

Operation overview

CPIC is a leading integrated insurance group in the PRC, providing, through our nationwide marketing network and diversified service platform, a broad range of risk solutions, investment and wealth management and asset management services to over 100 million customers throughout the country.

Unit: RMB million

<p>Group total income</p> <p>219,132 +7.3%</p> <p>GWP – CPIC Life 138,428 +5.6%</p> <p>GWP – CPIC P/C 68,247 +12.5%</p>	<p>Group embedded value</p> <p>365,116 +8.6%</p>	<p>NBV of life business</p> <p>14,927 -8.4%</p>
	<p>NBV margin of life business</p> <p>39.0% -2.4pt</p>	<p>Combined ratio of property and casualty business^{note 1}</p> <p>98.6% 0.0pt</p>
<p>Growth rate of Group investments' net asset value (annualized)</p> <p>5.9% +1.1pt</p> <p>Group total investment yield (annualized) 4.8% +0.3pt</p> <p>Group net investment yield (annualized) 4.6% +0.1pt</p>	<p>Group comprehensive solvency margin ratio</p> <p>296% -5pt</p> <p>CPIC Life 257%</p> <p>CPIC P/C 286%</p>	<p>Group net profit attributable to equity holders of the parent</p> <p>16,183 +96.1%</p> <p>Net profit – CPIC Life 12,259</p> <p>Net profit – CPIC P/C 3,350</p>
<p>Group AuM^{note 2}</p> <p>1,873,028 +12.5%</p>	<p>Group customers ('000)</p> <p>133,522 +7,103</p>	

Notes:

1. Businesses of CPIC P/C, Anxin Agricultural and CPIC HK included.

2. The figure as of the end of the previous year was restated.

Key indicators

Unit: RMB million

Indicators	As at 30 June 2019 /for the period between January and June in 2019	As at 31 December 2018 /for the period between January and June in 2018	Changes (%)
Key value indicators			
Group embedded value	365,116	336,141	8.6
Value of in-force business ^{note 1}	177,654	166,816	6.5
Group net assets ^{note 2}	162,526	149,576	8.7
NBV of CPIC Life	14,927	16,289	(8.4)
NBV margin of CPIC Life (%)	39.0	41.4	(2.4pt)
Combined ratio of CPIC P/C (%)	98.6	98.7	(0.1pt)
Annualized growth rate of investments' net asset value (%)	5.9	4.8	1.1pt
Key operating indicators			
GWPs	207,809	192,633	7.9
CPIC Life	138,428	131,037	5.6
CPIC P/C	68,247	60,685	12.5
Number of Group customers ('000) ^{note 3}	133,522	126,419	5.6
Average number of insurance policies per customer	1.90	1.83	3.8
Monthly average agent number ('000)	796	894	(11.0)
Monthly average first-year commission per agent (RMB) ^{note 4}	1,247	1,213	2.8
Surrender rate of CPIC Life (%)	0.5	0.9	(0.4pt)
Annualized total investment yield (%)	4.8	4.5	0.3pt
Annualized net investment yield (%)	4.6	4.5	0.1pt
Third-party AuM ^{note 5}	516,746	432,419	19.5
CPIC AMC	201,250	177,891	13.1
Changjiang Pension ^{note 5}	296,423	233,962	26.7
Key financial indicators			
Net profit attributable to equity holders of the parent	16,183	8,254	96.1
CPIC Life	12,259	6,502	88.5
CPIC P/C	3,350	1,587	111.1
Basic earnings per share (RMB) ^{note 2}	1.79	0.91	96.1
Net assets per share (RMB) ^{note 2}	17.93	16.51	8.7
Comprehensive solvency margin ratio (%)			
CPIC Group	296	301	(5pt)
CPIC Life	257	261	(4pt)
CPIC P/C	286	306	(20pt)

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 last year were restated.
5. Figures as of the end of last year were restated.

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Cautionary Statements:

Forward-looking statements included in this report, including future plans and development strategies, do not constitute a guarantee of the Company to investors. Investors and other related parties are advised to be mindful of the risk, and be aware of the difference between the Company's plans or projections and its commitments. You are advised to exercise caution.

Important information

- I. The 2019 Interim Report of the Company was considered and approved at the 19th session of the 8th Board of Directors on 23 August 2019, which 13 Directors were required to attend and 13 of them attended in person.
- II. The 2019 Interim Financial Report of the Company has not been audited.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

BOARD OF DIRECTORS

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Chairman's statement



In the first half of 2019, though facing far more domestic and overseas challenges than before, yet China's economy showed resilience and is on track towards high quality development. Against this backdrop, China's insurance industry maintained steady development, with new steps forward in opening-up and continued improvement in risk control capabilities, contributing increasingly to China's economic development and the lot of the Chinese people.

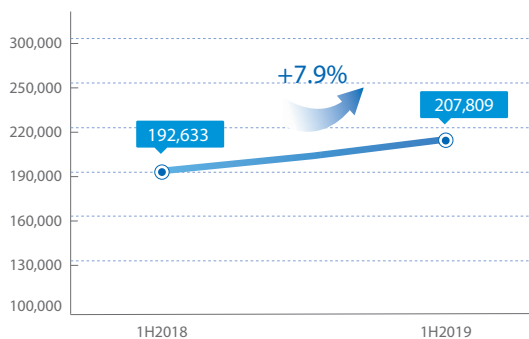
During the period, CPIC strived to achieve progress while maintaining a steady footing, and made concerted efforts to drive development. **On the one hand, we pursued steady development in the new economic cycle**, focusing on the fulfillment of key performance indicators, and delivered solid business results. **On the other hand, we pressed ahead with Transformation 2.0 to close the gaps**, putting in place and optimizing implementation mechanisms, rolling out transformation initiatives, in a bid to enhance capabilities for long-term growth.

Accelerated the development of the core business of insurance, with steady increase in comprehensive strength.

Group gross written premiums (GWP) amounted to RMB207.809 billion, up 7.9% and for the first time exceeded the mark of RMB200 billion. Due to favorable tax policies and better investment results, net profits^{note 1} of the Group reached RMB16.183 billion, up 96.1%, higher than had been expected. As at 30 June 2019, Group assets under management (AuM) amounted to RMB1,873.028 billion, an increase of 12.5% from the end of 2018. Group embedded value totaled RMB365.116 billion, a growth of 8.6% from the end of 2018. With the deepening of Transformation 2.0, our

Rapid growth of Group GWP

Unit: RMB million



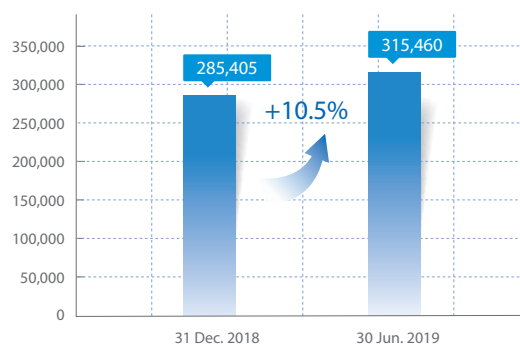
ability to acquire and retain customers continued to improve, with Group customers totaling 134 million as at the end of the reporting period, an increase of 7.1 million in 6 months. CPIC was included in the recently released Fortune Global 500 rankings for 9 consecutive years, ranking No. 199, up 21 notches from 2018.

Persisted in the central value proposition of insurance and focused on high quality development.

CPIC Life focused on sustainable value growth and the empowerment of the agency channel, with business growth recovering in the 2nd quarter and thus becoming more balanced. As at 30 June 2019, the residual margin of life insurance amounted to RMB315.460 billion, up 10.5% from the end of 2018. Our property and casualty insurance maintained stable business quality, with the combined ratio at 98.6%. In particular, the automobile business enhanced renewal management, and achieved a shift of growth drivers, with improved capabilities in direct acquisition of customers. Emerging business lines such as agricultural, liability and guarantee insurance

Continued growth of residual margin of CPIC Life

Unit: RMB million



maintained strong momentum of growth. We are now China's second insurer with business license for agricultural insurance in all administrative regions of the country. In the first half of 2019, agricultural business reported primary insurance premiums^{note 2} of RMB4.308 billion, with steady increase in market share. As for investment, we adhered to prudent, long-term and value investing, committed ourselves to serve the core business of insurance, and realized solid investment performance, with the annualized growth rate of investments' net asset value at 5.9%, up 1.1pt.

Upheld compliance and enhanced risk control capabilities. In compliance with regulatory requirements for risk prevention, we addressed both violations and risks and their root-causes, and effectively prevented major business risks or material breaches of laws and regulations. We centered our efforts on key sub-branches to improve the standardization of risk control systems at the grass-root level. We established a centralized platform for finance, which enabled us to further standardize financial management and streamline processes. We implemented the C-ROSS requirements in an all-around way, enhanced risk functional limits and the “look-through” mechanisms, so as to improve solvency risk management capabilities. As at 30 June 2019, the solvency margin ratios of Group, CPIC P/C and CPIC Life stood at 296%, 286%, 257% respectively, with good results at the Integrated Risk Rating for all our insurance subsidiaries.

Enhanced the branding of “CPIC Service” to meet people’s need for a better life. To satisfy people’s diverse needs for insurance products and services, we further strengthened the infrastructure to boost synergy within the Group, and improved our ability to provide integrated services to customers. **For individual customers,** our health service brand “*Taibao Lanben*” provides integrated solutions spanning the whole process of hospital visits, bringing convenience and easier access to our customers. The “CPIC Home” elderly care brand gained momentum, launched an experience center and a retirement community in Hangzhou, after substantial progress in Chengdu and Dali. The number of **corporate clients and governments** that have entered into

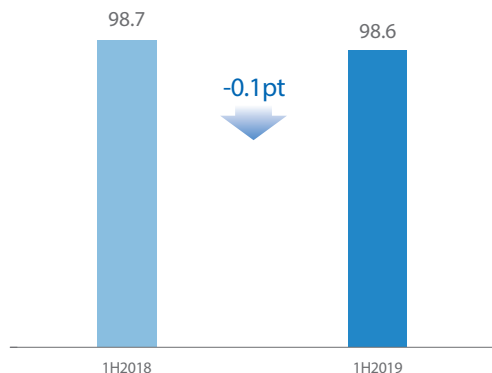
strategic partnership with us increased by 25% from the end of 2018. So far we have formed strategic partnership with 58% of China’s provincial and municipal governments. We have been selected as occupational annuity manager of all the 25 provincial/municipal governments that have started the bidding process. Government-sponsored medical insurance business like critical illness program and third-party administration also saw rapid development.

Focused on new technology application to boost digital empowerment. We implemented a closed-loop management of customer experience, and became the first in the industry to introduce the net promoter score (NPS) management tool so as to improve customer’s key journeys. In the first half of 2019, we served over 70 million customers on-line, a steep increase of 52.6%. We enhanced capability in on-line claims management for automobile insurance. Customers may receive the payment in a minimum of 15 minutes after uploading photos or video streaming. The APP for the agency channel of life insurance, when downloaded on mobile terminals, can support a variety of functions, like customer relationships management, assistance in claims handling, training, real-time sales performance inquiry, and team management, with monthly average number of active users reaching 640,000, helping to empower the sales force.

Supported China’s national strategies in an all-around way and served the real economy. We provided financing and risk protection to China’s key national initiatives and economic development, fully leveraging insurance as a driver of economic and social development, a cushion of social shocks and a mechanism to hedge risks. In particular, to contribute to the Yangtze River Delta Region Integration Initiative, we supported the Demonstration Zone for Green and Integrated Development of the Yangtze River Delta, and the New Shanghai Free Trade Zone, provided integrated insurance and financial solutions to the Science and Technology Hub and the Rural Areas Invigoration Initiative. As a long-term institutional investor, we vigorously supported infrastructural projects in transportation and energy in central and western China. We intensified efforts in green financing, stepped up the development of liability insurance against environment pollution. So far, we have provided such products to 2,253 firms across the country, with total sum assured over RMB2.462 billion. In June, we joined hands with Shanghai Urban Investment and Construction Corporation and established Shanghai Environmental Protection Financial Services Company Limited, which is committed to provide funding and services to environmental protection effort

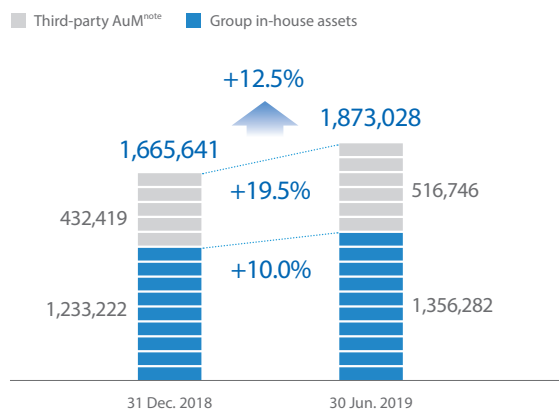
Continued improvement of combined ratio of CPIC P/C

Unit: %



Steady growth of Group AuM

Unit: RMB million



Note: The figure as of the end of the previous year was restated.

and urbanization of the Yangtze River Delta Region, facilitating the upgrade of traditional industries. In July, we signed a co-operation agreement with China International Import Expo, and was officially designated as a sponsor and the insurance provider of the event. As an insurer with a full range of insurance-related licenses, we will do an even better job this time.

