | 3.6 | 1.2 | 64.8 |
| - Preferred shares | 4,632 | 0.4 | (0.1) | 1.9 |
| - Other equity investments ^{note 3} | 26,061 | 2.5 | 0.5 | 35.9 |
| Investment properties | 8,496 | 0.8 | (0.1) | (1.9) |
| Cash, cash equivalents and others | 39,641 | 3.8 | (0.7) | (7.0) |
| By investment purpose | | | | |
| Financial assets at fair value through profit or loss | 16,686 | 1.6 | (1.3) | (38.6) |
| AFS financial assets | 339,474 | 32.9 | 5.4 | 31.2 |
| HTM financial assets | 298,988 | 29.0 | (3.4) | (1.9) |
| Interests in associates | 2,534 | 0.3 | 0.3 | 2,103.5 |
| Investment in joint ventures | 34 | - | - | (5.6) |
| Loans and other investments ^{note 4} | 373,593 | 36.2 | (1.0) | 6.5 |

Notes:

1. Wealth management products include wealth management products issued by commercial banks, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc.

2. Other fixed income investments include restricted statutory deposits and policy loans, etc.

3. Other equity investments include unlisted equities, etc.

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

1. By investment category

In the reporting period, we proactively increased allocation in fixed income assets in the context of rising market rates, including long-dated assets such as treasury bonds as well as high-yield NSAs. Allocation in equity investments was on a par with SAA, with vigorous efforts to explore structural opportunities. Based on this strategy, in addition to bonds and equities, new money and re-investments were mainly allocated in NSAs such as debt investment plans, collective trust plans by trust firms and wealth management products issued by commercial banks.

As of the end of the reporting period, the share of debt securities was 48.4%, a drop of 1.6pt from the end of 2016. Moreover, 99.8% of enterprise bonds and financial bonds issued by non-government-sponsored banks had an issuer/debt rating of AA/A-1 or above.

Of this, the share of AAA reached 92.8%. We adhered to prudent investment, and exercised stringent control of credit risk. Our corporate/enterprise bond holdings were concentrated in transport infrastructure, power utilities, construction & engineering and composite industrial groups, with relatively strong balance sheets and competitiveness as well as resilience across economic cycles. As a result, the default risk would have limited impact on us. In compliance with CIRC regulations, we have put in place a comprehensive investment management system with risk control mechanisms for corporate/enterprise bond investment, which are reviewed and adjusted as we learned more from our practice. We have set up credit risk control mechanisms pre- and post-investment, with internal credit-rating before the investments and tracking of credit-rating changes regularly afterwards. On the one hand, we would pay more attention to high-risk sectors or bonds, increasing the frequency of monitoring. There was also a risk labeling system based on the severity of risk to give early warning of bonds' or issuers' credit risk. On the other hand, we have put in place disposal procedures for high-risk bonds for early warning and timely handling of bonds with expected deterioration of their credit-worthiness.

The share of equity investments stood at 14.9%, up by 2.6pt from the end of 2016. Of this, equity securities and equity funds accounted for 6.3%, up 1.0pt.

As of the end of the reporting period, NSAs totaled RMB202.083 billion, accounting for 19.6% of total Group in-house assets, rising 6.4pt from the end of 2016. NSAs mainly include wealth management products issued by commercial banks, credit assets backed securities by banking institutions, collective trust plans by trust firms, special asset management plans by securities firms, infrastructure/property investment plans and project asset-backed plans issued by insurance AMCs. The infrastructure investment plans covered about 20 provinces/municipalities/autonomous regions, spanning transport, municipal infrastructure, energy, environment protection, commercial property, land reserve, resettlement of slums, water conservancy and affordable housing, contributing to the development of China's real economy. Our investments in wealth management products are all issued by major state-owned commercial banks or national joint-stock commercial banks, with strong credit-worthiness. Our holdings of trust plans mainly provide financing for major state-owned non-bank financial institutions. Except for issuers which are exempt from credit-worthiness enhancement requirements under regulatory regulations, the vast majority of our debt NSA holdings are covered by guarantees or repurchase agreements by companies with AAA ratings or pledge of assets. Overall, the credit risk is under control. As of the end of the reporting period, all the NSAs with an external credit-rating had a rating of AA+ or above, and of this, 95.0% AAA.

2. By investment purposes

By investment purposes, our in-house assets are mainly in three categories, namely,

available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss dropped 38.6% from the end of 2016, mainly because of decreased allocation in debt securities. AFS financial assets grew by 31.2%, primarily due to increased investment in debt securities, wealth management products and equity securities.

(II) Group consolidated investment income

For the reporting period, net investment income totaled RMB28.478 billion, up by 37.3%. This stemmed mainly from higher interest income from fixed income investments and increased dividends income from equity investments. Annualized net investment yield reached 5.1%, up 0.5pt.

Total investment income amounted to RMB24.751 billion, up 14.4%, with annualized total investment yield at 4.7%, the same as that for the first half of 2016.

The annualized growth rate of investments' net asset value rose by 0.6pt to 4.5%, as a result of equity market rally.

| | Unit: RMB million | | |
|---|-------------------|---------------|-------------|
| For 6 months ended 30 June | 2017 | 2016 | Changes (%) |
| Interest income from fixed income investments | 20,184 | 18,474 | 9.3 |
| Dividend income from equity investments | 7,972 | 1,990 | 300.6 |
| Rental income from investment properties | 322 | 281 | 14.6 |
| Net investment income | 28,478 | 20,745 | 37.3 |
| Realized (losses)/gains | (4,577) | 1,266 | (461.5) |
| Unrealized gains/(losses) | 767 | (582) | (231.8) |
| Charge of impairment losses on investment assets | (297) | (28) | 960.7 |
| Other income ^{note 1} | 380 | 240 | 58.3 |
| Total investment income | 24,751 | 21,641 | 14.4 |
| Net investment yield (annualized) (%) ^{note 2} | 5.1 | 4.6 | 0.5pt |
| Total investment yield (annualized) (%) ^{note 2} | 4.7 | 4.7 | - |
| Growth rate of investments' net asset value (annualized) (%) ^{notes 2,3} | 4.5 | 3.9 | 0.6pt |

Notes:

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

(III) Total investment yield on a consolidated basis

| | Unit: % | | |
|---|------------|------------|----------|
| For 6 months ended 30 June | 2017 | 2016 | Changes |
| Total investment yield (annualized) | 4.7 | 4.7 | - |
| Fixed income investments ^{note} | 5.0 | 5.2 | (0.2pt) |
| Equity investments ^{note} | 3.1 | 2.1 | 1.0pt |
| Investment properties ^{note} | 7.6 | 9.1 | (1.5pt) |
| Cash, cash equivalents and others ^{note} | 1.2 | 0.8 | 0.4pt |

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

III. Third-party AuM

(I) Third-party AuM by CPIC AMC

In the first half of 2017, the environment for China's asset management industry experienced profound changes against the backdrop of intensified financial regulation, deleveraging and risk prevention. CPIC AMC, in response to these changes, adjusted its expectations and focused on safeguarding the interests of its clients and risk prevention, with stable performance for its third-party business. As of the end of the reporting period, its third-party AuM stood at RMB135.053 billion, down by 19.5% from the end of 2016, due to changes to market conditions. Its third-party business generated a fee income of RMB196 million, up 1.0% compared with the same period of 2016.

CPIC AMC vigorously explored opportunities in alternative investments, given tightened liquidity and interest rate spikes. To serve China's real economy, it focused on government-sponsored projects such as transport, community resettlement and high-tech parks. It also closely looked at business opportunities of leading firms in sectors with stabilized fundamentals and outlook. In the first half of 2017, it registered a total of 7 debt investment plans, raising RMB16 billion. Meanwhile, in response to changing market trends and customers' needs, it leveraged its own investment capabilities and launched products based on Hong Kong Stock Connect, and used interest rate swap derivatives for fixed income investments.

(II) Assets under investment management by Changjiang Pension

In the first half of 2017, Changjiang Pension focused on its core business of pension management, and participated, in an all-around way, in the development of the third-pillar of China's pension system to enhance foundation for sustainable growth.

It seized opportunities arising from the market-based outsourcing of China's social security pension system, gave first priority to the management of long-term pension funds and delivered sustained growth and increased diversity of AuM. In the first pillar, funds under management from the social security pension system continued to grow steadily, with investment performance leading among comparable portfolios. As for the second pillar, it continued to deepen collaboration with sister companies within the Group and stepped up market development of occupational annuity business. It made greater efforts in the new business development of enterprise annuity, and successfully qualified as the enterprise annuity manager for a number of medium- and large-sized SOEs. It delivered innovations in group retirement plans to serve the needs of SOE reform. In the third pillar, the Company diversified its on-line and off-line channels, optimized individual retirement plans, and readily took up outsourced management of individual retirement accounts from insurance companies and banks to pave the way for further penetration of the individual pension market.

In the supply of assets, given the long-term nature of pension funds, the Company strived to serve as a bridge connecting needs of the real economy and pension money. During the reporting period, the total sum raised on newly-registered alternative investment plans reached RMB27.8 billion. Of this, the total sum on the 12 debt investment plans was RMB20.33 billion.

As of the end of the reporting period, Changjiang Pension's third-party assets under investment management reached RMB172.857 billion, rising by 37.4% from the end of 2016, with assets under custody of RMB75.664 billion, up 7.6% from the end of 2016.

Analysis of Specific Items

I. Items concerning fair value accounting

Unit: RMB million

| | 30 June 2017 | 31 December 2016 | Changes | Impact of fair value changes on profits ^{note} |
|---|----------------|------------------|---------------|---|
| Financial assets at fair value through profit or loss | 16,686 | 27,190 | (10,504) | 767 |
| AFS financial assets | 339,474 | 258,711 | 80,763 | (297) |
| Total | 356,160 | 285,901 | 70,259 | 470 |

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

II. Solvency

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

Unit: RMB million

| | 30 June 2017 | 31 December 2016 | Reasons of change |
|---|--------------|------------------|---|
| CPIC Group | | | |
| Core capital | 310,260 | 280,012 | |
| Actual capital | 315,760 | 285,512 | Profit for the period, profit distribution to shareholders, and change of fair value of investment assets |
| Minimum required capital | 106,348 | 97,247 | Growth of insurance business |
| Core solvency margin ratio (%) | 292 | 288 | |
| Comprehensive solvency margin ratio (%) | 297 | 294 | |
| CPIC Life | | | |
| Core capital | 235,000 | 213,017 | |
| Actual capital | 236,500 | 214,517 | Profit for the period, profit distribution to the shareholders, change of fair value of investment assets |
| Minimum required capital | 91,965 | 83,516 | Growth of insurance business |
| Core solvency margin ratio (%) | 256 | 255 | |
| Comprehensive solvency margin ratio (%) | 257 | 257 | |
| CPIC P/C | | | |
| Core capital | 33,159 | 34,702 | |
| Actual capital | 37,159 | 38,702 | Profit for the period, profit distribution to the shareholders, change of fair |

| | | | value of investment assets |
|---|--------|--------|---|
| Minimum required capital | 13,644 | 13,069 | Growth of insurance business |
| Core solvency margin ratio (%) | 243 | 266 | |
| Comprehensive solvency margin ratio (%) | 272 | 296 | |
| CPIC Allianz Health | | | |
| Core capital | 598 | 741 | |
| Actual capital | 598 | 741 | |
| Minimum required capital | 179 | 122 | Growth of insurance business |
| Core solvency margin ratio (%) | 333 | 607 | |
| Comprehensive solvency margin ratio (%) | 333 | 607 | |
| Anxin Agricultural | | | |
| Core capital | 1,403 | 1,389 | |
| Actual capital | 1,403 | 1,389 | Profit for the period, profit distribution to the shareholders, change of fair value of investment assets |
| Minimum required capital | 491 | 469 | Growth of insurance business |
| Core solvency margin ratio (%) | 286 | 296 | |
| Comprehensive solvency margin ratio (%) | 286 | 296 | |

Please refer to the summaries of solvency reports published on the websites of SSE (www.sse.com.cn), SEHK (www.hkexnews.hk) and the Company (www.cpic.com.cn) for information about the half-year solvency of 2017 of CPIC Group, and the second quarter solvency of 2017 of CPIC Life, CPIC P/C, Anxin Agricultural and CPIC Allianz Health.