Deeply involved in poverty alleviation to make a difference. We put in place long-term mechanisms with our own characteristics, combining poverty alleviation and poverty prevention. By 30 June 2019, we had covered over 5.98 million documented impoverished households via various insurance programs, and provided a total of RMB2.32 trillion in sum assured to the poverty-stricken areas. Our “Fangpinbao” anti-poverty insurance program marked the establishment of an innovative model of poverty alleviation, characterized by pooling of premiums, fund management, third-party administration and increased transparency. So far, it has provided cover against poverty to over 40 million vulnerable people in 126 counties of 13 provinces and 2 municipalities. The “Rainbow” e-commerce platform is specifically for people to make purchases from the impoverished households and has realized a turnover of RMB15 million, benefiting over 15,000 households. Moreover, 218 CPIC employees traveled afar and settled in 153 remote rural villages in 24 provinces, helping local people fight poverty, marking a big step forward in the fight against poverty at grass-root levels.

Transformation is a journey of twists and turns. At this stage, it is faced with structural challenges: life insurance driven by agent headcount growth has been losing momentum while a new development model based on higher agent productivity and income is yet to be established; automobile insurance needs to further enhance capabilities in retention and direct acquisition of customers; on the investment side, the fall of long-term interest rate curve calls for better asset liability management capabilities; in digital empowerment, mechanisms for agile response of

business and IT teams are yet to be improved; much remains to be done to boost deployment in healthcare big data and health service integration, and the model of insurance products + service is still in its early stage of development.

To meet these challenges, we not only need the determination and passion for transformation, but also tenacity and perseverance. Next, we will continue to roll out transformation initiatives centering on high quality development. First, **continue to enhance the branding of “CPIC Service”**, push forward the development model of insurance products + services, making service our differentiating competitiveness. Second, **accelerate the establishment of a new model for the agency channel**, focusing on agent productivity and income to achieve a shift of value growth drivers. Third, **enhance asset liability management**, continue to improve asset allocation based on profiles of liabilities, step up Group integrated investment research, risk control and portfolio allocation. Fourth, **promote digital empowerment in an all-around way, improve innovation in top-level design**, establish mechanism for agile response, and enhance the technological competence of personnel, so that digitalization can really empower the front-line business. Fifth, **continue to deepen the model of collaborative development**, innovate and improve tools to boost business collaboration, and in particular, enhance collaboration at the grass-root levels, so as to translate the model into tangible value growth.

Transformation is never easy, and may present many unexpected challenges as we proceed. Because of this, it is all the more important for us **to stay true to our original aspirations, and to keep up the confidence and the will to overcome difficulties**. 2019 will be a critical year for us to address structural impediments to Transformation 2.0 of CPIC. With this in mind, we will unswervingly march towards the targets of **being the best in customer experience, business quality and risk control capabilities and industry leadership for healthy and steady development**.

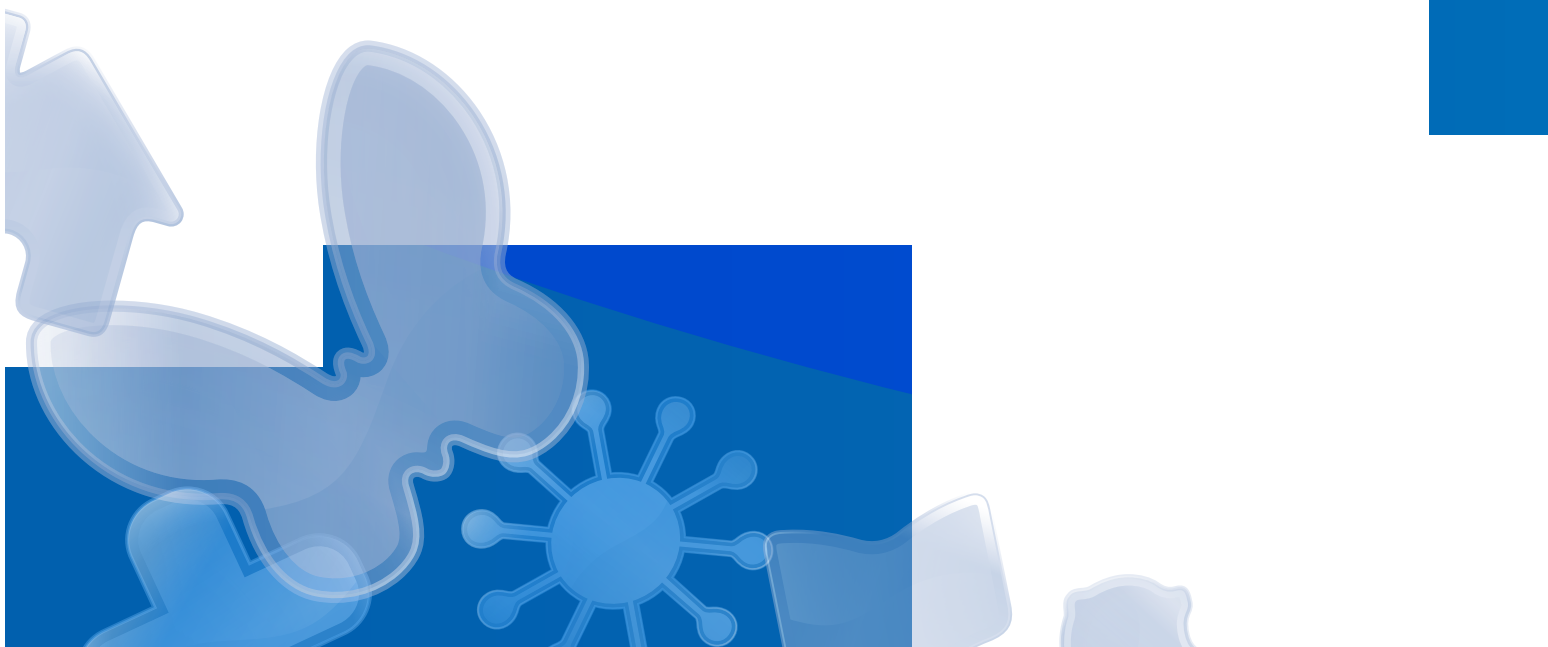
Notes:

1. Attributable to equity holders of the parent.
2. Based on primary insurance premiums, excluding premium income ceded-in, with consolidation of CPIC P/C and Anxin Agricultural.

KONG Qingwei

Chairman of the Board of Directors
CPIC Group

Operating
results





1 Key accounting data and financial indicators of the Company as at period ends

Unit: RMB million

Key accounting data	January to June 2019	January to June 2018	Variance (%)
Total income	219,132	204,302	7.3
Profit before tax	14,485	13,712	5.6
Net profit ^{note}	16,183	8,254	96.1
Net cash inflow from operating activities	64,805	53,766	20.5
	30 June 2019	31 December 2018	Variance (%)
Total assets	1,475,220	1,335,959	10.4
Equity ^{note}	162,526	149,576	8.7

Note: Attributable to equity holders of the parent.

Unit: RMB

Key accounting indicators	January to June 2019	January to June 2018	Variance (%)
Basic earnings per share ^{note}	1.79	0.91	96.1
Diluted earnings per share ^{note}	1.79	0.91	96.1
Weighted average return on equity (%) ^{note}	10.1	5.8	+4.3pt
Net cash inflow per share from operating activities	7.15	5.93	20.5
	30 June 2019	31 December 2018	Variance (%)
Net assets per share ^{note}	17.93	16.51	8.7

Note: Attributable to equity holders of the parent.

2 Other key financial and regulatory indicators

Unit: RMB million

Indicators	30 June 2019/ January to June 2019	31 December 2018/January to June 2018
The Group		
Investment assets ^{note 1}	1,356,282	1,233,222
Investment yield (%) ^{note 2}	4.8	4.5
CPIC Life		
Net premiums earned	132,811	126,852
Growth rate of net premiums earned (%)	4.7	17.7
Net policyholders' benefits and claims	123,752	111,376
CPIC P/C		
Net premiums earned	50,563	48,757
Growth rate of net premiums earned (%)	3.7	14.0
Claims incurred	29,853	28,171
Unearned premium reserves	54,170	45,036
Claim reserves	36,648	34,318
Combined ratio (%) ^{note 3}	98.6	98.7
Loss ratio (%) ^{note 4}	59.2	58.0

Notes:

- Investment assets include cash and short-term time deposits, etc.
- Total investment yield (annualized) = (investment income + rental income from investment properties + share of profit/(loss) in equity accounted investees – interest expenses from securities sold under agreements to repurchase) / average investment assets, excluding foreign exchange gain or loss. Interest income from fixed income investments of investment income and rental income from investment properties are annualized. Average investment assets used as the denominator are computed based on Modified Dietz method in principle.
- Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
- Loss ratio is based on net premiums earned.

3

Discrepancy between the financial results prepared under PRC GAAP and HKFRS

There is no difference on the equity of the Group as at 30 June 2019 and 31 December 2018 and the net profit of the Group for the 6-month periods then ended as stated in accordance with PRC GAAP and HKFRS.



Review and analysis of
operating results

1

Business overview

I. Key businesses

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

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

In the first half of 2019, China's insurance market realized a premium income of RMB2.55 trillion, up by 14.2% from the same period of 2018. Of this, premium from life/health insurance companies amounted to RMB1,883.076 billion, a growth of 15.2%, and that from property and casualty insurance companies RMB670.630 billion, up 11.3%. Measured by primary insurance premiums, CPIC Life and CPIC P/C are both China's 3rd largest insurers for life and property and casualty insurance, respectively.

II. Core competitiveness

We are a leading integrated insurance group in China, ranking 199th among Fortune Global 500 released in 2019. We persist in customer-orientation and the focus on insurance, pursue innovation of insurance products and services, and commit ourselves to enhancing customer experience, striving to create sustainable value and generate stable returns for our shareholders. In recent years, we pressed ahead with Transformation 2.0, which seeks to shift the growth drivers of core business segments, step up investment in emerging business areas and improve organizational health, in a bid to strengthen our core competitiveness for future growth.

- > We are committed to protection as the central insurance value proposition, pursuing a path of high-quality development with a business philosophy centering on prudence and sustainability.
- > We persist in the focus on insurance, and have obtained a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management.
- > We are committed to promoting synergy across various business segments of the Group, and have put in place an organizational structure, performance evaluation systems and incentive mechanisms to boost collaborative development.
- > We boast an experienced management team and a group-centralized platform of management, coupled with sound corporate governance featuring a clear definition of responsibilities, checks and balances and well-coordinated mechanisms.
- > As a leading insurance franchise in China, we have put in place a nation-wide distribution network, with 133.52 million customers.
- > We established asset liability management mechanisms, persisting in prudent, value and long-term investing, which served to curb the cost of liabilities and enhanced our capabilities in strategic asset allocation (SAA) based on profiles of liabilities.
- > We boast an industry leading system for risk management and internal control, which ensures healthy and sustainable development of the Company.
- > With state-of-the-art and reliable IT systems, enterprise-level mobile applications, a digital platform of hundreds of millions of customers, and a fast, efficient and smart operational system, we have fostered market-leading capabilities in operational support and new technology application.

2

Performance overview

We stayed focused on insurance, continuously pushed forward customer-oriented strategic transformation, pursued high quality development, and delivered solid business results for the reporting period.

I. Performance highlights

During the reporting period, Group operating revenues^{note 1} amounted to RMB220.386 billion, of which, GWPs reached RMB207.809 billion, a growth of 7.9%. Group net profits^{note 2} reached RMB16.183 billion, up 96.1%. Group embedded value amounted to RMB365.116 billion, an increase of 8.6% from the end of 2018. Of this, value of in-force business^{note 3} reached RMB177.654 billion, up 6.5%. Life business delivered RMB14.927 billion in half-year new business value (NBV), down by 8.4%, with an NBV margin of 39.0%, down by 2.4pt. Property and casualty business^{note 4} recorded a combined ratio of 98.6%, the same as that for the same period of 2018. Annualized growth rate of Group investments' net asset value stood at 5.9%, up 1.1pt. As of the end of the reporting period, Group total customers amounted to 133.52 million, an increase of 7.10 million from the end of 2018.

Life insurance continued to drive more balanced business development, with steady growth of residual margin.

- > CPIC Life realized RMB14.927 billion in NBV, down by 8.4%. Of this, the share of the 1st quarter and 2nd quarter was 60.2% and 39.8% respectively, marking more balanced business development compared with the same period of 2018.
- > The residual margin of life insurance amounted to RMB315.460 billion, a growth of 10.5% from the end of 2018.
- > CPIC Life reported renewal business growth of 9.9%, driving a GWP growth of 5.6% for the first half the 2019, reaching RMB138.428 billion.

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

- > The share of fixed income investments stood at 82.6%, down by 0.5pt from the end of 2018; that of equity investments 13.7%, up by 1.2pt, and of this, core equity investments^{note 6} accounted for 7.4% of total investment assets, up by 1.8pt.
- > Group annualized growth rate of investments' net asset value reached 5.9%, up 1.1pt. Annualized total investment yield was 4.8%, an increase of 0.3pt from the first half of 2018, with annualized net investment yield of 4.6%, up by 0.1pt.
- > Group AuM^{note 7} amounted to RMB1,873.028 billion, an increase of 12.5% from the end of 2018. Of this, third-party AuM^{note 7} amounted to RMB516.746 billion, an increase of 19.5%.

Property and casualty business^{note 4} maintained a stable combined ratio, with an increased share of non-automobile insurance.

- > Property and casualty business intensified control of expenses, and recorded a combined ratio of 98.6%, the same as that for the first half of 2018. Of this, loss ratio stood at 59.3%, up by 1.3pt, and expense ratio 39.3%, down by 1.3pt.
- > GWPs amounted to RMB69.158 billion, an increase of 12.6%. Of this, non-auto business grew by 31.1% and accounted for 33.3% of property and casualty business, up 4.7pt.
- > Automobile insurance achieved a shift of growth drivers through enhanced renewal business management, with improvement in capabilities to directly acquire customers. Emerging business lines such as agricultural, liability and guarantee insurance grew rapidly. Of this, agricultural business realized RMB4.308 billion in primary insurance premiums^{note 5}, with a fast increase in market share.

Notes:

1. Based on PRC GAAP.
2. Attributable to equity holders of the parent.
3. Based on the Group's share of CPIC Life's value of in-force business after solvency.
4. Businesses of CPIC P/C, Anxin Agricultural and CPIC HK included.
5. Based on primary insurance premiums, excluding premium income ceded-in, with consolidation of CPIC P/C and Anxin Agricultural.
6. Equity securities and equity funds included.
7. Figures as of the end of last year were restated.

II. Key performance indicators

Unit: RMB million

Indicators	As at 30 June 2019 /for the period between January and June in 2019	As at 31 December 2018 /for the period between January and June in 2018	Changes (%)
Key value indicators			
Group embedded value	365,116	336,141	8.6
Value of in-force business ^{note 1}	177,654	166,816	6.5
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NBV of CPIC Life	14,927	16,289	(8.4)
NBV margin of CPIC Life (%)	39.0	41.4	(2.4pt)
Combined ratio of CPIC P/C (%)	98.6	98.7	(0.1pt)
Annualized growth rate of investments' net asset value (%)	5.9	4.8	1.1pt
Key operating indicators			
GWPs	207,809	192,633	7.9
CPIC Life	138,428	131,037	5.6
CPIC P/C	68,247	60,685	12.5
Number of Group customers ('000) ^{note 3}	133,522	126,419	5.6
Average number of insurance policies per customer	1.90	1.83	3.8
Monthly average agent number ('000)	796	894	(11.0)
Monthly average first-year commission per agent (RMB) ^{note 4}	1,247	1,213	2.8
Surrender rate of CPIC Life (%)	0.5	0.9	(0.4pt)
Annualized total investment yield (%)	4.8	4.5	0.3pt
Annualized net investment yield (%)	4.6	4.5	0.1pt
Third-party AuM ^{note 5}	516,746	432,419	19.5
CPIC AMC	201,250	177,891	13.1
Changjiang Pension ^{note 5}	296,423	233,962	26.7
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Net profit attributable to equity holders of the parent	16,183	8,254	96.1
CPIC Life	12,259	6,502	88.5
CPIC P/C	3,350	1,587	111.1
Comprehensive solvency margin ratio (%)			
CPIC Group	296	301	(5pt)
CPIC Life	257	261	(4pt)
CPIC P/C	286	306	(20pt)

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- Figures for the same period last year were restated.
- Figures as of the end of last year were restated.

3

Life/health insurance business

In the first half of 2019, in the face of downward pressures on NBV growth, CPIC Life stayed focused on objectives of Transformation 2.0, implemented the strategy centering on value, the agency channel and empowerment, delivered a gradual recovery of business over the quarters and more balanced business growth. CPIC Allianz Health achieved rapid business growth, promoted product and service innovations, and increased penetration of Group customers.

I. CPIC Life

(I) Business analysis

In the first half of 2019, CPIC Life forged ahead with Transformation 2.0, met the challenges of the environment head-on, and reported RMB138.428 billion in GWPs, a growth of 5.6%; and RMB14.927 billion in NBV, a decline of 8.4%, with NBV margin at 39.0%, down by 2.4pt.

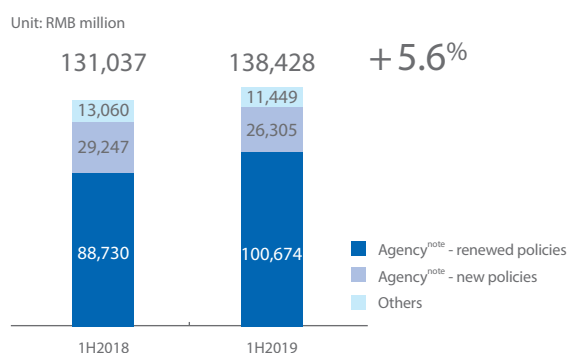
1. Analysis by channels

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
Individual customers	132,398	126,117	5.0
Agency channel	126,979	117,977	7.6
New policies	26,305	29,247	(10.1)
Regular premium business	22,800	27,191	(16.1)
Renewed policies	100,674	88,730	13.5
Other channels^{note}	5,419	8,140	(33.4)
Group clients	6,030	4,920	22.6
Total GWPs	138,428	131,037	5.6

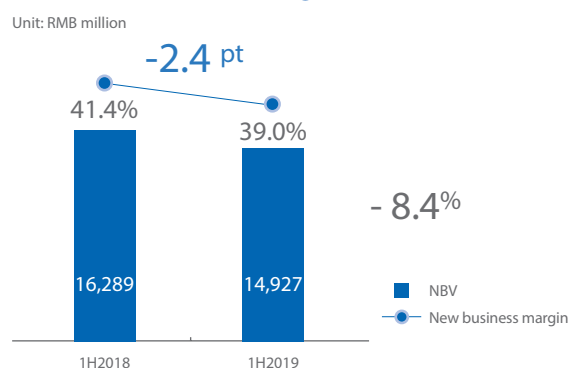
Note: Other channels include bancassurance and telemarketing & internet sales.

GWPs of CPIC Life



Note: Agency channel refers to that of the individual business in this report.

NBV and new business margin of CPIC Life



(1) Business from individual customers

For the reporting period, we realized RMB132.398 billion in GWPs from individual customers, up 5.0%. Of this, new policies from the agency channel amounted to RMB26.305 billion, down by 10.1%, and renewal business RMB100.674 billion, an increase of 13.5%. GWPs from the agency channel accounted for 91.7%, up 1.7pt compared with that in the first half of 2018.

To address the chronic issue of uneven business development across the year, and in the face of new business decline in the first quarter of 2019, we took a host of measures to drive business growth, such as improving recruitment of agents, heightened training of skills, enhanced infrastructure management, increased product and service innovation, which helped to deliver a strong recovery of first year premium (FYP) growth in the 2nd quarter. During the reporting period, monthly average number of agents reached 796,000, a decrease of 11.0% from the same period of 2018. Of this, the core sales force maintained stability. Monthly average number of active and high-performing agents reached 309,000 and 168,000, accounting for 38.8% and 21.1% respectively of the total number of agents. FYP per agent (on monthly average basis) per month amounted to RMB5,887, an increase of 5.0% over the first half of 2018.

In the second half of the year, we will deepen Transformation 2.0, and continue to implement the strategy which centers on value, the agency force and empowerment. To be more specific, we will focus on the enhancement of the sales force via high-quality recruitment, intensified training, and increased empowerment by technology, products and services. In particular, we will strengthen our capabilities in new customer acquisition and up-sell, follow the path of high quality development, so as to achieve sustainable value growth.

For 6 months ended 30 June	2019	2018	Changes (%)
Monthly average agent number ('000)	796	894	(11.0)
Monthly average FYP per agent (RMB)	5,887	5,609	5.0
Monthly average first-year commission per agent (RMB) ^{note}	1,247	1,213	2.8
Average number of new long-term life insurance policies per agent per month	1.54	2.22	(30.6)

Note: Figures for the same period last year were restated.

(2) Business from group clients

In the first half of 2019, we focused on the 2 customer segments of governments and companies, further increased the coverage of insurance programs for people's well-being through managed care and health management service. The business segment realized RMB6.030 billion in GWPs, up by 22.6%. We vigorously contributed to China's social security system by engaging in critical illness programs, third-party administration of social medical insurance, long-term care and supplementary medical insurance. During the reporting period, our government-sponsored medical insurance and administration business covered over 100 million people, and cumulatively served nearly 9 million customers, paid out a total of RMB10 billion in claims. The "smart" medical insurance review and approval system has been up and running in 22 cities of 13 provinces.

2. Analysis by product types

We focus on traditional and participating products. For the reporting period, traditional business generated RMB48.573 billion in GWPs, up 17.8%. Of this, long-term health insurance contributed RMB27.717 billion, up 56.0%. Participating business delivered RMB79.015 billion in GWPs, down by 2.8%.

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
GWPs	138,428	131,037	5.6
Traditional	48,573	41,218	17.8
Long-term health	27,717	17,766	56.0
Participating	79,015	81,310	(2.8)
Universal	52	42	23.8
Tax-deferred pension	38	3	1,166.7
Short-term accident and health	10,750	8,464	27.0

3. Policy persistency ratio

For 6 months ended 30 June	2019	2018	Changes
Individual life insurance customer 13-month persistency ratio (%) ^{note 1}	91.7	93.8	(2.1pt)
Individual life insurance customer 25-month persistency ratio (%) ^{note 2}	90.5	91.5	(1.0pt)

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 at 91.7% and 90.5% respectively.

4. Top 10 regions for GWPs

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

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
GWPs	138,428	131,037	5.6
Henan	16,354	14,853	10.1
Jiangsu	14,321	13,833	3.5
Shandong	11,631	11,045	5.3
Zhejiang	10,293	9,773	5.3
Hebei	8,713	7,814	11.5
Guangdong	7,646	7,318	4.5
Heilongjiang	5,969	5,468	9.2
Shanxi	5,849	5,798	0.9
Hubei	5,845	5,485	6.6
Sichuan	4,401	3,889	13.2
Subtotal	91,022	85,276	6.7
Others	47,406	45,761	3.6

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
Net premiums earned	132,811	126,852	4.7
Investment income ^{note}	28,760	22,034	30.5
Other operating income	1,156	1,723	(32.9)
Total income	162,727	150,609	8.0
Net policyholders' benefits and claims	(123,752)	(111,376)	11.1
Finance costs	(1,244)	(1,027)	21.1
Interest credited to investment contracts	(1,659)	(1,377)	20.5
Other operating and administrative expenses	(25,524)	(27,137)	(5.9)
Total benefits, claims and expenses	(152,179)	(140,917)	8.0
Profit before tax	10,548	9,692	8.8
Income tax	1,711	(3,190)	(153.6)
Net profit	12,259	6,502	88.5

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

Operating results

Review and analysis of operating results

Investment income for the reporting period was RMB28.760 billion, up by 30.5%, mainly because of increase in interest income on bond investments, and fair value movement and increased trading gains on stocks during the equity market rally.

Net policyholders' benefits and claims amounted to RMB123.752 billion, up 11.1%, largely due to fast growth of death and other benefits on life insurance and incurred claims.

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
Net policyholders' benefits and claims	123,752	111,376	11.1
Life insurance death and other benefits paid	31,822	23,640	34.6
Claims incurred	3,721	3,071	21.2
Changes in long-term insurance contract liabilities	82,382	78,973	4.3
Policyholder dividends	5,827	5,692	2.4

Other operating and administrative expenses for the reporting period amounted to RMB25.524 billion, down by 5.9%.

Income tax for the reporting period was RMB-1.711 billion, down by 153.6%, mainly due to adjustment of tax deductible policies. Under Announcement on Policy of Tax Deductibles of Commissions and Fees of Insurance Enterprises by the Ministry of Finance and the General Administration of Taxation, spending on fees and commissions incurred by insurance companies relating to business activities can be deducted from taxable income tax up to 18% (included) of gross premiums minus surrendered amounts. The portion in excess of the upper limit can be deferred as tax deductibles for later years. The final settlement and payment of insurance enterprises for the year 2018 shall be carried out pursuant to the announcement.

As a result, CPIC Life recorded a net profit of RMB12.259 billion for the first half of 2019, up 88.5%.

II. CPIC Allianz Health

In the first half of 2019, the subsidiary realized RMB2.634 billion in GWPs and health management fee income, a growth of 106.6%. With the deepening of the strategy to promote intra-Group synergy, the company continuously increased the penetration of Group customers by its health insurance products and services. Its short-term health insurance products and health management services helped agents of CPIC Life acquire new customers and sell long-term life insurance policies. Of this, the short-term health insurance products have covered 10.4% of the individual customers of long-term insurance policies of CPIC Life, up 3.4pt. The company continued to expand its health service network, entered into co-operation with entities of the entire health care eco-system, launched innovative health insurance products and services, all of which continuously improved its capability in providing protection and service to customers.

4

Property and casualty insurance

In the first half of 2019, the property and casualty business^{note} persisted in high quality development and business quality control, and reported a stable combined ratio, with both automobile and non-automobile insurance achieving underwriting profitability. As for automobile insurance, it pro-actively adapted to the deepening of commercial automobile insurance deregulation, enhanced expense control, and improved capability in direct acquisition of customers; it stepped up renewal management to promote the shift of growth drivers. Non-auto business achieved improved business quality, with emerging lines such as agricultural insurance growing rapidly.