III. Price sensitivity analysis

The following table shows the sensitivity analysis of price risk, i.e. the impact^{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 profits and shareholders' equity (assuming the fair value of equity assets^{note 2} moves in proportion to stock prices), other variables being equal.

Unit: RMB million

| Market value | From January to June 2017 / 30 June 2017 | |
|--------------|--|------------------|
| | Impact on profit before tax | Impact on equity |
| +10% | 573 | 4,495 |
| -10% | (573) | (4,495) |

Notes:

1. After policyholder participation.

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

IV. Insurance contract liabilities

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

As at 30 June 2017, insurance contract liabilities of CPIC Life amounted to RMB687.096 billion, representing an increase of 10.7% from the end of 2016. Those of CPIC P/C amounted to RMB76.456 billion, an increase of 6.0%. The rise was mainly caused by

business expansion and accumulation of insurance liabilities.

We also tested the adequacy of reserves at the balance sheet date. Testing results showed that reserves set aside for each type of insurance contracts were sufficient and no additional provision was required.

| | 30 June 2017 | 31 December 2016 | Unit: RMB million Changes (%) |
|---|--------------|------------------|----------------------------------|
| CPIC Life | | | |
| Unearned premiums | 4,111 | 2,469 | 66.5 |
| Claim reserves | 2,608 | 2,067 | 26.2 |
| Long-term life insurance contract liabilities | 680,377 | 616,047 | 10.4 |
| CPIC P/C | | | |
| Unearned premiums | 41,231 | 38,207 | 7.9 |
| Claim reserves | 35,225 | 33,936 | 3.8 |

V. Investment contract liabilities

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

| | 31 December 2016 | Increase for the period | | | Decrease for the period | | 30 June 2017 |
|---------------------------------|------------------------|-------------------------|----------------------|--------|-------------------------|------------------|-----------------|
| | | Deposit received | Interest credited | Others | Deposits withdrawn | Fees deducted | |
| Investment contract liabilities | 48,796 | 9,318 | 1,179 | 279 | (4,333) | (102) | 55,137 |

VI. Reinsurance business

In the first half of 2017, premiums ceded to reinsurers are shown below:

| For 6 months ended 30 June | 2017 | 2016 | Unit: RMB million Changes (%) |
|--|-------|-------|----------------------------------|
| CPIC Life | | | |
| Traditional insurance | 838 | 776 | 8.0 |
| Long-term health insurance | 561 | 509 | 10.2 |
| Participating insurance | 89 | 119 | (25.2) |
| Universal insurance | 5 | 1 | 400.0 |
| Short-term accident and health insurance | 300 | 190 | 57.9 |
| CPIC P/C | | | |
| Automobile insurance | 3,648 | 2,998 | 21.7 |
| Non-automobile insurance | 4,035 | 3,777 | 6.8 |

In the first half of 2017, premiums ceded inwardly are set out below:

| For 6 months ended 30 June | 2017 | 2016 | Unit: RMB million Changes (%) |
|----------------------------|------|------|----------------------------------|
| CPIC P/C | | | |
| Automobile insurance | 395 | - | / |
| Non-automobile insurance | 126 | 60 | 110.0 |

As at the end of the first half of 2017, assets under reinsurance are set out below:

| | 30 June 2017 | 31 December 2016 | Unit: RMB million Changes (%) |
|--|--------------|------------------|----------------------------------|
|--|--------------|------------------|----------------------------------|

CPIC Life

Reinsurers' share of insurance contract liabilities

| | | | |
|---|-------|-------|------|
| Unearned premiums | 179 | 118 | 51.7 |
| Claim reserves | 76 | 72 | 5.6 |
| Long-term life insurance contract liabilities | 9,841 | 9,173 | 7.3 |

CPIC P/C

Reinsurers' share of insurance contract liabilities

| | | | |
|-------------------|-------|-------|-------|
| Unearned premiums | 5,466 | 4,481 | 22.0 |
| Claim reserves | 6,368 | 6,579 | (3.2) |

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

VIII. Main subsidiaries & associates and equity participation

Unit: RMB million

| Company | Main business scope | Registered capital | Group shareholding ^{note 2} | Total assets | Net assets | Net profit |
|--|---|--------------------|--------------------------------------|--------------|------------|------------|
| China Pacific Life Insurance Co., Ltd. | Personal insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life insurance; agency and business relationships with domestic and overseas insurers and organizations, loss adjustment, claims and other business entrusted from overseas insurance organizations; insurance funds investment as prescribed by Insurance | 8,420 | 98.292% | 933,622 | 57,956 | 4,381 |

| | | | | | | |
|--|---|--------|---------|---------|--------|-------|
| | Law of the PRC and relevant laws and regulation; international insurance activities as approved; other business as approved by the CIRC. | | | | | |
| China Pacific Property Insurance Co., Ltd. | Property insurance; liability insurance; credit and guarantee insurance; short-term health insurance and casualty insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by the CIRC. | 19,470 | 98.501% | 142,885 | 33,634 | 2,049 |
| Pacific Asset Management Co., Ltd. | Management of capital and insurance funds, outsourcing of asset management, consulting services relating to asset management, and other asset management business as allowed by the PRC laws and regulations. | 1,300 | 99.667% | 2,717 | 2,335 | 151 |
| Changjiang Pension Insurance Co., Ltd. | Group pension and annuity business; individual pension and annuity business; short-term health insurance; accident insurance; reinsurance of the aforementioned business; outsourced money management business denominated in RMB or foreign currencies for the purpose of elderly provisions; other business pertaining to insurance fund management as allowed by PRC laws and regulations; other business as approved by the CIRC. | 788 | 50.869% | 3,259 | 981 | 84 |
| Anxin Agricultural Insurance Co., | Agricultural insurance; property damage insurance; liability | 700 | 51.348% | 2,988 | 1,290 | 41 |

| | | | | | | |
|---|---|-------|---------|-------|-----|-------|
| Ltd. | insurance; statutory liability insurance; credit and guarantee insurance; short term health insurance and casualty insurance; countryside and farmer related property insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; | | | | | |
| CPIC Allianz Health Insurance Co., Ltd. | Health insurance, accident insurance denominated in RMB or foreign currencies and health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related distribution and consulting business; insurance funds investment as approved by relevant laws and regulations; other business as approved by the CIRC. | 1,000 | 77.051% | 1,631 | 639 | (139) |

Notes:

1. Figures for companies in the table are on an unconsolidated basis.
2. Figures for Group shareholding include direct and indirect shareholdings.

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

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

IX. Gearing ratio

| | 30 June 2017 | 31 December 2016 | Changes |
|-------------------|--------------|------------------|---------|
| Gearing ratio (%) | 88.2 | 87.1 | 1.1pt |

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

Outlook

I. Market environment and business plan

China's economy is increasingly showing signs of recovery. "Achieving progress amid steadiness" has become the guiding principle of the financial industry, with serving the real economy, enhancing risk control and deepening financial reform the 3 central tasks for the next stage. Financial regulation centers on "returning to the basics, optimizing structure, tightening supervision and market-orientation". This creates a favorable environment for China's insurance sector, and an important window of opportunity for the industry to "return to its key value proposition".

We will persist in customer-orientation, innovate insurance supply to meet customers' increasing demand. In development philosophy, we will focus on quality and profitability, and continue to focus on and specialize in insurance, and strive to play an important part in promoting healthy and steady development of the industry.

Priorities in the second half of 2017 include: first, ensuring fulfillment of the annual budgets set by the Board of Directors so as to lay a solid foundation for the next five years; secondly, launching Transformation 2.0, centering on 5 tasks, namely, talent, digitalization, collaboration, strategic control, and business portfolio investment.; thirdly, in the context of "returning to protection", accelerating the development of long-term protection business, continuing to strengthen capabilities in Targeted Marketing based on customer segmentation, enhancing capabilities in serving mid-and-high-end customers to drive sustainable life insurance NBV growth; fourth, persisting in the development strategy of "improving quality, enhancing foundation and boosting long-term growth potential", focusing on the acquisition and retention of high-quality automobile insurance customers, adhering to the core distribution channel strategy of automobile insurance, and stepping up quality control for non-automobile business to further improve its combined ratio; fifth, seizing opportunities in pilot programs of tax-deferred pension insurance and long-term care while increasing investment in emerging pension and health insurance.

II. Major risks and mitigating measures

First, the second phase of deregulation for auto insurance means challenges for continued improvement of its combined ratio. Given the high frequency of natural catastrophes in the third quarter, whether non-automobile business can maintain underwriting profitability faces big uncertainties. Second, China's capital market can remain volatile, and credit and liquidity risk may deteriorate. Third, the movement of treasury bond yield could be a challenge for the fulfillment of the whole year's net profit target.

In the context of further automobile insurance liberalization, we will continue to enhance capabilities in serving and retaining high-quality customers. In the face of natural disasters, we will set prudent caps on risk accumulation and make sound reinsurance arrangements. To address credit risk, due diligence of counter-parties as well as exposure management

will be strengthened, coupled with increased monitoring, early-warning and handling so as to identify and manage credit risk in a timely manner.

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 2017, 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 2017 by approximately RMB4.188 billion and a decrease in profit before tax for the 6 months ended 30 June 2017 by approximately RMB4.188 billion.

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 2017, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2017 at a risk discount rate of 11%.