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

I. CPIC P/C

(I) Business analysis

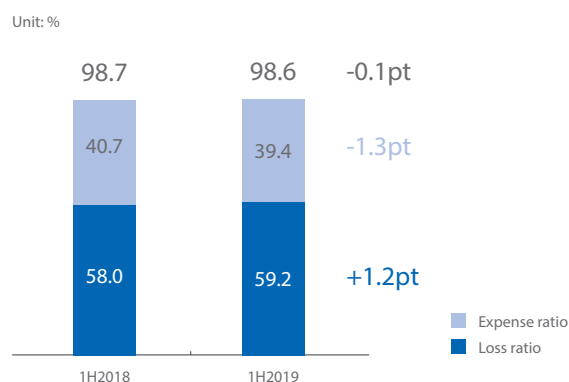
During the reporting period, CPIC P/C focused on customer acquisition and retention, deepened the building of a centralized operation system, continuously enhanced collaborative development, substantially improved capabilities in compliance and risk management, pushed for shift of growth drivers and achieved high quality development. It reported GWPs of RMB68.247 billion, up 12.5%, with a combined ratio of 98.6%, a decrease of 0.1pt from the same period of 2018.

1. Analysis by lines of business

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
GWPs	68,247	60,685	12.5
Automobile insurance	46,133	43,855	5.2
Compulsory automobile insurance	10,784	9,764	10.4
Commercial automobile insurance	35,349	34,091	3.7
Non-automobile insurance	22,114	16,830	31.4
Agricultural insurance	3,796	2,559	48.3
Liability insurance	3,609	2,935	23.0
Commercial property insurance	3,441	3,090	11.4
Health insurance	2,724	1,572	73.3
Others	8,544	6,674	28.0

Combined ratio of CPIC P/C



(1) Automobile insurance

In the first half of 2019, we persisted in business quality control, upheld compliance in business operation and promoted collaboration with others members of the Group. We deepened transformation and enhanced capabilities in retention of commercial automobile insurance customers, which promoted the shift of growth drivers. We stepped up collaboration with CPIC Life, pushed forward the building of a dedicated customer service system in a bid to drive fast growth of cross-sell of automobile business by life agents.

For the reporting period, we reported GWPs of RMB46.133 billion from automobile business, a growth of 5.2%, with a combined ratio of 98.4%, up by 0.4pt from the first half of 2018. Of this, the loss ratio stood at 59.9%, up by 0.5pt while the expense ratio decreased by 0.1pt to 38.5%. Premiums from cross-sell grew by 10.9%.

Looking forward, the company will continue to enhance capabilities centering on customers, so as to improve the retention of high-quality customers; step up product and service innovation in a bid to improve management and customer service of personal lines business and put in place a new operational model for commercial lines business; further promote collaboration within the Group to further increase the share of cross-sell; boost digital empowerment and strengthen quality control to improve risk selection capabilities.

(2) Non-automobile insurance

For the reporting period, CPIC P/C made great efforts to serve China's national strategies, social administration and people's well-being. It expanded the portfolio of emerging business lines, continued to enhance business quality control, and recorded GWPs of RMB22.114 billion, up 31.4%, with a combined ratio of 99.5%, down by 2.2pt. Of the major business lines, commercial lines property turned underwriting profit, liability insurance maintained healthy underwriting profitability. Emerging lines such as agricultural, liability and accident & health insurance continued to grow rapidly.

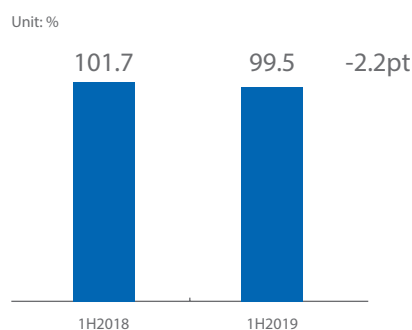
(3) Key financials of major business lines

Of this, agricultural insurance, underpinned by innovations in products, technology, mechanisms and research, continuously enhanced its services and capabilities, which helped to promote the brand image of innovation and boost high quality development. In the first half of 2019, it delivered RMB3.796 billion in GWPs, up 48.3%, making it the second largest business line in property and casualty insurance.

Guarantee insurance realized rapid growth while ensuring effective risk control. Of this, personal lines accounted for over 80%, with stable business quality on the back of continued improvement in the risk control systems and enhanced anti-fraud and credit risk management capabilities. During the reporting period, the business line reported RMB2.608 billion in GWPs, up 47.0%, with the combined ratio at 97.7%, a healthy level.

Next, we will continue with step up Transformation 2.0, accelerate the development of emerging business lines, intensify product and service innovations, and enhance our customer-oriented capabilities in an all-around way. At the same time, we will persist in business quality control, establish the risk control system for emerging business, strengthen digital empowerment, so as to drive healthy and rapid development of the business underpinned by smart risk control and digital operation platforms.

Combined ratio of non-auto business



Unit: RMB million

For 6 months ended 30 June 2019

Name of insurance	GWPs	Amounts insured	Claims paid	Reserves	Underwriting profit	Combined ratio (%)
Automobile insurance	46,133	13,052,939	24,974	58,071	642	98.4
Agricultural insurance	3,796	134,313	1,297	3,440	2	99.8
Liability insurance	3,609	6,828,611	1,102	5,309	170	92.2
Commercial property insurance	3,441	8,117,670	1,096	5,249	40	97.4
Health insurance	2,724	15,698,487	1,166	2,632	(72)	104.1

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.

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
GWPs	68,247	60,685	12.5
Jiangsu	7,563	6,856	10.3
Guangdong	7,324	6,572	11.4
Zhejiang	6,543	5,816	12.5
Shanghai	4,960	4,354	13.9
Shandong	3,883	3,355	15.7
Beijing	3,446	3,026	13.9
Hubei	2,520	1,917	31.5
Hebei	2,518	2,137	17.8
Sichuan	2,453	3,316	(26.0)
Henan	2,397	1,968	21.8
Subtotal	43,607	39,317	10.9
Others	24,640	21,368	15.3

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
Net premiums earned	50,563	48,757	3.7
Investment income ^{note}	2,440	2,955	(17.4)
Other operating income	118	251	(53.0)
Total income	53,121	51,963	2.2
Claims incurred	(29,853)	(28,171)	6.0
Finance costs	(416)	(324)	28.4
Other operating and administrative expenses	(20,186)	(20,049)	0.7
Total benefits, claims and expenses	(50,455)	(48,544)	3.9
Profit before tax	2,666	3,419	(22.0)
Income tax	684	(1,832)	(137.3)
Net profit	3,350	1,587	111.1

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 RMB2.440 billion, down by 17.4%, mainly attributable to decrease in dividend income from funds.

Other operating and administrative expenses amounted to RMB20.186 billion, up by 0.7%. Hence, effected by the factors above and together with the adjustment of tax deduction policies aforementioned, a net profit of RMB3.350 billion was booked for CPIC P/C for the first half of 2019, an increase of 111.1% from the same period of 2018.

II. Anxin Agricultural

In the first half of 2019, committed to national initiatives such as Invigoration of Rural Areas and Integration of the Yangtze River Delta, the subsidiary focused on urban agricultural insurance, stepped up product innovation, deepened all-around integration with CPIC P/C, and delivered RMB795 million in GWPs, up 16.7%. Of this, agricultural insurance reported GWPs of RMB539 million, a growth of 19.2%, with a combined ratio of 92.6%, down by 1.6pt, and net profits of RMB52 million, down by 20.0%.

III. CPIC HK

We conduct overseas business via CPIC HK, a wholly-owned subsidiary. As at 30 June 2019, its total assets stood at RMB1.329 billion, with net assets of RMB539 million. GWPs for the reporting period amounted to RMB198 million, with a combined ratio of 91.4%, and a net profit of RMB21 million.

5

Asset management

We adhered to long-term, value and prudent investing, formulated SAA based on profiles of liabilities and across economic cycles. Within the SAA framework, we improved the procedures of tactical asset allocation (TAA), seized market opportunities and delivered solid investment performance. Group AuM maintained steady increase, with continued enhancement of market competitiveness over the years.

I. Group AuM

As of the end of the first half of 2019, Group AuM totaled RMB1,873.028 billion, rising 12.5% from the end of 2018. Of this, Group in-house assets amounted to RMB1,356.282 billion, a growth of 10.0%, and third-party AuM RMB516.746 billion, up 19.5%, with a fee income of RMB700 million, up 39.7%.

Unit: RMB million

	30 June 2019	31 December 2018	Changes (%)
Group AuM^{note}	1,873,028	1,665,641	12.5
Group in-house assets	1,356,282	1,233,222	10.0
Third-party AuM ^{note}	516,746	432,419	19.5
CPIAC AMC	201,250	177,891	13.1
Changjiang Pension ^{note}	296,423	233,962	26.7

Note: Figures as of the end of last year were restated.

II. Group in-house assets

During the reporting period, China experienced steady economic growth. Policymakers focused on the need for the financial services sector to serve the real economy and improving the transmission of monetary policy. The supply-side structural reform continued to deepen. The central bank maintained a steady monetary policy while increasing counter-cyclical regulation, thus creating a stable monetary and financial environment. In terms of market conditions, treasury bond yields were largely stable, with yields on short duration bonds going up, and credit spread narrowing on short duration bonds but staying stable for long duration ones. The stock market overall saw a substantial rally.

With the guidance of SAA, we seized market opportunities, proactively increased allocation in long-duration treasury bonds, high credit rating corporate/enterprise bonds and equities. We also increased investments in high-quality private financial instruments to the extent that the liquidity risk is under control. Given possible deterioration of defaults on the fixed income market, we maintained prudence in credit risk exposure.

(I) Consolidated investment portfolios

Unit: RMB million

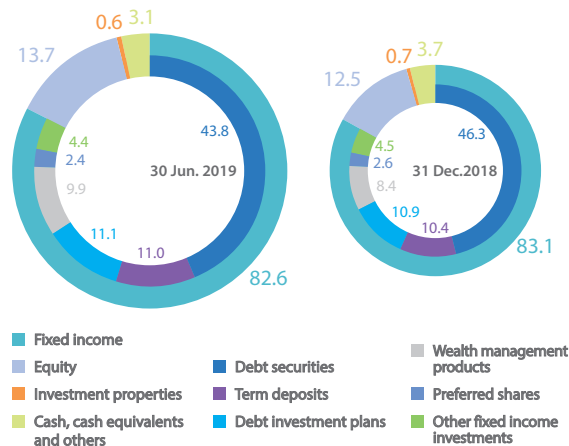
	30 June 2019	Share (%)	Share change from the end of 2018 (pt)	Changes (%)
Group investment assets (total)	1,356,282	100.0	-	10.0
By investment category				
Fixed income investments	1,119,671	82.6	(0.5)	9.3
- Debt securities	593,993	43.8	(2.5)	4.1
- Term deposits	149,211	11.0	0.6	16.2
- Debt investment plans	150,944	11.1	0.2	12.6
- Wealth management products ^{note 1}	133,480	9.9	1.5	28.7
- Preferred shares	32,000	2.4	(0.2)	-
- Other fixed income investments ^{note 2}	60,043	4.4	(0.1)	7.3
Equity investments	185,926	13.7	1.2	20.4
- Equity funds	22,692	1.7	0.2	21.0
- Bond funds	14,372	1.0	(0.2)	-
- Equity securities	77,320	5.7	1.6	51.6
- Wealth management products ^{note 1}	430	-	(0.6)	(94.0)
- Preferred shares	11,674	0.9	0.3	50.3
- Other equity investments ^{note 3}	59,438	4.4	(0.1)	7.3
Investment properties	8,508	0.6	(0.1)	(0.4)
Cash, cash equivalents and others	42,177	3.1	(0.6)	(7.1)
By investment purpose				
Financial assets at fair value through profit or loss	6,583	0.5	(0.5)	(44.4)
Available-for-sale financial assets	466,523	34.4	0.7	12.2
Held-to-maturity financial assets	290,597	21.4	(1.7)	2.1
Interests in associates	10,090	0.8	0.2	32.9
Investment in joint ventures	9,883	0.7	(0.1)	-
Loans and other investments ^{note 4}	572,606	42.2	1.4	13.8

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.

Group consolidated investment portfolios

Unit: %



1. By investment category

As of the end of the reporting period, debt securities represented 43.8%, a drop of 2.5pt from the end of 2018. Of this, treasury bonds, local government bonds and financial bonds issued by government-sponsored institutions represented 36.2%, up 1.9pt from the end of 2018, with an average duration of 15.1 years. 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, those rated AAA represented 92.0%. We have set up an independent internal credit rating team and a credit risk management system responsible for credit risk management covering the entire bond securities investment process, namely, before, during and after the investment. In the selection of new securities, we looked at the internal credit rating of both the debt and debt issuer, evaluated the credit risk based on our internal credit rating system and the input from in-house credit analysts, while considering other factors such as macro-economic conditions, market environment and external credit ratings in order to make a well-informed investment decision. At the same time, to effectively manage the credit risk of existing bond holdings, we followed a uniform and standardized set of regulations and procedures, combining both regular and unscheduled follow-up tracking post the investment. Our corporate/enterprise bond holdings spread over a wide range of sectors with good diversification effect; the debt issuers all boasted sound financial strength, with the overall credit risk under control.

Equity investments represented 13.7%, up by 1.2pt from the end of 2018. Of this, stocks and equity funds accounted for 7.4%, up by 1.8pt.