Unit: RMB million

| Valuation Date | 30 June 2017 | 31 December 2016 |
|---|----------------|------------------|
| Group Adjusted Net Worth | 147,018 | 144,651 |
| Adjusted Net Worth of CPIC Life | 73,209 | 78,556 |
| Value of In Force Business of CPIC Life Before Cost of Required Capital Held | 138,299 | 113,727 |
| Cost of Required Capital Held for CPIC Life | (11,702) | (10,680) |
| Value of In Force Business of CPIC Life After Cost of Required Capital Held | 126,597 | 103,048 |
| CPIC Group's Equity Interest in CPIC Life | 98.29% | 98.29% |
| Value of In Force Business of CPIC Life After Cost of Required Capital Held attributable to the shareholders of CPIC Group | 124,436 | 101,288 |
| Group Embedded Value | 271,454 | 245,939 |
| CPIC Life Embedded Value | 199,806 | 181,603 |

| Valuation Date | 30 June 2017 | 30 June 2016 (restated) | 30 June 2016 |
|--|---------------|-------------------------|---------------|
| Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held | 23,029 | 14,519 | 13,288 |
| Cost of Required Capital Held | (3,283) | (2,099) | (2,024) |
| Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held | 19,746 | 12,419 | 11,264 |

Notes:

- Figures may not be additive due to rounding.
- Results in column "30 June 2016" are those reported in the 2016 interim report.
- Results in column "Restated" are the 2016 value of half year's sales restated for adopting "Appraisal of Embedded

Value” standard and 2016 assumptions.

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

New Business Volumes and Value of Half Year’s Sales

The table below shows the volume of new business sold in terms of first year annual premium and value of half year’s sales of CPIC Life after cost of required capital held at a risk discount rate of 11% for year 2017.

Unit: RMB million

| | First Year Annual Premium (FYAP) in the First Half of Year | | Value of Half Year’s Sales After Cost of Required Capital Held | |
|-----------------------|---|---------------|---|-----------------|
| | 2017 | 2016 | 2017 | 2016 (restated) |
| Total | 48,671 | 37,663 | 19,746 | 12,419 |
| Of which: Traditional | 11,932 | 15,191 | 8,188 | 6,788 |
| Participating | 26,237 | 12,407 | 11,384 | 5,395 |

IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

The Company distributed a cash dividend of RMB0.70 per share (including tax) in accordance with the “Resolution on Profit Distribution Plan for the year 2016” approved at the 2016 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 2017.

COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

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

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

During the six months ended 30 June 2017, 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 2017 in the presence of internal and external auditors.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As of 30 June 2017 and until the date of this announcement, there were no significant events affecting the Company which required disclosure in this announcement

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

The interim report of the Company for the period ended 30 June 2017 will be dispatched to the shareholders of the Company and will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (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 holding subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC P/C" | China Pacific Property Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC AMC" | Pacific Asset Management Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "CPIC HK" | China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "Changjiang Pension" | Changjiang Pension Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "Anxin Agricultural" | Anxin Agricultural Insurance Co., Ltd. |
| "CPIC Allianz Health" | CPIC Allianz Health Insurance Co., Ltd., a holding subsidiary of China Pacific Insurance (Group) Co., Ltd. |
| "C-ROSS" | China Risk Oriented Solvency System |
| "CIRC" | China Insurance Regulatory Commission |
| "CSRC" | China Securities Regulatory Commission |
| "SEHK" | The Stock Exchange of Hong Kong Limited |
| "PRC GAAP" | China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards |
| "Corporate Governance Code" | Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

“RMB”

Renminbi

“pt”

Percentage point

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

Hong Kong, 28 August 2017

As at the date of this announcement, the Executive Directors of the Company are Mr. KONG Qingwei and Mr. HUO Lianhong; the Non-executive Directors of the Company are Mr. WANG Jian, Mr. WANG Tayu, Mr. KONG Xiangqing, Mr. ZHU Keping, Ms. SUN Xiaoning, Mr. WU Junhao and Mr. CHEN Xuanmin; and the Independent Non-executive Directors of the Company are Mr. BAI Wei, Mr. LEE Ka Sze, Carmelo, 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 2017

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

FOR THE PERIOD ENDED 30 JUNE 2017

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**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 49, 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 2017 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, 25 August 2017

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

| Group | Notes | Six months ended 30 June | |
|--|--------------|---------------------------------|------------------|
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| Gross written premiums | 6(a) | 163,785 | 131,537 |
| Less: Premiums ceded to reinsurers | 6(b) | (8,456) | (7,486) |
| Net written premiums | 6(c) | 155,329 | 124,051 |
| Net change in unearned premium reserves | | (3,773) | (1,934) |
| Net premiums earned | | 151,556 | 122,117 |
| Investment income | 7 | 24,431 | 21,343 |
| Other operating income | | 1,371 | 1,208 |
| Other income | | 25,802 | 22,551 |
| Total income | | 177,358 | 144,668 |
| Net policyholders' benefits and claims: | | | |
| Life insurance death and other benefits paid | 8 | (23,426) | (22,749) |
| Claims incurred | 8 | (29,113) | (27,613) |
| Changes in long-term life insurance contract liabilities | 8 | (63,084) | (43,667) |
| Policyholder dividends | 8 | (4,282) | (3,671) |
| Finance costs | | (1,652) | (1,135) |
| Interest credited to investment contracts | | (1,179) | (1,024) |
| Other operating and administrative expenses | | (45,022) | (35,904) |
| Total benefits, claims and expenses | | (167,758) | (135,763) |
| Share of (loss)/profit in equity accounted investees | | (2) | 17 |
| Profit before tax | 9 | 9,598 | 8,922 |
| Income tax | 10 | (2,953) | (2,662) |
| Net profit for the period | | 6,645 | 6,260 |
| Attributable to: | | | |
| Equity holders of the parent | | 6,509 | 6,142 |
| Non-controlling interests | | 136 | 118 |
| | | 6,645 | 6,260 |
| Basic earnings per share | 11 | RMB 0.72 | RMB 0.68 |
| Diluted earnings per share | 11 | RMB 0.72 | RMB 0.68 |

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 2017

(All amounts expressed in RMB million unless otherwise specified)

| <u>Group</u> | Notes | Six months ended 30 June | |
|---|--------------|---------------------------------|-------------|
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| Net profit for the period | | 6,645 | 6,260 |
| Other comprehensive loss | | | |
| Exchange differences on translation of foreign operations | | (15) | 9 |
| Available-for-sale financial assets | | (560) | (4,748) |
| Income tax relating to available-for-sale financial assets | | 143 | 1,201 |
| Share of other comprehensive income/(loss) in equity accounted investees | | 6 | (4) |
| Other comprehensive loss to be reclassified to profit or loss in subsequent period | | (426) | (3,542) |
| Other comprehensive loss for the period | 12 | (426) | (3,542) |
| Total comprehensive income for the period | | 6,219 | 2,718 |
| Attributable to: | | | |
| Equity holders of the parent | | 6,093 | 2,683 |
| Non-controlling interests | | 126 | 35 |
| | | 6,219 | 2,718 |

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 2017

(All amounts expressed in RMB million unless otherwise specified)

| <u>Group</u> | <u>Notes</u> | <u>30 June 2017</u> (unaudited) | <u>31 December 2016</u> (audited) |
|---|--------------|------------------------------------|--------------------------------------|
| ASSETS | | | |
| Goodwill | | 962 | 962 |
| Property and equipment | | 17,096 | 16,664 |
| Investment properties | | 8,496 | 8,657 |
| Other intangible assets | | 1,119 | 1,172 |
| Prepaid land lease payments | | 55 | 56 |
| Interests in associates | 13 | 2,534 | 115 |
| Investment in joint ventures | 14 | 34 | 36 |
| Held-to-maturity financial assets | 15 | 298,988 | 304,874 |
| Investments classified as loans and receivables | 16 | 200,841 | 139,634 |
| Restricted statutory deposits | | 6,078 | 6,078 |
| Term deposits | 17 | 93,473 | 132,226 |
| Available-for-sale financial assets | 18 | 339,474 | 258,711 |
| Financial assets at fair value through profit or loss | 19 | 16,700 | 27,204 |
| Securities purchased under agreements to resell | | 16,193 | 21,138 |
| Policy loans | | 32,061 | 27,844 |
| Interest receivables | | 14,596 | 17,003 |
| Reinsurance assets | 20 | 21,682 | 20,141 |
| Deferred income tax assets | 21 | 1,387 | 1,382 |
| Insurance receivables | | 18,895 | 12,267 |
| Other assets | 22 | 11,277 | 9,269 |
| Cash and short-term time deposits | 23 | 16,452 | 15,259 |
| Total assets | | <u>1,118,393</u> | <u>1,020,692</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 2017

(All amounts expressed in RMB million unless otherwise specified)

| <u>Group</u> | <u>Notes</u> | <u>30 June 2017</u> (unaudited) | <u>31 December 2016</u> (audited) |
|---|--------------|------------------------------------|--------------------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Issued capital | 24 | 9,062 | 9,062 |
| Reserves | 25 | 83,514 | 83,930 |
| Retained profits | 25 | 38,938 | 38,772 |
| Equity attributable to equity holders of the parent | | 131,514 | 131,764 |
| Non-controlling interests | | 2,813 | 2,999 |
| Total equity | | 134,327 | 134,763 |
| Liabilities | | | |
| Insurance contract liabilities | 26 | 764,927 | 693,826 |
| Investment contract liabilities | 27 | 55,137 | 48,796 |
| Policyholders' deposits | | 75 | 75 |
| Subordinated debts | 28 | 11,498 | 11,498 |
| Securities sold under agreements to repurchase | | 62,700 | 39,104 |
| Deferred income tax liabilities | 21 | 964 | 937 |
| Income tax payable | | 3,029 | 3,145 |
| Premium received in advance | | 6,705 | 22,326 |
| Policyholder dividend payable | | 22,363 | 21,735 |
| Payables to reinsurers | | 6,134 | 5,775 |
| Other liabilities | | 50,534 | 38,712 |
| Total liabilities | | 984,066 | 885,929 |
| Total equity and liabilities | | 1,118,393 | 1,020,692 |

 KONG Qingwei
 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 2017

(All amounts expressed in RMB million unless otherwise specified)

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

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

| Group | For the six months ended 30 June 2016 (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 2016 | 9,062 | 66,742 | 4,171 | 7,105 | 8,549 | (40) | 19 | 37,728 | 133,336 | 2,346 | 135,682 |
| Total comprehensive income | - | - | - | - | (3,464) | 9 | (4) | 6,142 | 2,683 | 35 | 2,718 |
| Dividend declared ¹ | - | - | - | - | - | - | - | (9,062) | (9,062) | - | (9,062) |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | - | - | (173) | (173) |
| At 30 June 2016 | 9,062 | 66,742 | 4,171 | 7,105 | 5,085 | (31) | 15 | 34,808 | 126,957 | 2,208 | 129,165 |

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2015, amounting to 9,062 million (RMB 1.00 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 2017

(All amounts expressed in RMB million unless otherwise specified)

| Group | Notes | Six months ended 30 June | |
|--|--------------|---------------------------------|-----------------|
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| OPERATING ACTIVITIES | | | |
| Cash generated from operating activities | 29 | 44,070 | 28,760 |
| Income tax paid | | (2,904) | (3,351) |
| Net cash inflow from operating activities | | 41,166 | 25,409 |
| INVESTING ACTIVITIES | | | |
| Purchases of property and equipment, intangible assets and other assets | | (1,516) | (2,286) |
| Proceeds from sale of property and equipment, intangible assets and other assets | | 326 | 4 |
| Purchases of investments, net | | (95,596) | (64,249) |
| Acquisition of a subsidiary and other business entities, net | | (3,437) | (549) |
| Interest received | | 23,833 | 19,693 |
| Dividends received from investments | | 8,010 | 1,959 |
| Other cash payment related to investing activities | | - | (7) |
| Net cash outflow from investing activities | | (68,380) | (45,435) |
| FINANCING ACTIVITIES | | | |
| Securities sold under agreements to repurchase, net | | 23,281 | 12,627 |
| Proceeds from the issue of asset-backed securities | | 910 | - |
| Repayment of borrowings | | (2) | - |
| Interest paid | | (1,306) | (561) |
| Dividends paid | | (44) | - |
| Capital injection to subsidiaries by NCI | | 508 | - |
| Proceeds from NCI of consolidated structured entities | | 152 | 1,496 |
| Net cash inflow from financing activities | | 23,499 | 13,562 |
| Effects of exchange rate changes on cash and cash equivalents | | (37) | 33 |
| Net decrease in cash and cash equivalents | | (3,752) | (6,431) |
| Cash and cash equivalents at beginning of period | | 36,397 | 24,192 |
| Cash and cash equivalents at end of period | | 32,645 | 17,761 |
| Analysis of balances of cash and cash equivalents | | | |
| Cash at banks and on hand | | 12,453 | 8,825 |
| Time deposits with original maturity of no more than three months | | 2,332 | 719 |
| Other monetary assets | | 1,667 | 1,038 |
| Investments with original maturity of no more than three months | | 16,193 | 7,179 |
| Cash and cash equivalents at end of period | | 32,645 | 17,761 |

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

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the “Company”) was established in Shanghai, the People’s Republic of China (the “PRC”) in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of the State Council of the PRC and Circular [2001] No. 239 issued by the 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 2017 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 2016.

(All amounts expressed in 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 2016, except for the adoption of amended or improved standards and interpretations as of 1 January 2017 as described below. The adoption of these amended or improved HKFRSs currently has been either not applicable or not significant on these consolidated financial statements.

- Amendment to HKAS 12 Income taxes

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendment to HKAS 7 Statement of cash flows

The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendment to HKFRS 12 Disclosure of interest in other entities

The amendment is part of the annual improvements to HKFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of HKFRS 12).

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

2.3 Impact of standards issued but not yet applied

All HKFRSs that remain in effect which are relevant to the Group have been applied. The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective. These HKFRSs are expected to have a significant effect on the consolidated financial statements of the Group set out below:

(All amounts expressed in RMB million unless otherwise specified)

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

2.3 Impact of standards issued but not yet applied (continued)

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is eligible to apply the deferral approach under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the forthcoming insurance contracts standard. As such, it is not possible to fully assess the effect of the adoption of HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is currently assessing the impact of HKFRS 15.

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

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

(All amounts expressed in RMB million unless otherwise specified)

3. CHANGE IN ACCOUNTING ESTIMATES

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

As at 30 June 2017, 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 2017 by approximately RMB4,188 million and a decrease in profit before tax for the six months ended 30 June 2017 by approximately RMB4,188 million.

4. SEGMENT INFORMATION

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

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

The Group's operating segments are listed as follows:

- The life insurance segment 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 2017, gross written premiums from transactions with the top five external customers amounted to 0.6% (During the six months ended 30 June 2016: 0.5%) 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 2017

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2017

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(continued)
30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2016

| | Life insurance | Property and casualty insurance | | | Corporate and others | Eliminations | Total | |
|--|-----------------|---------------------------------|--------------|------------|----------------------|----------------|-----------------|------------------|
| | Mainland China | Hong Kong | Eliminations | Sub-total | | | | |
| Gross written premiums | 82,348 | 49,224 | 233 | (184) | 49,273 | - | (84) | 131,537 |
| Less: Premiums ceded to reinsurers | (959) | (6,775) | (20) | 184 | (6,611) | - | 84 | (7,486) |
| Net written premiums | 81,389 | 42,449 | 213 | - | 42,662 | - | - | 124,051 |
| Net change in unearned premium reserves | (1,157) | (821) | 3 | - | (818) | - | 41 | (1,934) |
| Net premiums earned | 80,232 | 41,628 | 216 | - | 41,844 | - | 41 | 122,117 |
| Investment income | 19,991 | 2,738 | 11 | - | 2,749 | 10,462 | (11,859) | 21,343 |
| Other operating income | 851 | 160 | 9 | - | 169 | 1,449 | (1,261) | 1,208 |
| Other income | 20,842 | 2,898 | 20 | - | 2,918 | 11,911 | (13,120) | 22,551 |
| Segment income | 101,074 | 44,526 | 236 | - | 44,762 | 11,911 | (13,079) | 144,668 |
| Net policyholders' benefits and claims: | | | | | | | | |
| Life insurance death and other benefits paid | (22,749) | - | - | - | - | - | - | (22,749) |
| Claims incurred | (2,084) | (25,440) | (106) | (1) | (25,547) | - | 18 | (27,613) |
| Changes in long-term life insurance contract liabilities | (44,430) | - | - | - | - | - | 763 | (43,667) |
| Policyholder dividends | (3,671) | - | - | - | - | - | - | (3,671) |
| Finance costs | (974) | (143) | - | - | (143) | (18) | - | (1,135) |
| Interest credited to investment contracts | (1,024) | - | - | - | - | - | - | (1,024) |
| Other operating and administrative expenses | (19,588) | (16,061) | (77) | - | (16,138) | (1,449) | 1,271 | (35,904) |
| Segment benefits, claims and expenses | (94,520) | (41,644) | (183) | (1) | (41,828) | (1,467) | 2,052 | (135,763) |
| Segment results | 6,554 | 2,882 | 53 | (1) | 2,934 | 10,444 | (11,027) | 8,905 |
| Share of profit in equity accounted investees | 5 | 21 | - | - | 21 | (9) | - | 17 |
| Profit before tax | 6,559 | 2,903 | 53 | (1) | 2,955 | 10,435 | (11,027) | 8,922 |
| Income tax | (2,261) | (747) | (7) | - | (754) | 55 | 298 | (2,662) |
| Net profit for the period | 4,298 | 2,156 | 46 | (1) | 2,201 | 10,490 | (10,729) | 6,260 |

The segment assets as at 30 June 2017 and 31 December 2016 are as following:

| | Life insurance | Property and casualty insurance | | | Others | Eliminations | Total | |
|-----------------------------------|----------------|---------------------------------|--------------|-----------|---------|--------------|----------|-----------|
| | Mainland China | Hong Kong | Eliminations | Sub-total | | | | |
| 30 June 2017 (Unaudited) | 931,041 | 145,294 | 1,199 | (489) | 146,004 | 87,412 | (46,064) | 1,118,393 |
| 31 December 2016 (Audited) | 847,408 | 133,656 | 1,102 | (528) | 134,230 | 69,247 | (30,193) | 1,020,692 |

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2017 are as follows:

| Name | Type of legal entity | Business scope and principal activities | Place of incorporation/ registration | Place of operations | Registered capital (RMB thousand, unless otherwise stated) | Paid-up capital (RMB thousand, unless otherwise stated) | Percentage of equity attributable to the Company | | Percentage of voting rights attributable to the Company | Note |
|--|----------------------|--|--------------------------------------|----------------------------|--|---|--|----------|---|------|
| | | | | | | | Direct | Indirect | | |
| China Pacific Property Insurance Co., Ltd. ("CPIC Property") | Limited company | Property and casualty insurance | Shanghai | The PRC | 19,470,000 | 19,470,000 | 98.50 | - | 98.50 | |
| China Pacific Life Insurance Co., Ltd. ("CPIC Life") | Limited company | Life insurance | Shanghai | The PRC | 8,420,000 | 8,420,000 | 98.29 | - | 98.29 | |
| Pacific Asset Management Co., Ltd. ("CPIC Asset Management") | Limited company | Investment management | Shanghai | Shanghai | 1,300,000 | 1,300,000 | 80.00 | 19.67 | 100.00 | |
| China Pacific Insurance Co., (H.K.) Ltd. | Limited company | Property and casualty insurance | Hong Kong | Hong Kong | HK\$250,000 thousand | HK\$250,000 thousand | 100.00 | - | 100.00 | |
| Shanghai Pacific Real Estate Co., Ltd. | Limited company | Management of properties | Shanghai | Shanghai | 115,000 | 115,000 | 100.00 | - | 100.00 | |
| Fenghua Xikou Garden Hotel | Limited company | Hotel operations | Zhejiang | Zhejiang | 8,000 | 8,000 | - | 98.39 | 100.00 | |
| Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") | Limited company | Pension business and investment management | Shanghai | Shanghai | 787,610 | 787,610 | - | 50.87 | 51.75 | (1) |
| CPIC Investment Management (H.K.) Company Limited ("CPIC Investment (H.K.)") | Limited company | Investment management | Hong Kong | Hong Kong | HK\$50,000 thousand | HK\$50,000 thousand | 49.00 | 50.83 | 100.00 | |
| City Island Developments Limited ("City Island") | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US\$50,000 | US\$1,000 | - | 98.29 | 100.00 | |
| Great Winwick Limited * | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US\$50,000 | US\$100 | - | 98.29 | 100.00 | |
| Great Winwick (Hong Kong) Limited * | Limited company | Investment holding | Hong Kong | Hong Kong | HK\$10,000 | HK\$1 | - | 98.29 | 100.00 | |
| Newscott Investments Limited * | Limited company | Investment holding | The British Virgin Islands | The British Virgin Islands | US\$50,000 | US\$100 | - | 98.29 | 100.00 | |

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
 30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2017 are as follows (continued):

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

* Subsidiaries of City Island.