As of the end of the reporting period, private financial instruments (PFIs) totaled RMB290.620 billion, accounting for 21.4% of total Group in-house investment assets, rising 1.2pt from the end of 2018. For such investments, we adhered to the principle of serving the needs of China's real economy. While ensuring full compliance with regulatory requirements and internal risk control policies, we persisted in prudent management as is required of insurance companies, stayed highly selective about debt issuers and projects. The underlying projects spread across sectors like infrastructure, non-bank financial institutions, communications & transport and real estate, and were geographically concentrated in China's prosperous areas such as Beijing, Shanghai, Guangdong and Jiangsu.

Overall, the credit risk of our PFI holdings is in the comfort zone. Up to 98.9% of PFIs had an external credit rating, and of these, those rated AAA represented 93.7%, and those rated AA+ and above 99.9%. PFIs exempt from a debt issuer external credit rating represented 49.3%, with the rest boasting credit-enhancing measures such as guarantee or pledge of collateral.

Mix and distribution of yields of PFIs

Sectors	Share of investments (%)	Nominal yield (%)	Average duration (year)	Average remaining duration(year)
Infrastructural projects	27.4	5.8	7.1	5.0
Non-bank financial institutions	22.6	5.4	4.5	2.0
Communications & transport	15.9	5.5	8.5	5.8
Real estate	15.7	5.8	6.1	3.9
Energy and manufacturing	11.4	5.8	5.9	3.3
Others	7.0	5.6	6.5	3.8
Total	100.0	5.6	6.4	4.0

Note: PFIs include wealth management products issued by commercial banks, debt investment schemes, collective trust plans by trust firms, special asset management plans by securities firms and credit assets backed securities by banking institutions, etc., the same as "non-standard assets", a term used in previous reports.

2. By investment purpose

By investment purpose, our in-house investment assets are mainly in three categories, namely, available-for-sale (AFS) financial assets, held-to-maturity (HTM) financial assets as well as loans and other investments. Of this, financial assets at fair value through profit or loss decreased by 44.4% from the end of 2018, mainly because of lower allocation in wealth management products. AFS financial assets increased by 12.2%, mainly as a result of higher investments in stocks and enterprise bonds.

(II) Group consolidated investment income

For the reporting period, net investment income totaled RMB29.691 billion, up by 13.5%. This stemmed mainly from increased interest income from fixed income investments. Annualized net investment yield reached 4.6%, up by 0.1pt versus the same period of 2018.

Total investment income amounted to RMB32.611 billion, up 24.7%, mainly attributable to increased gains from securities trading and fair value movement as a result of equity market rallies, with annualized total investment yield at 4.8%, up by 0.3pt.

The annualized growth rate of investments' net asset value rose by 1.1pt to 5.9%, as a result of movement of unrealized gains on equity securities.

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
Interest income from fixed income investments	26,670	22,727	17.3
Dividend income from equity investments	2,639	3,081	(14.3)
Rental income from investment properties	382	361	5.8
Net investment income	29,691	26,169	13.5
Realized gains	2,522	1,310	92.5
Unrealized gains/(losses)	898	(1,540)	(158.3)
Charge of impairment losses on investment assets	(1,077)	(211)	410.4
Other income ^{note 1}	577	423	36.4
Total investment income	32,611	26,151	24.7
Net investment yield (annualized) (%) ^{note 2}	4.6	4.5	0.1pt
Total investment yield (annualized) (%) ^{note 2}	4.8	4.5	0.3pt
Growth rate of investments' net asset value (annualized) (%) ^{notes 2,3}	5.9	4.8	1.1pt

Notes:

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

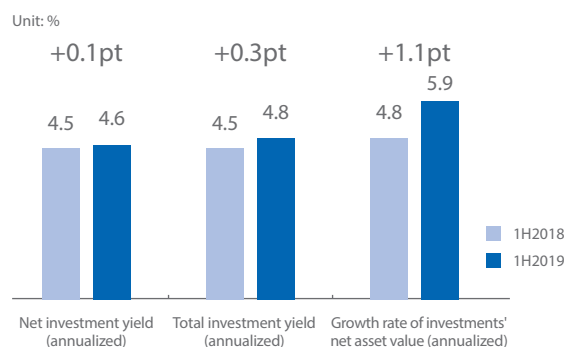
(III) Total investment yield on a consolidated basis

Unit: %

For 6 months ended 30 June	2019	2018	Changes
Total investment yield (annualized)	4.8	4.5	0.3pt
Fixed income investments ^{note}	5.1	5.0	0.1pt
Equity investments ^{note}	3.1	1.8	1.3pt
Investment properties ^{note}	9.1	8.5	0.6pt
Cash, cash equivalents and others ^{note}	0.9	0.9	-

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

Group consolidated investment yields



III. Third-party AuM

(I) Third-party AuM by CPIC AMC

In the first half of 2019, there were far greater uncertainties and instabilities in the market environment. CPIC AMC, in its business development, ensured compliance and prevention of major risks, and in its pursuit of high quality development, strived to meet the demand of the real economy and social development for differentiated financial and wealth management services. As of the end of the reporting period, its third-party AuM exceeded RMB200 billion for the first time in its history.

In alternative investments, the company seized opportunities arising from government's expansive fiscal policy and the endeavor to close gaps in infrastructure, and particularly focused on the development of projects in communications and energy in central and western China. At the same time, in compliance with government's policy of de-leveraging, it tailor-made and issued alternative products to help major SOEs with sound business operation to lower their debt levels. The company maintained its industry leadership in the number of alternative projects registered and size of funds raised.

Meanwhile, as for its asset management products, the company focused on customization to extend its scope of services and better meet needs of its corporate clients. It leveraged its strengths in traditional asset management and stepped up marketing of fixed income products. As of the end of the reporting period, the subsidiary reported RMB133.7 billion in third-party asset management products and AuM combined, an increase by RMB23.3 billion from the end of 2018, up 21.1%.

(II) Assets under investment management by Changjiang Pension

In the first half of 2019, Changjiang Pension, under the guidance of Transformation 2.0, focused on both trustee service and investment management, continued to improve mechanisms of internal and external collaboration, effectively enhanced risk control capabilities, supported the 3 pillars of China's pension system in an all-around way and achieved high quality development.

In the first pillar, it performed steadily in management of China's social security pension fund, with investment performance leading among comparable portfolios. As for the second pillar, the company leveraged intra-Group collaboration mechanism, focused on the development of occupational annuity business, and in the first half of 2019, qualified as the manager of the occupational annuity scheme of 20 provinces and municipalities. So far it has been successful in all the 25 such schemes which started the outsourcing process. It continued to pursue development of its core enterprise annuity business, and was selected as manager of enterprise annuity of China State Shipbuilding Corporation. The company also maintained its leading position in group retirement plans to serve the needs of SOE reform. In the third pillar, Changjiang Pension provided stable returns for the tax-deferred pension schemes; improved product mix of individual retirement plans and launched its first target date product and net asset value product. Given the long-term nature of pension funds and the financing needs of national strategies and the real economy, the subsidiary pursued a transition towards active management, and raised a total of RMB11.48 billion in the first half of 2019, and cumulatively nearly RMB136 billion via registered debt investment plans.

As of the end of the reporting period, Changjiang Pension's third-party assets under investment management reached RMB296.423 billion, rising by 26.7% from the end of 2018, with third-party assets under trust of RMB104.088 billion, up 14.6% from the end of 2018.

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Analysis of specific items

I. Items concerning fair value accounting

Unit: RMB million

	30 June 2019	31 December 2018	Changes	Impact of fair value changes on profits ^{note}
Financial assets at fair value through profit or loss	6,583	11,835	(5,252)	898
Available-for-sale financial assets	466,523	415,868	50,655	(1,077)
Total	473,106	427,703	45,403	(179)

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

II. Solvency

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

Unit: RMB million

	30 June 2019	31 December 2018	Reasons of change
CPIC Group			
Core capital	420,181	381,723	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Actual capital	430,181	392,523	Profit for the period, profit distribution to shareholders, and change of fair value of investment assets
Minimum required capital	145,095	130,560	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	290	292	
Comprehensive solvency margin ratio (%)	296	301	
CPIC Life			
Core capital	327,967	298,654	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	327,967	298,654	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	127,592	114,526	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	257	261	
Comprehensive solvency margin ratio (%)	257	261	
CPIC P/C			
Core capital	36,259	34,831	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	46,259	45,631	Profit for the period, profit distribution to the shareholders, maturity of subordinate debt and change of fair value of investment assets
Minimum required capital	16,186	14,915	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	224	234	
Comprehensive solvency margin ratio (%)	286	306	

	30 June 2019	31 December 2018	Reasons of change
CPIC Allianz Health			
Core capital	1,056	1,057	Change of fair value of investment assets
Actual capital	1,056	1,057	Change of fair value of investment assets
Minimum required capital	618	489	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	171	216	
Comprehensive solvency margin ratio (%)	171	216	
Anxin Agricultural			
Core capital	1,641	1,578	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Actual capital	1,641	1,578	Profit for the period, profit distribution to the shareholders, and change of fair value of investment assets
Minimum required capital	561	527	Growth of insurance business and changes to asset allocation
Core solvency margin ratio (%)	292	300	
Comprehensive solvency margin ratio (%)	292	300	

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 2019 of CPIC Group, and the second quarter solvency of 2019 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

From January to June 2019 / 30 June 2019		
Market value	Impact on profit before tax	Impact on equity
+10%	264	6,102
-10%	(264)	(6,102)

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, claims 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 2019, insurance contract liabilities of CPIC Life amounted to RMB931.689 billion, representing an increase of 11.1% from the end of 2018. Those of CPIC P/C amounted to RMB90.818 billion, an increase of 14.4%. The rise was mainly caused by business expansion and accumulation of insurance liabilities.

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

Unit: RMB million

	30 June 2019	31 December 2018	Changes (%)
CPIC Life			
Unearned premiums	6,732	3,727	80.6
Claim reserves	3,964	3,644	8.8
Long-term life insurance contract liabilities	920,993	831,337	10.8
CPIC P/C			
Unearned premiums	54,170	45,036	20.3
Claim reserves	36,648	34,318	6.8

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.

Unit: RMB million

	31 December 2018	Increase for the period			Decrease for the period		30 June 2019
		Deposit received	Interest credited	Others	Deposits withdrawn	Fees deducted	
Investment contract liabilities	62,255	12,733	1,659	474	(4,528)	(78)	72,515

VI. Reinsurance business

In the first half of 2019, premiums ceded to reinsurers are shown below:

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
CPIC Life	3,110	1,979	57.2
Traditional	949	989	(4.0)
Long-term health	630	697	(9.6)
Participating	131	141	(7.1)
Universal	39	20	95.0
Tax-deferred pension	-	-	/
Short-term accident and health	1,991	829	140.2
CPIC P/C	9,523	8,366	13.8
Automobile	3,103	3,302	(6.0)
Non-automobile	6,420	5,064	26.8

Operating results

Review and analysis of operating results

In the first half of 2019, premiums ceded inwardly are set out below:

Unit: RMB million

For 6 months ended 30 June	2019	2018	Changes (%)
CPIC Life	-	1,013	(100.0)
Traditional	-	1,013	(100.0)
Long-term health	-	-	/
Participating	-	-	/
Universal	-	-	/
Tax-deferred pension	-	-	/
Short-term accident and health	-	-	/
CPIC P/C	430	261	64.8
Automobile	-	9	(100.0)
Non-automobile	430	252	70.6

As at the end of the first half of 2019, assets under reinsurance are set out below:

Unit: RMB million

	30 June 2019	31 December 2018	Changes (%)
CPIC Life			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	1,197	698	71.5
Claim reserves	192	125	53.6
Long-term life insurance contract liabilities	11,770	11,668	0.9
CPIC P/C			
Reinsurers' share of insurance contract liabilities			
Unearned premiums	6,812	5,840	16.6
Claim reserves	6,535	5,801	12.7

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

VII. Main subsidiaries & associates and equity participation

Unit: RMB million

Company	Main business scope	Registered capital	Group share-holding ^{note 2}	Total assets	Net assets	Net profit
China Pacific Property Insurance Co., Ltd.	Property indemnity insurance; liability insurance; credit and guarantee insurance; short-term health and accident insurance; reinsurance of the above said insurance; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	19,470	98.5%	170,203	36,762	3,350

Company	Main business scope	Registered capital	Group shareholding ^{note 2}	Total assets	Net assets	Net profit
China Pacific Life Insurance Co., Ltd.	Personal lines insurance including life insurance, health insurance, accident insurance, etc. denominated in RMB or foreign currencies; reinsurance of the above said insurance; statutory life insurance; agency and business relationships with domestic and overseas insurers and organizations, loss adjustment, claims and other business entrusted from overseas insurance organizations; insurance funds investment as prescribed by Insurance Law of the PRC and relevant laws and regulations; international insurance activities as approved; other business as approved by CBIRC.	8,420	98.3%	1,233,852	73,243	12,259
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; pension insurance asset management business; consulting business pertaining to asset management; insurance fund management as allowed by the PRC laws and regulations; other business as approved by CBIRC.	3,000	61.1%	4,512	3,249	162
Pacific Asset Management Co., Ltd.	Asset management of capital and insurance funds; outsourcing of fund management; consulting services relating to asset management; other asset management business as allowed by the PRC laws and regulations.	2,100	99.7%	3,870	3,212	219
CPIC Allianz Health Insurance Co., Ltd.	Health and accident insurance denominated in RMB yuan or foreign currencies; health insurance sponsored by the government or supplementary to state medical insurance policies; reinsurance of the above said insurance; health insurance-related consulting and agency business; insurance funds investment as approved by relevant laws and regulations; other business as approved by CBIRC.	1,700	77.1%	5,622	1,136	(25)
Anxin Agricultural Insurance Co., Ltd.	Agricultural insurance; property indemnity insurance; liability insurance; statutory liability insurance; credit and guarantee insurance; short term health insurance and accident insurance; countryside and farmer related property insurance; reinsurance of the above said insurance; insurance agency business.	700	51.3%	3,742	1,472	52
CPIC Fund Management Co., Ltd.	Fund management business; mutual funds and other business as approved by competent authorities of the PRC.	150	50.8%	634	505	12

Notes:

- Figures for companies in the table are on an unconsolidated basis. For other information pertaining to the Company's main subsidiaries, associates or invested entities, please refer to Review and Analysis of Operating Results, and Scope of Consolidation, Interests in Associates, Investment in Joint Ventures as notes to Financial Statements of this report.
- 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 2019	31 December 2018	Changes
Gearing ratio (%)	89.0	88.8	0.2pt

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

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Outlook

I. Market environment and business plan

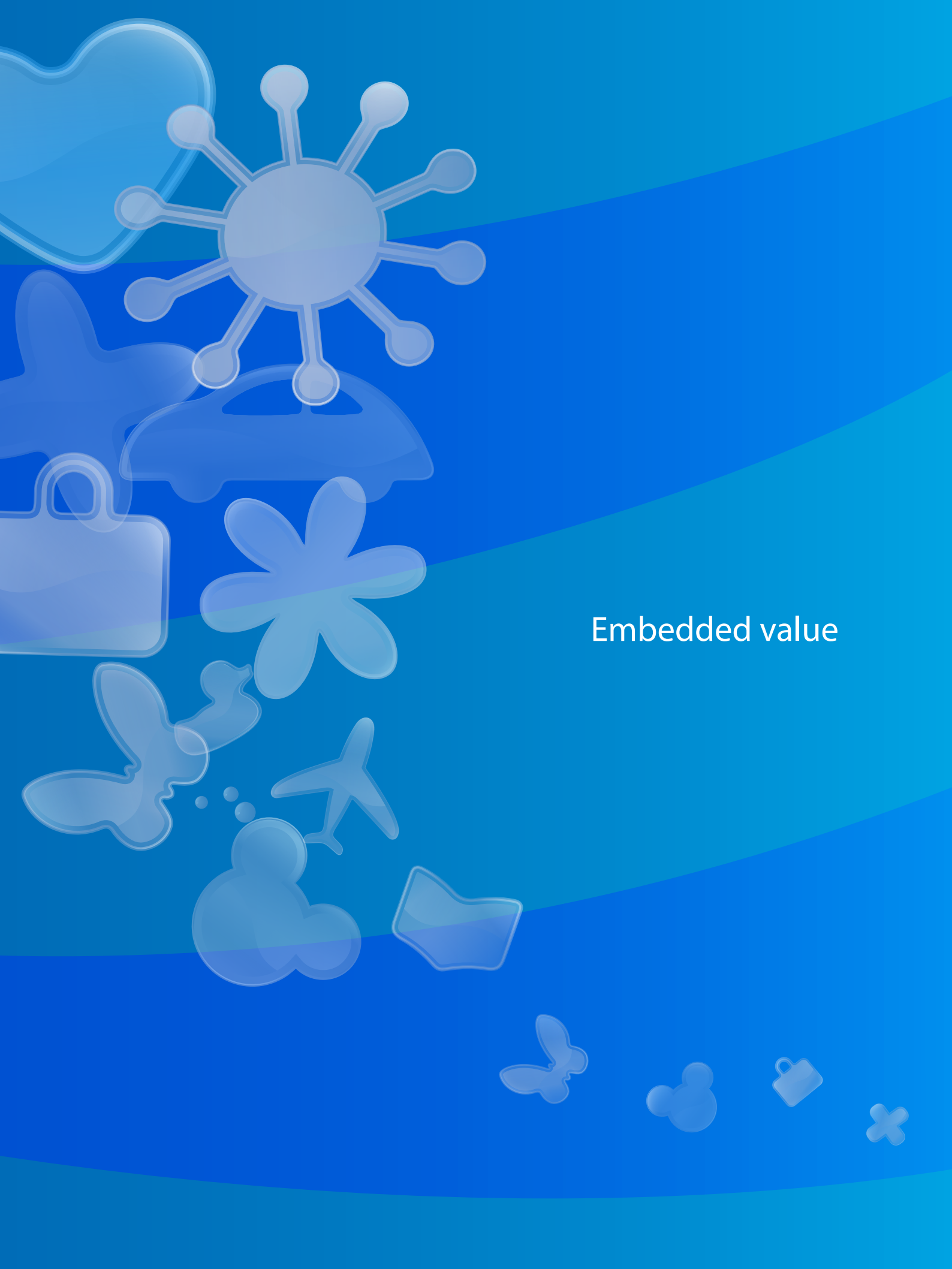
In the second half of 2019, in spite of mounting downward pressures, the long-term prospects of China's economy remain solid. Rising in per capita income, demographic shift, urbanization, upgrading of economic mix, implementation of China's national strategies, shift of government roles all promise to stimulate demand for insurance, making China's insurance sector one of the most dynamic and fastest-growing markets of the world.

In the second half of the year, with a vision of "achieving leadership in healthy and stable development of the insurance industry", and the targets of "being the best in customer experience, business mix and risk control capabilities", the Company will ensure the prevention of major risks, deepen Transformation 2.0, promote the branding of "CPIC Service", vigorously contribute to the real economy, improve the well-being of the Chinese people, and achieve greater success in high-quality development.

II. Major risks and mitigating measures

First, the world economy is experiencing a slow-down, due to a confluence of factors such as re-balancing of economic growth drivers, changes to international landscape and balance of power, and the overhaul of global governance. China's economy is in a transition from the stage of high growth toward high quality development, which has a profound impact on China's macro-economic variables, industry mix and cycles. In the long-term, interest rate risk will be a key concern of the insurance industry given the downward cycle of long duration interest rate curves and economic slow-down. Second, China's insurance market is also slowing down, coupled with a shift of development mode, and accumulation of risks over the years which have begun to surface. The regulator will continue to intensify its efforts to mitigate risks, tackle irregularities and tighten overall regulation. New rules on life insurance products, the deepening of deregulation of commercial automobile insurance require increased capacity-building of the industry. Third, we still face the major risk of large claims arising from catastrophes and artificial accidents, while emerging risks have had an increasing impact on the stability of the insurance business. Fourth, given mounting downward economic pressure, credit risk and liquidity risk may deteriorate, materially impacting insurance and asset management.

To cope with these risks, we will persist in compliance, stay focused on the core business of insurance, press ahead with Transformation 2.0 to fulfill its vision and objectives. In particular, we will step up research into and analysis of macro-economic trends, accelerate digital empowerment and enhance capabilities in risk assessment and product pricing. Efforts will also be intensified to improve asset liability management, credit risk management of counter-parties and investment research capabilities, so as to forestall major risks and ensure a stable business operation and healthy solvency.



Embedded value



1

Independent Actuarial Review Opinion on Embedded Value

To: China Pacific Insurance (Group) Company Limited
Board of Directors

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch ("WTW" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as of 30 June 2019.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

WTW's scope of work comprised:

- > a review of the methodology used to develop the embedded value of CPIC Group and the value of half year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as of 30 June 2019, in the light of the requirements of the "CAA Standards of Actuarial Practice: Appraisal of Embedded Value" issued by the China Association of Actuaries ("CAA") in November 2016;
- > a review of the economic and operating assumptions used to develop CPIC Group's embedded value and the value of half year's sales of CPIC Life as of 30 June 2019;
- > a review of the results of CPIC Group's calculation of the value of in-force business, the value of half year's sales of CPIC Life, and the sensitivity results of the value of in-force business and value of half year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as of 30 June 2019 and the value of half year's sales of CPIC Life prepared by CPIC Group, WTW has concluded that:

- > The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of the "Appraisal of Embedded Value" standard issued by the CAA;
- > The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- > The economic assumptions have been set with regard to current market information.

WTW has performed reasonableness checks and analysis of CPIC Group's embedded value and value of half year's sales of CPIC Life as of 30 June 2019, and WTW has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of CPIC Group's 2019 interim report and that the aggregate results are reasonable in this context.

WTW confirms that the results shown in the Embedded Value section of CPIC Group's 2019 interim report are consistent with those reviewed by WTW.

In carrying out our review we have relied on the accuracy of audited and unaudited data and information provided by CPIC Group.

For and on behalf of WTW
Peng Li, FSA, FCAA
Benjamin Chen, FSA, FCAA, CFA, FRM
8th August 2019

2

2019 Embedded Value Interim Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have prepared CPIC Group Embedded Value as at 30 June 2019 in accordance with the disclosure rules set by the China Securities Regulatory Commission (“CSRC”) for publicly listed insurer and the “CAA Standard of Actuarial Practice: Appraisal of Embedded Value” issued by the China Association of Actuaries (“CAA”) in 2016 (thereafter referred to as “Appraisal of Embedded Value” standard) and have disclosed information relating to our group embedded value in this section. We have engaged Willis Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our 2019 interim report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of half year’s sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable shareholder profits for existing business in force at the valuation date and for half year’s sales in the 6 months immediately preceding the valuation date, where distributable shareholder profits are determined based on policy liability, required capital in excess of policy liability and minimum capital requirement quantification standards prescribed by the CIRC. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of half year’s sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the risk of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate.

The embedded value and the value of half year’s sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable shareholder profits in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of half year’s sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of half year’s sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of half year’s sales information.

The embedded value is an estimation of a component of an insurance company’s economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed valuation assumption. Therefore, special care is advised when interpreting embedded value results.

II. 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 2019, and the value of half year's sales of CPIC Life in the 6 months to 30 June 2019 at a risk discount rate of 11%.

Unit: RMB million

Valuation Date	30 June 2019	31 December 2018
Group Adjusted Net Worth	187,463	169,325
Adjusted Net Worth of CPIC Life	97,747	88,714
Value of In Force Business of CPIC Life Before Cost of Required Capital Held	195,258	181,631
Cost of Required Capital Held for CPIC Life	(14,518)	(11,917)
Value of In Force Business of CPIC Life After Cost of Required Capital Held	180,740	169,714
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	177,654	166,816
Group Embedded Value	365,116	336,141
CPIC Life Embedded Value	278,487	258,428

Valuation Date	30 June 2019	30 June 2018
Value of Half Year's Sales of CPIC Life Before Cost of Required Capital Held	18,011	19,087
Cost of Required Capital Held	(3,084)	(2,798)
Value of Half Year's Sales of CPIC Life After Cost of Required Capital Held	14,927	16,289

Notes:

1. Figures may not be additive due to rounding.
2. Results in column "30 June 2018" are those reported in the 2018 interim report.
3. Results in column "31 December 2018" are those reported in the 2018 annual report.

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

III. Key Valuation Assumptions

In determining the embedded value as at 30 June 2019, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment. Policy liability and required capital have been calculated according to relevant requirements described in "Appraisal of Embedded Value" standard published by the CAA. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available at the valuation date.

The following describes the key assumptions used in determining the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2019:

(I) Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of half year's sales of CPIC Life is 11%.

(II) Investment Returns

The investment returns for long term business are assumed to be 5.0% in 2019 and 5.0% thereafter. The investment return for short term business is based on the recent one-year bank deposit benchmark interest rate as published by the People's Bank of China before the valuation date.

These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

(III) Mortality

Mortality assumptions have been developed based on China Life Insurance Mortality Table (2010-2013), considering CPIC Life's mortality experience analysis and expectation of future mortality trends, and varies by product.

(IV) Morbidity

Morbidity assumptions have been developed based on China Life Insurance Morbidity Table (2006-2010), considering CPIC Life's morbidity experience analysis and expectation of future morbidity trends, taking into considering deterioration of morbidity rates in the long term, and varies by product.

(V) Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's lapse and surrender experience analysis, and expectation of future trends, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

(VI) Expense

Unit cost assumptions have been developed based on the recent results of an analysis of CPIC Life's 2018 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

(VII) Policyholder Dividend

- > Group participating annuity business: 80 % of interest surplus; and
- > Other participating business: 70% of interest and mortality surplus.

(VIII) Tax

Tax has been assumed to be payable at 25% of profits. The proportion of investment income assumed to be exempt from income tax is 16% for all future years. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, the tax of the accident business is based on related tax regulation.

IV. 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 2019.

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	
	2019	2018	2019	2018
Total	38,238	39,307	14,927	16,289
Of which: Traditional	16,987	10,817	12,405	8,595
Participating	7,821	18,616	1,913	7,575

V. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of half year's sales of CPIC Life as at 30 June 2019 to changes in key assumptions. In determining the sensitivity results, only the relevant cashflow assumption and risk discount rate assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

- > Risk discount rate "+ / - 50 basis points"
- > Investment return "+ / - 50 basis points"
- > Mortality "+ / - 10%"
- > Morbidity "+10%"
- > Lapse and surrender rates "+ / - 10%"
- > Expenses "+10%"

The following table shows the sensitivity results of the value of in force business and the value of half year's sales after cost of required capital held.