(1) On 12 May 2017, CPIC Life, the Group's subsidiary, signed a capital increase agreement with Changjiang Pension, whereby CPIC Life acquired 491.51 million shares of common stocks at RMB3.04 per share issued by Changjiang Pension. After this capital injection, CPIC Life's ownership in Changjiang Pension will be 62.16% while the Company will hold 61.10% of Changjiang Pension's ownership indirectly through CPIC Life. The capital injection is still subject to CIRC's approval.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)
 30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(b) As at 30 June 2017, consolidated structured entities material to the Group are as followings:

| Name | Collective Holding by the Group (%) | Product Scale (Units in thousand) | Principal activities |
|---|-------------------------------------|-----------------------------------|--|
| Pacific Excellent Wealth CSI 300 Index Product | 100.00 | 3,349,640 | Investing in financial instruments with good liquidity, including CSI 300 Index Constituent and Proxy Stocks. In addition, to successfully achieve the investment goal, this product also allocates a few investments in non-constituent stocks to be listed in CSI 300 Index Constituent Stocks, stocks newly-issued or additionally-issued in the primary market, government bond to be due within one year, exchange repo, demand deposits at bank, funds in monetary market, etc. Product Manager may bring other financial instruments that are allowed by laws and regulations or regulators into the scope of investment after implementation of proper procedures. |
| Changjiang Pension Golden Wealth Management No. 6 Assets Management Product | 100.00 | 1,000,000 | This product, excluding monetary assets (with percentages no more than 10% of the product's net asset value), shall allocate to Huaxin Trust - Haorui No. 11 Assembled Funds Trust Plan in full amount. |
| Pacific Excellent Wealth Focus Dividend & Value Equity Product | 97.93 | 914,290 | Investing in financial instruments with strong liquidity including: legally listed domestic stocks (including: stocks listed in SME, GEM and others approved by China Securities Regulatory Commission), cash management products (including: cash, call deposits, short-term financing bonds, time deposits and certificate of deposits due within 1 year (inclusive), bond repurchase and central bank bill matured within 1 year (inclusive), bonds, asset-backed securities, medium term notes, monetary funds with residual maturity within 397 days (inclusive) and other cash management products approved by regulators. |
| Pacific Excellent No. 86 Assets Management Product | 80.11 | 738,110 | This product mainly invests in liquid assets, fixed-income assets and equity assets. Liquid assets consist of cash, money market funds, deposits, call deposits, government bonds, quasi government bonds and reverse repos within one-year maturity; Fixed-income assets consist of term deposits, agreement deposits, bond funds, financial corporate bonds, non-financial corporate bonds, government bonds and quasi government bonds with maturity over one year, fixed income products managed by insurance assets management companies. Equity products consist of legally issued stocks in PRC(including IPOs and private placement), hybrid funds, equity funds, hybrid products and equity products managed by insurance assets management companies. |

Note: CPIC Asset Management and Changjiang Pension is the asset manager of the consolidated structured entities.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
 (continued)
 30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2017 | 2016 |
| Long-term life insurance premiums | 104,172 | 76,879 |
| Short-term life insurance premiums | 6,468 | 5,469 |
| Property and casualty insurance premiums | 53,145 | 49,189 |
| | <u>163,785</u> | <u>131,537</u> |

(b) Premiums ceded to reinsurers

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2017 | 2016 |
| Long-term life insurance premiums ceded to reinsurers | (933) | (899) |
| Short-term life insurance premiums ceded to reinsurers | (70) | (60) |
| Property and casualty insurance premiums ceded to reinsurers | (7,453) | (6,527) |
| | <u>(8,456)</u> | <u>(7,486)</u> |

(c) Net written premiums

| | Six months ended 30 June | |
|----------------------|---------------------------------|----------------|
| | 2017 | 2016 |
| Net written premiums | <u>155,329</u> | <u>124,051</u> |

7. INVESTMENT INCOME

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2017 | 2016 |
| Interest and dividend income (a) | 28,538 | 20,687 |
| Realized (losses)/gains (b) | (4,577) | 1,266 |
| Unrealized gains/(losses) (c) | 767 | (582) |
| Charge of impairment losses on financial assets | (297) | (28) |
| | <u>24,431</u> | <u>21,343</u> |

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(continued)
30 June 2017

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2017 | 2016 |
| Financial assets at fair value through profit or loss | | |
| - Fixed maturity investments | 259 | 353 |
| - Investment funds | 42 | 24 |
| - Equity securities | 56 | 22 |
| - Other equity investments | 40 | - |
| | <u>397</u> | <u>399</u> |
| Held-to-maturity financial assets | | |
| - Fixed maturity investments | 7,388 | 7,644 |
| Loans and receivables | | |
| - Fixed maturity investments | 9,062 | 7,974 |
| Available-for-sale financial assets | | |
| - Fixed maturity investments | 3,757 | 2,664 |
| - Investment funds | 6,539 | 1,207 |
| - Equity securities | 414 | 366 |
| - Other equity investments | 981 | 433 |
| | <u>11,691</u> | <u>4,670</u> |
| | <u>28,538</u> | <u>20,687</u> |

(b) Realized (losses)/gains

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| Financial assets at fair value through profit or loss | | |
| - Fixed maturity investments | (143) | 80 |
| - Investment funds | 1 | (4) |
| - Equity securities | 108 | (247) |
| - Other equity investments | 2 | - |
| | <u>(32)</u> | <u>(171)</u> |
| Available-for-sale financial assets | | |
| - Fixed maturity investments | (140) | 141 |
| - Investment funds | (5,106) | 742 |
| - Equity securities | 664 | 543 |
| - Other equity investments | 37 | 11 |
| | <u>(4,545)</u> | <u>1,437</u> |
| | <u>(4,577)</u> | <u>1,266</u> |

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7. INVESTMENT INCOME (continued)

(c) Unrealized gains/(losses)

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2017 | 2016 |
| Financial assets at fair value through profit or loss | | |
| - Fixed maturity investments | (67) | (159) |
| - Investment funds | 151 | (208) |
| - Equity securities | 662 | (224) |
| - Other equity investments | 21 | 9 |
| | <u>767</u> | <u>(582)</u> |

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

| | Six months ended 30 June 2017 | | |
|--|--------------------------------------|----------------|----------------|
| | Gross | Ceded | Net |
| Life insurance death and other benefits paid | 23,844 | (418) | 23,426 |
| Claims incurred | | | |
| - Short-term life insurance | 2,718 | (36) | 2,682 |
| - Property and casualty insurance | 29,208 | (2,777) | 26,431 |
| Changes in long-term life insurance contract liabilities | 63,752 | (668) | 63,084 |
| Policyholder dividends | 4,282 | - | 4,282 |
| | <u>123,804</u> | <u>(3,899)</u> | <u>119,905</u> |
| | | | |
| | Six months ended 30 June 2016 | | |
| | Gross | Ceded | Net |
| Life insurance death and other benefits paid | 23,062 | (313) | 22,749 |
| Claims incurred | | | |
| - Short-term life insurance | 2,201 | (119) | 2,082 |
| - Property and casualty insurance | 28,437 | (2,906) | 25,531 |
| Changes in long-term life insurance contract liabilities | 44,402 | (735) | 43,667 |
| Policyholder dividends | 3,671 | - | 3,671 |
| | <u>101,773</u> | <u>(4,073)</u> | <u>97,700</u> |

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9. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| Employee benefit expense (including directors' and supervisors' emoluments) | 9,092 | 8,146 |
| Auditors' remuneration | 10 | 9 |
| Operating lease payments in respect of land and buildings | 552 | 451 |
| Depreciation of property and equipment | 669 | 559 |
| Depreciation of investment properties | 140 | 109 |
| Amortization of other intangible assets | 182 | 181 |
| Amortization of prepaid land lease payments | 1 | 1 |
| Amortization of other assets | 12 | 13 |
| Gain on disposal of items of property and equipment, intangible assets and other long-term assets | (5) | (1) |
| Charge of impairment loss on insurance receivables | 174 | 266 |
| Charge of impairment loss on financial assets (note 7) | 297 | 28 |
| Foreign exchange loss/(gain), net | 71 | (48) |

10. INCOME TAX

(a) Income tax

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|--------------|
| | 2017 | 2016 |
| Current income tax | 2,788 | 3,130 |
| Deferred income tax (note 21) | 165 | (468) |
| | <u>2,953</u> | <u>2,662</u> |

(b) Tax recorded in other comprehensive income

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|-------------|
| | 2017 | 2016 |
| Deferred income tax (note 21) | (143) | (1,201) |

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10. INCOME TAX (continued)

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 25% on the assessable profits arising in the PRC. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

| | Six months ended 30 June | |
|--|---------------------------------|--------------|
| | 2017 | 2016 |
| Profit before tax | 9,598 | 8,922 |
| Tax computed at the statutory tax rate | 2,400 | 2,231 |
| Adjustments to income tax in respect of previous periods | (33) | (12) |
| Income not subject to tax | (2,279) | (852) |
| Expenses not deductible for tax | 2,775 | 1,475 |
| Others | 90 | (180) |
| Tax expense at the Group's effective rate | <u>2,953</u> | <u>2,662</u> |

11. EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---------------------------------|----------------|
| | 2017 | 2016 |
| Consolidated net profit for the period attributable to equity holders of the parent | 6,509 | 6,142 |
| Weighted average number of ordinary shares in issue (million) | 9,062 | 9,062 |
| Basic earnings per share | <u>RMB0.72</u> | <u>RMB0.68</u> |
| Diluted earnings per share | <u>RMB0.72</u> | <u>RMB0.68</u> |

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2017 and 30 June 2016.

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12. OTHER COMPREHENSIVE LOSS

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| Exchange differences on translation of foreign operations | (15) | 9 |
| Available-for-sale financial assets | | |
| Losses arising during the period | (6,031) | (5,049) |
| Reclassification adjustments for gains/(losses) included in profit or loss | 4,545 | (1,435) |
| Fair value change on available-for-sale financial assets attributable to policyholders | 629 | 1,708 |
| Impairment charges reclassified to the income statement | 297 | 28 |
| | (560) | (4,748) |
| Income tax relating to available-for-sale financial assets | 143 | 1,201 |
| | (417) | (3,547) |
| Share of other comprehensive income/(loss) in equity accounted investees | 6 | (4) |
| Other comprehensive loss | (426) | (3,542) |

13. INTERESTS IN ASSOCIATES

| | 30 June 2017 | | | | | | |
|--|-----------------|-------------------|--------------|-----------------|----------------------------|-------------------|-----------------|
| | Historical cost | At 1 January 2017 | Additions | Share of profit | Other comprehensive income | Dividend declared | At 30 June 2017 |
| Taiji (Shanghai) Information Technology Co., Ltd.(the "Taiji") | 2 | 1 | - | - | - | - | 1 |
| Shanghai Juche Information Technology Co., Ltd.(the "Juche") | 3 | 1 | - | - | 6 | - | 7 |
| Zhongdao Automobile Rescue Industry Co., Ltd.(the "Zhongdao") | 17 | 18 | - | - | - | - | 18 |
| Shanghai Proton and Heavy Ion Hospital(the "Zhizhong") | 100 | 92 | - | (19) | - | - | 73 |
| Shanghai Dedao Co., Ltd.(the "Dedao") | 5 | 3 | - | - | - | - | 3 |
| Shanghai Xingongying Information Technology Co., Ltd.(the "Xingongying") | 81 | - | 81 | (1) | - | - | 80 |
| Shanghai Heji Business Management LP.(the "Heji") | 200 | - | 200 | - | - | - | 200 |
| Shanghai Dabaoguisheng Information Technology Co., Ltd.(the "Dabaoguisheng") | 10 | - | 10 | - | - | - | 10 |
| Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Scheme(the "CHEMCHINA Debt Investment Scheme") | 2,142 | - | 2,142 | 20 | - | (20) | 2,142 |
| | <u>2,560</u> | <u>115</u> | <u>2,433</u> | <u>-</u> | <u>6</u> | <u>(20)</u> | <u>2,534</u> |

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13. INTERESTS IN ASSOCIATES (continued)

On 18 September 2015, CPIC Property signed the business cooperation agreement of RMB40 million with Xingongying. Meanwhile, CPIC Property signed the ownership transfer contract with Xingongying and individual shareholders Wenjian Zhang for transferring 6.63% shares of Xingongying. On 31 December 2016, CPIC Online Services signed the Capital injection contract of RMB0.73 million with the other two companies. After this capital injection, CPIC Online Services held 1.62% shares of Xingongying. On 10 January 2017, CPIC Property signed the capital injection contract of RMB40 million with Xingongying, the other seven companies, and six individual shareholders. After this capital injection, CPIC Property holds 7.53% shares of Xingongying, and CPIC Online Services holds 0.8% shares of Xingongying, respectively.