Unit: RMB Million

	Value of In Force Business After Cost of Required Capital Held	Value of Half Year's Sales After Cost of Required Capital Held
Base	180,740	14,927
Risk discount rate "+50 basis points"	174,125	14,260
Risk discount rate "- 50 basis points"	187,923	15,652
Investment return "+50 basis points"	209,270	17,232
Investment return "- 50 basis points"	151,733	12,624
Mortality "+10%"	179,455	14,799
Mortality "- 10%"	182,023	15,055
Morbidity "+10%"	175,720	14,146
Lapse and surrender rates "+10%"	181,738	14,775
Lapse and surrender rates "-10%"	179,623	15,069
Expenses "+10%"	177,927	14,084

Corporate governance





1

Implementation of profit distribution plan

The Company distributed a cash dividend of RMB1.00 per share (tax included) in accordance with the “Resolution on Profit Distribution Plan for the year 2018” approved at the 2018 Annual General Meeting. The implementation of this distribution plan was completed recently.

2

General meetings

Information of the general meetings of the Company during the reporting period is set out in the Section “Corporate governance”.

3

Proposals for profit distribution and the transfer of capital reserves to share capital for the reporting period

The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the reporting period.

4

Fulfillment of the undertakings

During the reporting period, there were no undertakings the Company was required to disclose.

5

Material litigations and arbitrations

During the reporting period, the Company did not engage in any material litigation or arbitration which was required to be disclosed.

6

Penalties and subsequent rectification

During the reporting period, there were no penalties or subsequent rectification the Company was required to disclose.

7

Fulfillment of obligations

During the reporting period, the Company had no outstanding obligations such as unfulfilled obligations under rulings by courts of laws or payment in arrears involving large amounts.

8

Share option scheme

During the reporting period, the Company did not have any share option scheme, employee stock ownership plan, or other employee incentive measure which required disclosure.

9

Connected transactions

On 12 April 2019, the Company entered into a framework agreement in respect of the continuing connected transactions with Hwabao Trust Co., Ltd. (華寶信託有限責任公司), Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司) (formerly known as Fortune SG Fund Management Co., Ltd. (華寶興業基金管理有限公司)) and Hwabao Securities Co., Ltd. (華寶證券有限責任公司) (Hwabao Trust Co., Ltd., Hwabao WP Fund Management Co., Ltd. and Hwabao Securities Co., Ltd. are collectively referred to as the "Hwabao Parties"), with an initial term from 31 January 2019 to 31 December 2019. Upon expiration of the initial term, the framework agreement shall automatically be renewed for a term of one year, and there shall not be more than two automatic renewals. Pursuant to the agreement, the Group and the Hwabao Parties have agreed to enter into transactions, including sale and purchase of bonds, pledge-style repo, subscription and redemption of securities investment funds, purchase of trust plans, sale of asset management products or collective pension products. During the reporting period, the transactions contemplated under the aforementioned framework agreement between the Company and the Hwabao Parties constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Such transactions under the framework agreement are only subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. After the auditors finish the annual review of the continuing connected transactions, the Company will disclose the relevant details in the annual report.

10

Material contracts

During the reporting period, the Company did not have any material contracts which were required to be disclosed.

11

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 2019, 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 2019 by approximately RMB3.816 billion and a decrease in profit before tax for the 6 months ended 30 June 2019 by approximately RMB3.816 billion.

12

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 6 months ended 30 June 2019 in the presence of internal and external auditors.

13

Interests and short positions of directors, supervisors and senior management in shares, underlying shares or debentures

So far as the directors of the Company are aware, as at the end of the reporting period, the following directors, supervisors or senior management of the Company had an interest or short position in shares, underlying shares or debentures of the Company which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions.

Name	Position	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
HE Qing	Executive Director and President	Beneficial owner	H shares	12,000(L)	0.00(L)	0.00(L)
		Beneficial owner, Interest of spouse	A shares	46,800 (L) ^{note}	0.00(L)	0.00(L)

(L) denotes a long position

Note: HE Qing holds 35,800 A shares as a beneficial owner and his spouse holds 11,000 A shares.

Save as disclosed above, as at the end of the reporting period, the directors of the Company were not aware that there was any directors, supervisors or senior management of the Company who had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and SEHK pursuant to the Model Code for Securities Transactions.

Specifics on the shareholdings of directors, supervisors and senior management are set out in the section "Directors, supervisors, senior management and employees".

14

Interests and short positions of substantial shareholders and other persons in the shares and underlying shares

So far as the directors of the Company are aware, as at the end of the reporting period, the following persons (excluding the directors, supervisors or senior management of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

Name of substantial shareholders	Capacity	Type of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Schroders Plc ^{note 1}	Investment manager	H shares	388,594,588 (L)	14.00 (L)	4.29(L)
BlackRock, Inc. ^{note 2}	Interest of corporation controlled by Blackrock, Inc.	H shares	196,267,594 (L) 799,400 (S)	7.07(L) 0.03(S)	2.17(L) 0.01(S)
GIC Private Limited	Investment manager	H shares	139,084,400 (L)	5.01 (L)	1.53 (L)

(L) denotes a long position; (S) denotes a short position

Notes:

1. Pursuant to Part XV of the SFO, as at the end of the reporting period, Schroders Plc is deemed or taken to be interested in a total of 388,594,588 H shares (long position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by Schroders Plc are set out below:

Name of controlled subsidiary	Number of shares
Schroder Administration Limited	388,594,588 (L)
Schroder International Holdings Limited	388,590,588 (L)
Schroder Investment Management (Hong Kong) Limited	86,099,618 (L)
Schroder Investment Management (Singapore) Limited	101,212,800 (L)
Schroder Investment Management Limited	90,737,170 (L)
Schroder Investment Management Limited	110,541,000 (L)
Schroder Investment Management North America Limited	90,737,170 (L)
Schroder Australia Holdings Pty Limited	4,000 (L)
Schroder Investment Management Australia Limited	4,000 (L)

(L) denotes a long position

2. Pursuant to Part XV of the SFO, as at the end of the reporting period, BlackRock, Inc. is deemed or taken to be interested in a total of 196,267,594 H shares (long position) and 799,400 H shares (short position) of the Company. The details of the shareholding interests of the subsidiaries directly or indirectly controlled by BlackRock, Inc. are set out below:

Name of controlled subsidiary	Number of shares
Trident Merger, LLC	1,357,600 (L)
BlackRock Investment Management, LLC	1,357,600 (L)
BlackRock Holdco 2, Inc.	194,909,994 (L) 799,400 (S)
BlackRock Financial Management, Inc.	187,113,428 (L) 799,400 (S)
BlackRock Financial Management, Inc.	7,796,566 (L)
BlackRock Holdco 4, LLC	125,672,205 (L) 782,200 (S)
BlackRock Holdco 6, LLC	125,672,205 (L) 782,200 (S)

Name of controlled subsidiary	Number of shares
BlackRock Delaware Holdings Inc.	125,672,205 (L) 782,200 (S)
BlackRock Institutional Trust Company, National Association	49,488,205 (L) 782,200 (S)
BlackRock Fund Advisors	76,184,000 (L)
BlackRock Capital Holdings, Inc.	2,259,400 (L)
BlackRock Advisors, LLC	2,259,400 (L)
BlackRock International Holdings, Inc.	59,181,823 (L) 17,200 (S)
BR Jersey International Holdings L.P.	59,181,823 (L) 17,200 (S)
BlackRock Lux Finco S.à r.l.	2,920,593 (L)
BlackRock Trident Holding Company Limited	2,906,393 (L)
BlackRock Japan Holdings GK	2,906,393 (L)
BlackRock Japan Co., Ltd.	2,906,393 (L)
BlackRock Holdco 3, LLC	53,010,824 (L) 17,200 (S)
BlackRock Canada Holdings LP	398,200 (L)
BlackRock Canada Holdings ULC	398,200 (L)
BlackRock Asset Management Canada Limited	398,200 (L)
BlackRock Australia Holdco Pty. Ltd.	1,108,800 (L)
BlackRock Investment Management (Australia) Limited	1,108,800 (L)
BlackRock (Singapore) Holdco Pte. Ltd.	5,062,199 (L)
BlackRock HK Holdco Limited	4,258,599 (L)
BlackRock Asset Management North Asia Limited	1,338,006 (L)
BlackRock Cayman 1 LP	52,612,624 (L) 17,200 (S)
BlackRock Cayman West Bay Finco Limited	52,612,624 (L) 17,200 (S)
BlackRock Cayman West Bay IV Limited	52,612,624 (L) 17,200 (S)
BlackRock Group Limited	52,612,624 (L) 17,200 (S)
BlackRock Finance Europe Limited	15,582,156 (L)
BlackRock (Netherlands) B.V.	2,290,600 (L)
BlackRock Advisors (UK) Limited	240,000 (L)
BlackRock International Limited	7,939,242 (L)
BlackRock International Limited	642,500 (L)
BlackRock Group Limited-Luxembourg Branch	28,448,726 (L) 17,200 (S)
BlackRock Luxembourg Holdco S.à r.l.	28,448,726 (L) 17,200 (S)
BlackRock Investment Management Ireland Holdings Limited	19,988,926 (L)
BlackRock Asset Management Ireland Limited	19,988,926 (L)
BLACKROCK (Luxembourg) S.A.	8,438,200 (L) 17,200 (S)
BlackRock Investment Management (UK) Limited	1,639,400 (L)
BlackRock Investment Management (UK) Limited	11,412,156 (L)

Name of controlled subsidiary	Number of shares
BlackRock Investment Management(UK) Limited – German Branch – Frankfurt BlackRock	170,200 (L)
BlackRock Asset Management Deutschland AG	170,200 (L)
BlackRock Fund Managers Limited	1,469,200 (L)
BlackRock Life Limited	7,939,242 (L)
BlackRock (Singapore) Limited	803,600 (L)
BlackRock UK Holdco Limited	21,600 (L)
BlackRock Asset Management (Schweiz) AG	21,600 (L)
BlackRock Investment Management (Taiwan) Limited	14,200 (L)

(L) denotes a long position; (S) denotes a short position

Save as disclosed above, as at the end of the reporting period, the directors of the Company were not aware that there was any other person (other than the directors, supervisors or senior management of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Specifics on the shareholdings by the Company's top ten shareholders are set out in the Section "Changes in the share capital and shareholders' profile".

15

Purchase, redemption or sale of the Company's listed securities

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



Changes in the share capital
and shareholders' profile

1

Changes in the share capital

The table below shows the Company's share capital as at the end of the reporting period:

Unit: share

	Before change		Increase or decrease (+ or -)					After change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Amount	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	-	-	-	-	-	-	-	-	-
(2) State-owned enterprises shares	-	-	-	-	-	-	-	-	-
(3) Other domestic shares held by	-	-	-	-	-	-	-	-	-
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares held by	-	-	-	-	-	-	-	-	-
legal entities	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	6,286,700,000	69.37	-	-	-	-	-	6,286,700,000	69.37
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	2,775,300,000	30.63	-	-	-	-	-	2,775,300,000	30.63
(4) Others	-	-	-	-	-	-	-	-	-
Total	9,062,000,000	100.00	-	-	-	-	-	9,062,000,000	100.00
3. Total number of shares	9,062,000,000	100.00	-	-	-	-	-	9,062,000,000	100.00

2

Shareholders

(I) Number of shareholders and their shareholdings

As at the end of the reporting period, the Company had no shares with selling restrictions.

Unit: share

Total number of shareholders as at the end of the reporting period: 89,882 (including 85,233 A share holders and 4,649 H share holders)

Shares held by top ten shareholders as at the end of the reporting period

Name of shareholders	Total number of shares held	Percentage of the shareholding	Increase or decrease (+ or -) of shareholding during the reporting period	Number of shares held with selling restriction	Number of shares subject to pledge or lock-up period	Type of shares
HKSCC Nominees Limited	2,772,636,835	30.60%	-21,980	-	-	H Share
Shenergy (Group) Co., Ltd.	1,326,776,782	14.64%	+41,093,816	-	-	A Share
Hwabao Investment Co., Ltd.	1,284,277,846	14.17%	-	-	-	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	505,642,439	5.58%	+15,120,219	-	-	A Share
Shanghai Haiyan Investment Management Company Limited	468,828,104	5.17%	-	-	-	A Share
China Securities Finance Co., Ltd.	271,089,922	2.99%	-	-	-	A Share
Shanghai Jiushi (Group) Co., Ltd.	250,949,460	2.77%	-	-	-	A Share
Central Huijin Investment Ltd.	110,741,200	1.22%	-	-	-	A Share
HKSCC	94,347,363	1.04%	+13,168,179	-	-	A Share
Yunnan Hehe (Group) Co., Ltd.	91,868,387	1.01%	-	-	-	A Share
Description of connected relations or concerted actions among the aforesaid shareholders	HKSCC Nominees Limited and HKSCC are connected, as the former is a wholly-owned subsidiary of the latter. As is confirmed by relevant shareholders regarding the Company's inquiry, the Company is not aware of any other connected relations or concerted actions among the above-mentioned shareholders.					