On 2 December 2016, CPIC Property, Shanghai Guohe Capital, and Shinovation Capital Corporation Co., Ltd. set up Heji with operating period of 20 years and registered capital of RMB505 million. Among all, CPIC Property stands for 99% shares, its subscribed capital contribution reaches RMB500 million, and its first capital contribution reaches RMB200 million.

On 29 March 2017, CPIC Life, Wonders Information System Co., Ltd., and Shanghai Zicheng Internet Technology Limited Partnership set up Dabaoguisheng with operating period of 20 years and registered capital of RMB100 million. Among all, CPIC Life stands for 34% shares, its subscribed capital contribution reaches RMB34 million, and its first capital contribution reaches RMB10.2 million.

Nature of investment in associates as at 30 June 2017

| Name | Place of incorporation | Percentage of ownership interest | | Percentage of voting power | Registered capital (RMB thousand) | Paid-up capital (RMB thousand) | Principal activity |
|--|------------------------|----------------------------------|----------|----------------------------|-----------------------------------|--------------------------------|--|
| | | Direct | Indirect | | | | |
| Taiji | Shanghai | - | 40.00% | 40.00% | 15,000 | 4,600 | Technology development and consulting, etc. |
| Juche | Shanghai | - | 40.39% | 40.80% | 5,882 | 5,882 | Internet |
| Zhongdao | Shanghai | - | 33.22% | 33.60% | 50,000 | 50,000 | Automobile rescue services |
| Zhizhong | Shanghai | - | 15.41% | 20.00% | 500,000 | 500,000 | Oncology department and medical laboratory |
| Dedao | Shanghai | - | 25.00% | 25.00% | 20,000 | 20,000 | Information technology and automotive software |
| Xingongying ⁽¹⁾ | Shanghai | - | 8.22% | 8.33% | 2,593 | 2,593 | Information technology development and consulting, etc. |
| Heji ⁽²⁾ | Shanghai | - | 97.52% | | 505,000 | 202,000 | Business management, industrial investment, investment management, assets management, consulting, etc. |
| Dabaoguisheng CHEMCHINA Debt Investment Scheme ⁽³⁾ | Shanghai | - | 33.42% | 34.00% | 100,000 | 22,200 | Third party operation services of insurance industry |
| | Shanghai | - | 70.18% | | 3,000,000 | N/A | Debt investment scheme |

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13. INTERESTS IN ASSOCIATES (continued)

Note:

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

Summarised financial information for associates

| | Six months ended 30 June 2017 |
|--|--|
| Net profit for the period | (102) |
| Other comprehensive income for the period | - |
| Total comprehensive income for the period | <u>(102)</u> |
| Total comprehensive income attributable to the Group | <u>6</u> |
| Carrying amount of the Group's interest | <u>2,534</u> |

14. INVESTMENT IN JOINT VENTURES

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|---------------------|---------------------|-------------------------|
| Share of net assets | <u>34</u> | <u>36</u> |

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14. INVESTMENT IN JOINT VENTURES (continued)

Particulars of the joint venture as at 30 June 2017 are as follow:

| Name | Place of incorporation | Percentage of ownership interest | | Percentage of voting power | Registered capital (RMB thousand) | Paid-up capital (RMB thousand) | Principal activity |
|--|------------------------|----------------------------------|----------|----------------------------|-----------------------------------|--------------------------------|---|
| | | Direct | Indirect | | | | |
| Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd("Binjiang-Xiangrui") | Shanghai | - | 35.16% | 35.70% | 150,000 | 30,000 | Real estate |
| Taiyi (Shanghai) Information Technology Co., Ltd | Shanghai | - | 48.00% | 48.00% | 10,000 | 10,000 | Used car information service platform |
| Hangzhou Dayu Internet Technology Co., Ltd | Hangzhou | - | 27.00% | 33.33% | 10,000 | 10,000 | Technology development services, consulting, etc. |
| Aizhu (Shanghai) Information Technology Co., Ltd | Shanghai | - | 35.00% | 35.00% | 10,000 | 2,000 | Internet technology, etc. |
| Pacific Euler Hermes Insurance Sales Co., Ltd | Shanghai | - | 50.24% | 50.00% | 50,000 | 50,000 | Insurance sales |

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

| | Six months ended 30 June | |
|---|--------------------------|------------------------|
| | 2017 (RMB thousand) | 2016 (RMB thousand) |
| The joint venture's net loss: | (5,232) | (3,187) |
| The joint venture's other comprehensive income: | - | - |

As at 30 June 2017, the Group's investment in joint ventures had no impairment. The Group received no cash dividend from Binjiang-Xiangrui.

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

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15. HELD-TO-MATURITY FINANCIAL ASSETS

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

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|--------------------|---------------------|-------------------------|
| Listed | | |
| Debt investments | | |
| - Government bonds | 1,371 | 1,368 |
| - Finance bonds | 5,755 | 5,757 |
| - Corporate bonds | 12,844 | 13,039 |
| | <u>19,970</u> | <u>20,164</u> |
| Unlisted | | |
| Debt investments | | |
| - Government bonds | 70,388 | 70,387 |
| - Finance bonds | 103,989 | 106,058 |
| - Corporate bonds | 104,641 | 108,265 |
| | <u>279,018</u> | <u>284,710</u> |
| | <u>298,988</u> | <u>304,874</u> |

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|------------------------------|---------------------|-------------------------|
| Debt investments | | |
| - Finance bonds | 2,899 | 2,899 |
| - Debt investment scheme | 84,235 | 61,397 |
| - Wealth management products | 81,707 | 43,338 |
| - Preferred shares | 32,000 | 32,000 |
| | <u>200,841</u> | <u>139,634</u> |

(All amounts expressed in RMB million unless otherwise specified)

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES (continued)

As at 30 June 2017, CPIC Asset Management, a subsidiary of the Group, issued and existed 64 debt investment schemes with a total value of RMB102.16 billion. Of these, the existing amounts approximately RMB39.06 billion are recognized in the Group's consolidated financial information (As at 31 December 2016, CPIC Asset Management, a subsidiary of the Group, issued and existed 66 debt investment schemes with a total value of RMB101.70 billion. Of these, the existing amounts approximately RMB35.96 billion are recognized in the Group's consolidated financial information). As at 30 June 2017, Changjiang Pension, a subsidiary of the Group, issued and existed 34 debt investment schemes with a total value of RMB56.03 billion. Of these, the existing amounts approximately RMB18.13 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2016, Changjiang Pension, a subsidiary of the Group, issued and existed 22 debt investment schemes with a total value of RMB23.80 billion. Of these, the existing amounts approximately RMB5.67 billion 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 RMB27.04 billion (31 December 2016, RMB19.77 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are RMB70.92 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 2017</u> | <u>31 December 2016</u> |
|--|---------------------|-------------------------|
| 1 month to 3 months (including 3 months) | 1,055 | 35,683 |
| 3 months to 1 year (including 1 year) | 18,588 | 10,078 |
| 1 to 2 years (including 2 years) | 27,570 | 21,180 |
| 2 to 3 years (including 3 years) | 28,540 | 25,030 |
| 3 to 4 years (including 4 years) | 6,440 | 24,055 |
| 4 to 5 years (including 5 years) | 11,280 | 16,200 |
| | <u>93,473</u> | <u>132,226</u> |

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18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|------------------------------|---------------------|-------------------------|
| Listed | | |
| Equity investments | | |
| - Equity securities | 36,391 | 25,469 |
| - Investment funds | 5,883 | 8,741 |
| - Wealth management products | - | 1,015 |
| Debt investments | | |
| - Government bonds | 7,110 | 8,424 |
| - Finance bonds | 2,771 | 1,555 |
| - Corporate bonds | 36,422 | 31,138 |
| | <u>88,577</u> | <u>76,342</u> |
| Unlisted | | |
| Equity investments | | |
| - Investment funds | 37,831 | 29,571 |
| - Wealth management products | 36,039 | 20,232 |
| - Other equity investments | 23,453 | 19,005 |
| - Preferred shares | 4,632 | 4,544 |
| Debt investments | | |
| - Government bonds | 30,769 | 16,340 |
| - Finance bonds | 24,658 | 18,714 |
| - Corporate bonds | 92,974 | 73,339 |
| - Wealth management products | 541 | 624 |
| | <u>250,897</u> | <u>182,369</u> |
| | <u>339,474</u> | <u>258,711</u> |

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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 2017</u> | <u>31 December 2016</u> |
|------------------------------|---------------------|-------------------------|
| Listed | | |
| Equity investments | | |
| - Equity securities | 7,857 | 5,716 |
| - Investment funds | 387 | 418 |
| Debt investments | | |
| - Government bonds | 179 | 1 |
| - Finance bonds | 76 | 326 |
| - Corporate bonds | 467 | 5,770 |
| | <u>8,966</u> | <u>12,231</u> |
| Unlisted | | |
| Equity investments | | |
| - Investment funds | 4,468 | 5,682 |
| - Wealth management products | 1,547 | 1,561 |
| - Other equity investments | 49 | 30 |
| Debt investments | | |
| - Government bonds | - | 423 |
| - Finance bonds | 166 | 1,281 |
| - Corporate bonds | 1,501 | 5,993 |
| - Wealth management products | 3 | 3 |
| | <u>7,734</u> | <u>14,973</u> |
| | <u>16,700</u> | <u>27,204</u> |

20. REINSURANCE ASSETS

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|--|---------------------|-------------------------|
| Reinsurers' share of insurance contracts (note 26) | <u>21,682</u> | <u>20,141</u> |

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21. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|--|---------------------|-------------------------|
| Net deferred income tax assets, at beginning of period | 445 | (2,419) |
| Acquisition of subsidiary | - | 28 |
| Recognized in profit or loss (note 10(a)) | (165) | 1,270 |
| Recognized in other comprehensive income (note 10(b)) | 143 | 1,566 |
| | <u>423</u> | <u>445</u> |
| Net deferred income tax assets, at end of period | 423 | 445 |
| Net deferred income tax assets | 423 | 445 |
| Represented by: | | |
| Deferred tax assets | 1,387 | 1,382 |
| Deferred tax liabilities | (964) | (937) |

22. OTHER ASSETS

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|--------------------------------------|---------------------|-------------------------|
| Due from a related-party (1) | 1,318 | 1,318 |
| Tax receivable other than income tax | 54 | 99 |
| Receivable for securities | 5,660 | 3,983 |
| Due from agents | 791 | 763 |
| Co-insurance receivable | 79 | 81 |
| Others | 3,375 | 3,025 |
| | <u>11,277</u> | <u>9,269</u> |

(1) As at 30 June 2017, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,318 million (31 December 2016, RMB1,318 million).

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23. CASH AND SHORT-TERM TIME DEPOSITS

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|---|---------------------|-------------------------|
| Cash at banks and on hand | 12,453 | 9,717 |
| Time deposits with original maturity of no more than three months | 2,332 | 4,633 |
| Other monetary assets | 1,667 | 909 |
| | <u>16,452</u> | <u>15,259</u> |

The Group's bank balances denominated in RMB amounted to RMB14,936 million as at 30 June 2017 (31 December 2016: RMB13,953 million). Under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business after obtaining approval from foreign exchange regulatory authorities.

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

As at 30 June 2017, RMB1,571 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2016, RMB881 million).

24. ISSUED CAPITAL

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|---|---------------------|-------------------------|
| Number of shares issued and fully paid at RMB1 each (million) | <u>9,062</u> | <u>9,062</u> |

(All amounts expressed in RMB million unless otherwise specified)

25. RESERVES AND RETAINED PROFITS

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

(a) Capital reserves

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

(b) Surplus reserves

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

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

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

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

Of the Group's retained profits, RMB7,088 million as at 30 June 2017 (31 December 2016: RMB7,088 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.

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25. RESERVES AND RETAINED PROFITS (continued)

(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, RMB8,392 million as at 30 June 2017 (31 December 2016: RMB8,392 million) represents the Company's share of its subsidiaries' general reserves.

(d) Other reserves

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

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 16th meeting of the Company's 7th term of board of directors held on 29 March 2017, a final dividend of approximately RMB 6,343 million (equivalent to RMB0.7 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved during shareholders meeting on 9 June 2017.

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26. INSURANCE CONTRACT LIABILITIES

| | 30 June 2017 | | |
|---|--------------------------------------|--|----------------|
| | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities (note 20) | Net |
| Long-term life insurance contracts | 680,394 | (9,841) | 670,553 |
| Short-term life insurance contracts | | | |
| - Unearned premiums | 4,173 | (61) | 4,112 |
| - Claim reserves | 2,629 | (78) | 2,551 |
| | <u>6,802</u> | <u>(139)</u> | <u>6,663</u> |
| Property and casualty insurance contracts | | | |
| - Unearned premiums | 41,789 | (5,359) | 36,430 |
| - Claim reserves | 35,942 | (6,343) | 29,599 |
| | <u>77,731</u> | <u>(11,702)</u> | <u>66,029</u> |
| | <u>764,927</u> | <u>(21,682)</u> | <u>743,245</u> |
| Incurred but not reported claim reserves | <u>7,058</u> | <u>(934)</u> | <u>6,124</u> |
| | | | |
| | 31 December 2016 | | |
| | Insurance contract liabilities | Reinsurers' share of insurance contract liabilities (note 20) | Net |
| Long-term life insurance contracts | 616,059 | (9,173) | 606,886 |
| Short-term life insurance contracts | | | |
| - Unearned premiums | 2,485 | (37) | 2,448 |
| - Claim reserves | 2,079 | (75) | 2,004 |
| | <u>4,564</u> | <u>(112)</u> | <u>4,452</u> |
| Property and casualty insurance contracts | | | |
| - Unearned premiums | 38,639 | (4,314) | 34,325 |
| - Claim reserves | 34,564 | (6,542) | 28,022 |
| | <u>73,203</u> | <u>(10,856)</u> | <u>62,347</u> |
| | <u>693,826</u> | <u>(20,141)</u> | <u>673,685</u> |
| Incurred but not reported claim reserves | <u>6,376</u> | <u>(977)</u> | <u>5,399</u> |

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26. INSURANCE CONTRACT LIABILITIES (continued)

Claim development tables

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

Gross property and casualty insurance claim reserves:

| | Property and casualty insurance (Accident year) | | | | | Total |
|---|---|----------|----------|----------|--------------|---------------|
| | 2013 | 2014 | 2015 | 2016 | 30 June 2017 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year | 49,591 | 55,880 | 58,926 | 57,960 | 28,679 | |
| One year later | 51,733 | 55,420 | 57,737 | 58,045 | | |
| Two years later | 52,324 | 55,098 | 56,787 | | | |
| Three years later | 52,189 | 55,021 | | | | |
| Four years later | 52,222 | | | | | |
| Current estimate of cumulative claims | 52,222 | 55,021 | 56,787 | 58,045 | 28,679 | 250,754 |
| Cumulative payments to date | (51,384) | (53,375) | (52,505) | (45,469) | (13,721) | (216,454) |
| Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin | | | | | | 1,642 |
| Total gross claim reserves included in the consolidated balance sheet | | | | | | <u>35,942</u> |

Net property and casualty insurance claim reserves:

| | Property and casualty insurance (Accident year) | | | | | Total |
|---|---|----------|----------|----------|--------------|---------------|
| | 2013 | 2014 | 2015 | 2016 | 30 June 2017 | |
| Estimate of ultimate claim cost as of: | | | | | | |
| End of current year | 42,287 | 46,868 | 51,435 | 50,934 | 25,552 | |
| One year later | 44,203 | 46,816 | 50,423 | 51,067 | | |
| Two years later | 44,660 | 46,654 | 49,855 | | | |
| Three years later | 44,603 | 46,557 | | | | |
| Four years later | 44,547 | | | | | |
| Current estimate of cumulative claims | 44,547 | 46,557 | 49,855 | 51,067 | 25,552 | 217,578 |
| Cumulative payments to date | (44,009) | (45,420) | (46,608) | (40,781) | (12,529) | (189,347) |
| Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin | | | | | | 1,368 |
| Total net claim reserves included in the consolidated balance sheet | | | | | | <u>29,599</u> |

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27. INVESTMENT CONTRACT LIABILITIES

| | |
|---------------------|---------------|
| At 1 January 2016 | 40,033 |
| Deposits received | 13,050 |
| Deposits withdrawn | (6,010) |
| Fees deducted | (192) |
| Interest credited | 1,803 |
| Others | 112 |
| | <hr/> |
| At 31 December 2016 | 48,796 |
| Deposits received | 9,318 |
| Deposits withdrawn | (4,333) |
| Fees deducted | (102) |
| Interest credited | 1,179 |
| Others | 279 |
| | <hr/> |
| At 30 June 2017 | <u>55,137</u> |

28. SUBORDINATED DEBTS

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 2016 | Issuance | Premium amortization | Redemption | 30 June 2017 |
|---------------|------------------|----------|-------------------------|------------|--------------|
| CPIC Life | 7,500 | - | - | - | 7,500 |
| CPIC Property | 3,998 | - | - | - | 3,998 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | 11,498 | - | - | - | 11,498 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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29. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

| | Six months ended 30 June | |
|--|---------------------------------|---------------|
| | 2017 | 2016 |
| Profit before tax | 9,598 | 8,922 |
| Investment income | (24,431) | (21,343) |
| Foreign currency loss/(income) | 71 | (48) |
| Finance costs | 1,387 | 850 |
| Charge of impairment losses on insurance receivables and other assets, net | 174 | 266 |
| Depreciation of property and equipment | 669 | 559 |
| Depreciation of investment properties | 140 | 109 |
| Amortization of other intangible assets | 182 | 181 |
| Amortization of prepaid land lease payments | 1 | 1 |
| Amortization of other assets | 12 | 13 |
| Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net | (5) | (1) |
| | (12,202) | (10,491) |
| Increase in reinsurance assets | (1,541) | (1,043) |
| Increase in insurance receivables | (6,628) | (5,667) |
| (Increase)/decrease in other assets | (2,008) | 1,271 |
| Increase in insurance contract liabilities | 70,522 | 47,015 |
| Decrease in other operating liabilities | (4,073) | (2,325) |
| Cash generated from operating activities | <u>44,070</u> | <u>28,760</u> |

30. RELATED PARTY TRANSACTIONS

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

- (a) Sale of insurance contracts

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company | <u>5</u> | <u>6</u> |

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

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30. RELATED PARTY TRANSACTIONS (continued)

(b) Dividends paid

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2017 | 2016 |
| Equity holders who individually own more than 5% of equity interests of the Company | 2,234 | 3,073 |

(c) Compensation of key management personnel

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2017 | 2016 |
| Salaries, allowances and other short-term benefits | 8 | 7 |
| Deferred bonus (1) | - | - |
| Total compensation of key management personnel | 8 | 7 |

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

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

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

For the six months ended 30 June 2016 and the six months ended 30 June 2017, 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.

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31. COMMITMENTS

(a) Capital commitments

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

| | | <u>30 June 2017</u> | <u>31 December 2016</u> |
|------------------------------------|--------|---------------------|-------------------------|
| Contracted, but not provided for | (1)(2) | 1,026 | 850 |
| Authorized, but not contracted for | (1)(2) | <u>1,108</u> | <u>1,150</u> |
| | | <u>2,134</u> | <u>2,000</u> |

As at 30 June 2017, major projects with capital commitments are as follows:

- (1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 30 June 2017, the cumulative amount incurred by the Company amounted to RMB 1,408 million. Of the balance, RMB 243 million was disclosed as a capital commitment contracted but not provided for and RMB 349 million was disclosed as a capital commitment authorized but not contracted for.
- (2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. (“Binjiang-Xiangrui”) as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB 2,090 million. As at 30 June 2017, the cumulative amount incurred by the Company amounted to RMB 1,318 million. Of the balance, RMB 149 million was disclosed as a capital commitment contracted but not provided for and RMB 623 million was disclosed as a capital commitment authorized but not contracted for.

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31. COMMITMENTS (continued)

(b) Operating lease commitments

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

| | <u>30 June 2017</u> | <u>31 December 2016</u> |
|----------------------------------|---------------------|-------------------------|
| Within 1 year (including 1 year) | 885 | 848 |
| 1 to 2 years (including 2 years) | 712 | 644 |
| 2 to 3 years (including 3 years) | 548 | 472 |
| 3 to 5 years (including 5 years) | 673 | 473 |
| More than 5 years | 326 | 218 |
| | <u>3,144</u> | <u>2,655</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 2017</u> | <u>31 December 2016</u> |
|----------------------------------|---------------------|-------------------------|
| Within 1 year (including 1 year) | 734 | 456 |
| 1 to 2 years (including 2 years) | 524 | 359 |
| 2 to 3 years (including 3 years) | 349 | 253 |
| 3 to 5 years (including 5 years) | 339 | 235 |
| More than 5 years | 223 | 53 |
| | <u>2,169</u> | <u>1,356</u> |

32. CONTINGENT LIABILITIES

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

In addition to the above legal proceedings, as at 30 June 2017, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided.

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33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

| | As at 30 June 2017 | | | | | Total |
|---|--------------------|----------------|----------------|----------------|----------------|------------------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Assets: | | | | | | |
| Held-to-maturity financial assets | - | 29,353 | 103,963 | 391,508 | - | 524,824 |
| Investments classified as loans and receivables | - | 24,180 | 139,225 | 97,800 | - | 261,205 |
| Restricted statutory deposits | - | 1,678 | 5,142 | 161 | - | 6,981 |
| Term deposits | - | 23,754 | 82,467 | - | - | 106,221 |
| Available-for-sale financial assets | 169 | 55,141 | 100,621 | 198,549 | 95,198 | 449,678 |
| Financial assets at fair value through profit or loss | - | 745 | 3,366 | 365 | 12,711 | 17,187 |
| Securities purchased under agreements to resell | - | 16,209 | - | - | - | 16,209 |
| Insurance receivables | 4,368 | 14,628 | 434 | 65 | - | 19,495 |
| Cash and short-term time deposits | 14,091 | 2,361 | - | - | - | 16,452 |
| Others | 331 | 58,162 | 1,334 | - | - | 59,827 |
| Total | 18,959 | 226,211 | 436,552 | 688,448 | 107,909 | 1,478,079 |
| Liabilities: | | | | | | |
| Insurance contract liabilities | - | 83,058 | 103,655 | 578,214 | - | 764,927 |
| Investment contract liabilities | 64 | 817 | 3,904 | 50,352 | - | 55,137 |
| Policyholders' deposits | - | 75 | - | - | - | 75 |
| Subordinated debts | - | 8,032 | 4,177 | - | - | 12,209 |
| Securities sold under agreements to repurchase | - | 62,848 | - | - | - | 62,848 |
| Others | 41,991 | 29,415 | 150 | 16 | - | 71,572 |
| Total | 42,055 | 184,245 | 111,886 | 628,582 | - | 966,768 |

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33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

| | As at 31 December 2016 | | | | | Total |
|---|------------------------|----------------|----------------|----------------|---------------|------------------|
| | On demand | Within 1 year | 1 to 5 years | Over 5 years | Undated | |
| Assets: | | | | | | |
| Held-to-maturity financial assets | - | 32,726 | 104,831 | 394,813 | - | 532,370 |
| Investments classified as loans and receivables | - | 17,253 | 92,806 | 75,138 | - | 185,197 |
| Restricted statutory deposits | - | 1,320 | 5,012 | 691 | - | 7,023 |
| Term deposits | 10 | 56,976 | 94,329 | - | - | 151,315 |
| Available-for-sale financial assets | 116 | 38,302 | 71,005 | 143,053 | 79,026 | 331,502 |
| Financial assets at fair value through profit or loss | - | 4,892 | 10,724 | 1,978 | 11,815 | 29,409 |
| Securities purchased under agreements to resell | - | 21,150 | - | - | - | 21,150 |
| Insurance receivables | 2,371 | 9,908 | 417 | 67 | - | 12,763 |
| Cash and short-term time deposits | 10,452 | 4,807 | - | - | - | 15,259 |
| Others | 345 | 35,754 | 1,333 | - | - | 37,432 |
| Total | 13,294 | 223,088 | 380,457 | 615,740 | 90,841 | 1,323,420 |
| Liabilities: | | | | | | |
| Insurance contract liabilities | - | 72,159 | 125,254 | 496,413 | - | 693,826 |
| Investment contract liabilities | 64 | 2,496 | 2,122 | 44,114 | - | 48,796 |
| Policyholders' deposits | - | 75 | - | - | - | 75 |
| Subordinated debts | - | 8,080 | 4,472 | - | - | 12,552 |
| Securities sold under agreements to repurchase | - | 39,176 | - | - | - | 39,176 |
| Others | 40,059 | 17,969 | 210 | 28 | - | 58,266 |
| Total | 40,123 | 139,955 | 132,058 | 540,555 | - | 852,691 |

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 debts, long-term borrowings, etc.

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

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

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

| | As at 30 June 2017 | |
|---|-------------------------------|-------------------|
| | Carrying amounts | Fair values |
| Financial assets: | | |
| Held-to-maturity financial assets | 298,988 | 311,036 |
| Investments classified as loans and receivables | 200,841 | 200,871 |
| | <u> </u> | <u> </u> |
| Financial liabilities: | | |
| Subordinated debts | 11,498 | 11,956 |
| | <u> </u> | <u> </u> |
| | | |
| | As at 31 December 2016 | |
| | Carrying amounts | Fair values |
| Financial assets: | | |
| Held-to-maturity financial assets | 304,874 | 327,997 |
| Investments classified as loans and receivables | 139,634 | 139,710 |
| | <u> </u> | <u> </u> |
| Financial liabilities: | | |
| Subordinated debts | 11,498 | 11,978 |
| | <u> </u> | <u> </u> |

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

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

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35. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

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

The levels of the fair value hierarchy are as follows:

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

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

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

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

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35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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

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

| | As at 30 June 2017 | | | 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 | 5,684 | 2,173 | - | 7,857 |
| - Investment funds | 2,883 | 1,972 | - | 4,855 |
| - Debt securities | 631 | 1,758 | - | 2,389 |
| - Others | - | 1,596 | 3 | 1,599 |
| | <u>9,198</u> | <u>7,499</u> | <u>3</u> | <u>16,700</u> |
| Available-for-sale financial assets | | | | |
| - Equity securities | 32,443 | 3,948 | - | 36,391 |
| - Investment funds | 32,614 | 11,100 | - | 43,714 |
| - Debt securities | 31,006 | 163,698 | - | 194,704 |
| - Others | - | 41,642 | 23,023 | 64,665 |
| | <u>96,063</u> | <u>220,388</u> | <u>23,023</u> | <u>339,474</u> |
| Assets for which fair values are disclosed | | | | |
| Investments classified as loans and receivables | - | 3,648 | 197,223 | 200,871 |
| Held-to-maturity financial assets | 12,303 | 298,733 | - | 311,036 |
| Investment properties | - | - | 11,331 | 11,331 |
| | <u>-</u> | <u>-</u> | <u>11,331</u> | <u>11,331</u> |
| Liabilities for which fair values are disclosed | | | | |
| Subordinated debts | - | - | 11,956 | 11,956 |
| | <u>-</u> | <u>-</u> | <u>11,956</u> | <u>11,956</u> |

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 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
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35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

| | As at 31 December 2016 | | | 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 | 3,585 | 2,131 | - | 5,716 |
| - Investment funds | 5,614 | 486 | - | 6,100 |
| - Debt securities | 3,254 | 10,540 | - | 13,794 |
| - Others | - | 1,591 | 3 | 1,594 |
| | <u>12,453</u> | <u>14,748</u> | <u>3</u> | <u>27,204</u> |
| Available-for-sale financial assets | | | | |
| - Equity securities | 22,195 | 3,274 | - | 25,469 |
| - Investment funds | 37,592 | 720 | - | 38,312 |
| - Debt securities | 30,912 | 118,598 | - | 149,510 |
| - Others | - | 26,832 | 18,588 | 45,420 |
| | <u>90,699</u> | <u>149,424</u> | <u>18,588</u> | <u>258,711</u> |
| Assets for which fair values are disclosed | | | | |
| Investments classified as loans and receivables | - | 3,355 | 136,355 | 139,710 |
| Held-to-maturity financial assets | 10,623 | 317,374 | - | 327,997 |
| Investment properties | - | - | 11,387 | 11,387 |
| | <u>-</u> | <u>-</u> | <u>11,387</u> | <u>11,387</u> |
| Liabilities for which fair values are disclosed | | | | |
| Subordinated debts | - | - | 11,978 | 11,978 |
| | <u>-</u> | <u>-</u> | <u>11,978</u> | <u>11,978</u> |

During the six months ended 30 June 2017, 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 2017, the Group transferred the debt securities with a carrying amount of RMB7,465 million from Level 1 to Level 2 and RMB6,583 million from Level 2 to Level 1. As at 31 December 2016, the Group transferred the debt securities with a carrying amount of RMB2,506 million from Level 1 to Level 2 and RMB4,897 million from Level 2 to Level 1.

(All amounts expressed in 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 2017 | | | |
|---|---------------------------|----------|--|---------------|
| | Beginning of period | Increase | Net unrealised gain recognized in other comprehensive income | End of period |
| Financial assets at fair value through profit or loss | | | | |
| - Wealth management products | 3 | - | - | 3 |
| Available-for-sale financial assets | | | | |
| - Other equity investments | 18,588 | 4,283 | 152 | 23,023 |

| | As at 31 December 2016 | | | |
|---|-------------------------------|----------------------|--|-------------|
| | Beginning of year | Increase/ (decrease) | Net unrealised gain recognized in other comprehensive income | End of year |
| Financial assets at fair value through profit or loss | | | | |
| - Wealth management products | 8 | (5) | - | 3 |
| Available-for-sale financial assets | | | | |
| - Other equity investments | 15,019 | 2,307 | 1,262 | 18,588 |

Valuation techniques

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

The fair value of the unquoted equity investments has been determined using valuation techniques such as discounted cash flow method, comparison method of listed companies, recent transaction prices of the same or similar instruments etc., with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to use major assumptions and parameters as unobservable inputs to the model. The major assumptions include estimated time period prior to the listing of the unquoted equity instruments, and the major parameters include discount rate from 5.12% to 14.50% etc.

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

(All amounts expressed in RMB million unless otherwise specified)

36. POST BALANCE SHEET EVENTS

Pursuant to the resolution of the 1st interim meeting of the Company's 7th term of board of directors held in 2017, CPIC Asset Management, the Group's subsidiary, proposed to acquire 51% equity interests of GTJA Allianz Fund Management Limited Company ("GTJA Allianz Funds") held by Guotai Junan Securities Co., Ltd. (the "Transaction"). The Transaction was carried out by way of public tendering on Shanghai United Assets and Equity Exchange. The Company's bidding price for the target of the Transaction was RMB1,045 million and the final price of the Transaction was RMB1,045 million. After the Transaction, CPIC Asset Management's ownership in GTJA Allianz Funds will be 51% while the Company will hold 50.83% of GTJA Allianz Funds's ownership indirectly through CPIC Asset Management. On 26 July 2017, the acquisition was officially approved by the CIRC, is still subject to China Securities Regulatory Commission's approval.

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 25 August 2017.