Notes:

- As at the end of the reporting period, the Company did not issue any preferred shares.
- The shareholding of the top ten shareholders is based on the lists of registered shareholders provided by China Securities Depository and Clearing Corporation Limited Shanghai Branch (A share) and Computershare Hong Kong Investor Services Limited (H share) respectively.
- The shares held by HKSCC Nominees Limited are held on behalf of its clients. As SEHK does not require such shareholders to disclose to HKSCC Nominees Limited whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data. Pursuant to Part XV of the SFO, a Substantial Shareholder is required to give notice to SEHK and the Company on the occurrence of certain events including a change in the nature of its interest in shares such as the pledging of its shares. As at the end of the reporting period, the Company is not aware of any such notices from Substantial Shareholders under Part XV of the SFO.
- HKSCC is the nominal holder of shares traded through Shanghai-Hong Kong Connect Program.
- Shanghai State-owned Assets Operation Co., Ltd. (SSOAO), a shareholder of the Company, completed the issuance of exchangeable bonds which were exchangeable into a portion of the Company's A shares on 10 December 2015. The 112,000,000 of the Company's A shares owned and to be exchanged by SSOAO and their dividends are held by China International Capital Corporation Limited (CICC) as guarantee and trust assets, and have been registered as a "Special Account for EB Guarantee and Trust Assets of SSOAO and CICC". For details please refer to the Company's Announcement in relation to the Completion of the Issuance of Exchangeable Bonds by a Shareholder of the Company and the Guarantee and Trust Registration for the part of the Company's A shares held by the Shareholder published on 15 December 2015.

(II) Changes in controlling shareholders and de facto controllers

The ownership structure of the Company is diversified. The ultimate controllers of the Company's major shareholders do not exercise control over the Company and the Company has no controlling shareholder or de facto controllers.



Directors, supervisors and
senior management

1

Change of directors

Name	Appointment	Detail
HUANG Dinan	Vice Chairman and Non-Executive Director	In June 2019, Mr. HUANG Dinan was elected as Vice Chairman of the 8th Board of Directors of the Company at the 17th Session of the 8th Board of Directors. In June 2019, CBIRC approved Mr. HUANG Dinan's qualification as a director.
LI Qiqiang	Non-Executive Director	In June 2019, Mr. LI Qiqiang was elected as a non-executive director of the 8th Board of Directors of the Company at the 2018 Annual General Meeting. Mr. LI Qiqiang's qualification is yet to be approved by CBIRC.
LAM Tyng Yih, Elizabeth	Independent Non-Executive Director	In June 2019, Ms. LAM Tyng Yih, Elizabeth was elected as an independent non-executive director of the 8th Board of Directors of the Company at the 2018 Annual General Meeting. In July 2019, CBIRC approved Ms. LAM Tyng Yih, Elizabeth's qualification. In August 2019, Ms. LAM Tyng Yih, Elizabeth was elected as the chairman of audit committee and member of risk management committee of the 8th Board of Directors.
CHEN Jizhong	Independent Non-Executive Director	In June 2019, Mr. CHEN Jizhong was elected as an independent non-executive director of the 8th Board of Directors of the Company at the 2018 Annual General Meeting. In July 2019, CBIRC approved Mr. CHEN Jizhong's qualification. In August 2019, Mr. CHEN Jizhong was elected as the chairman of risk management committee and member of audit committee of the 8th Board of Directors.
JIANG Xuping	Independent Non-Executive Director	In June 2019, Mr. JIANG Xuping was elected as an independent non-executive director of the 8th Board of Directors of the Company at the 2018 Annual General Meeting. Mr. JIANG Xuping's qualification is yet to be approved by CBIRC.

Name	Cessation of office	Detail
ZHOU Zhonghui	Independent Non-Executive Director	In July 2019, Mr. ZHOU Zhonghui no longer served as Independent Non-Executive Director of the Company due to his having served the post for 6 consecutive years.
LAM Chi Kuen	Independent Non-Executive Director	In July 2019, Mr. LAM Chi Kuen no longer served as Independent Non-Executive Director of the Company due to his having served the post for 6 consecutive years.

2

Change of supervisors

Name	Appointment	Detail
JI Zhengrong	Employee Representative Supervisor	In February 2019, Mr. JI Zhengrong was elected as an employee representative supervisor of the 8th Board of Supervisors of the Company at an employee representative meeting. In May 2019, CBIRC approved Mr. JI Zhengrong's qualification.

Name	Cessation of office	Detail
YUAN Songwen	Employee Representative Supervisor	In February 2019, Mr. YUAN Songwen no longer served as Employee Representative Supervisor of the 8th Board of Supervisors of the Company due to job arrangement.

3

Change of members of senior management

Name	Appointment	Detail
RONG Guoqiang	Chief Technology Officer	In August 2018, Mr. RONG Guoqiang was appointed as Chief Technology Officer of the Company at the 12th Session of the 8th Board of Directors. In January 2019, CBIRC approved Mr. RONG Guoqiang's qualification.
ZHANG Yuanhan	CFO	In March 2019, Mr. ZHANG Yuanhan was appointed as CFO of the Company at the 15th Session of the 8th Board of Directors. In June 2019, CBIRC approved Mr. ZHANG Yuanhan's qualification.

Name	Cessation of office	Detail
PAN Yanhong	CFO	In March 2019, Ms. PAN Yanhong no longer served as CFO of the Company due to job arrangement.
CHEN Wei	Chief Auditor and Officer Responsible for Auditing	In May 2019, Mr. CHEN Wei no longer served as Chief Auditor and Officer Responsible for Auditing of the Company due to internal job arrangement.

4

Shareholdings of the Company's directors, supervisors and senior management

Unit: share

Name	Position	Type of shares	Shareholding at the beginning of the reporting period	Increase in shareholding during the reporting period	Decrease in shareholding during the reporting period	Shareholding at the end of the reporting period	Reason for the change
HE Qing	Executive Director and President	A share	16,000	+19,800	-	35,800	Secondary market transaction
		H share	12,000	-	-	12,000	-
PAN Yanhong	Executive Vice President	A share	96,000	-	-	96,000	-
YU Bin	Vice President	A share	3,800	+2,100	-	5,900	Secondary market transaction
CHEN Wei	Chief Auditor and Officer Responsible for Auditing	A share	40,000	-	-	40,000	-

Note: In May 2019, Mr. CHEN Wei no longer served as Chief Auditor and Officer Responsible for Auditing of the Company due to internal job arrangement.



Corporate governance

1

Corporate governance

The Company has established a corporate governance system comprising the general meeting, the Board of Directors, the Board of Supervisors and the senior management in accordance with the provisions of relevant laws and regulations such as Company Law of the PRC, Securities Law of the PRC, Insurance Law of the PRC to form an operational mechanism for support, coordination and checks and balances among the governing body, the decision-making body, the supervisory body and the executive body. The Company has improved its corporate governance structure by constant optimization of its group management structure, full consolidation of its internal resources and increased interaction and communication with the capital market.

During the reporting period, the Company held one general meeting, 3 board meetings and 2 meetings of supervisors. The resolutions approved at the relevant meetings were published on the websites of SSE and SEHK and were disclosed through relevant media in accordance with the regulatory requirements. The general meeting, the Board of Directors, the Board of Supervisors and the senior management fulfilled their functions independently, exercised their rights and performed their duties respectively in accordance with the Articles of Association, and did not breach any laws or regulations.

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 as well as the latest revisions of the Corporate Governance Code including but not limited to improving the transparency and accountability of the board and board member election, and advocating the diversity of board members.

The Company has adopted and implemented the Model Code for Securities Transactions to govern the Directors and Supervisors' securities transactions. After specific inquiry by the Company, all of the Directors and Supervisors confirmed that they have complied with the Code of Conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of the Directors or Supervisors that were not in full compliance with the Model Code for Securities Transactions.

The Board of Directors established the Strategic and Investment Decision-Making Committee, the Audit Committee, the Nomination and Remuneration Committee and the Risk Management Committee. These committees conduct in-depth studies on specific issues and submit their recommendations to the Board for consideration.

During the reporting period, the Company's Strategic and Investment Decision-making Committee held a total of 3 meetings, making comments and suggestions on major issues such as the Company's profit distribution, etc.

During the reporting period, the Audit Committee of the Board held 4 meetings to review the annual report for 2018 and the first quarter report for 2019 of the Company. The Audit Committee discussed and agreed with the external auditors an auditing schedule for the financial report of the Company for the year 2018 in accordance with the requirements for the preparation of the annual report of the Company. The Audit Committee held a meeting to review the financial statements prepared by the Company and issued a written opinion on such statements before the external auditors conducted the audit. The Audit Committee also maintained adequate and timely communication with the external auditors. The Audit Committee held a meeting to review again the financial report of the Company after receipt of the external auditors' preliminary audit opinions. The Audit Committee then issued its written opinion on the report and agreed to submit the annual report to the Board of Directors for consideration.

During the reporting period, the Nomination and Remuneration Committee of the Board held 2 meetings to review such matters as the performance appraisals of the senior management and the nomination of independent directors, etc.

During the reporting period, the Risk Management Committee of the Board held 2 meetings to review the risk assessment report, compliance report and solvency report of the Company and the execution of connected transactions.

2

Investor relations

The investor relations (IR) program of the Company focuses on market value management and seeks to establish a comprehensive and investor-oriented platform with diversified channels of communication. Based on investor segmentation, continued efforts were made to improve the reach and effectiveness of investor communication. In the first half of 2019, the Company held its 2018 Annual Results Announcements and road-show, hosted over 90 visits from analysts and investors, attended 8 global investor strategy meetings, forums and summits, and effectively communicated the Company's business performance and strategies in a timely manner, continuously improving digital means including new media and warm-up videos to diversify the form of its results announcements. Besides, the Company employed diverse means of communications with investors/analysts including official WeChat account, WeChat version of regular reports, the E-communication platform of SSE and Investor Newsletters. These initiatives were well received by the capital market. At the same time, the Company leveraged IR programs as a two-way bridge of communication between the management and the capital market. It prepares and issues newsletters and in-depth reports to communicate the views and voices of the capital market and help management make decisions.

3

Information disclosure

Regarding information disclosure, the Company strictly abides by the principle of "truthfulness, accuracy, completeness, timeliness and fairness" and takes a "reasonable, prudent and objective" approach towards predictive information. We focus on investor's needs to further improve the pertinence, effectiveness and transparency of information disclosure and fully ensure investor's right to information. During the reporting period, regular reports and a number of provisional announcements were released. The Company closely monitored the new developments in industry regulations, strictly implemented industry information disclosure requirements, optimized internal checking systems, intensified the reporting of significant events from major subsidiaries and ensured the efficiency and standardization of information disclosure management within the Group. While expanding the scope of information disclosure, the Company tried to keep aligned to international advanced peers and adopted innovative ways of disclosing and disseminating non-financial information to fully, concisely, and effectively communicate its major business development strategies and results and its corporate social responsibility efforts and results to the market and other stakeholders in a comprehensive and timely manner. The Company has always strictly adhered to the listing rules of SSE and SEHK, and has effectively performed its information disclosure obligations with zero inquiry and zero punishment from the regulators and zero major error or omission in relation to information disclosure. The Company has been rated A by SSE for its information disclosure in 5 consecutive years.

Other
information





1

Original copy of the signed review report from the accountant's firm

2

Original copies of all publicly disclosed announcements and documents of the Company during the reporting period



Corporate information
and definitions

Other information

Corporate information and denitions

Legal Name in Chinese:

中國太平洋保險(集團)股份有限公司(“中國太保”)

Legal Name in English:

CHINA PACIFIC INSURANCE (GROUP) CO., LTD. (“CPIC”)

Legal Representative: KONG Qingwei

Board Secretary and Joint Company Secretary: MA Xin

Securities Representative: PAN Feng

Contact for Shareholder Inquiries:

Investor Relations Dept. of the Company

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40/F, Sunlight Tower, No. 248 Queen’s Road East, Wanchai,
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Registered Office:

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Office Address:

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Central Yincheng Road, China (Shanghai) Pilot Free Trade Zone

Postal Code: 200120

Place of Business in Hong Kong:

Suite 4301, 43/F., Central Plaza, 18 Harbour Road, Wanchai,
Hong Kong

Website: <http://www.cpic.com.cn>

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at:

<http://www.sse.com.cn>

Announcements for H Share Published at:

<http://www.hkexnews.hk>

Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:

The Shanghai Stock Exchange

Stock Name for A Share: 中國太保

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:

The Stock Exchange of Hong Kong Limited

Stock Name for H Share: CPIC

Stock Code for H Share: 02601

H Share Registrar:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s
Road East, Wanchai, Hong Kong

Domestic Accountant:

PricewaterhouseCoopers Zhong Tian LLP

Office of Domestic Accountant:

11/F, PricewaterhouseCoopers Center, Link Square 2, 202
Hubin Road, Huangpu District, Shanghai, PRC

Signing Certified Public Accountants: PENG Runguo, LU Bing

International Accountant: PricewaterhouseCoopers

Office of International Accountant:

22/F, Prince’s Building, Central, Hong Kong

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“The Company”, “the Group”, “CPIC” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd.
“CPIC Life”	China Pacific Life Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC P/C”	China Pacific Property Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC AMC”	Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC HK”	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Changjiang Pension”	Changjiang Pension Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“Anxin Agricultural”	Anxin Agricultural Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Fund”	CPIC Fund Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CPIC Allianz Health”	CPIC Allianz Health Insurance Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“CIRC”	Former China Insurance Regulatory Commission
“CSRC”	China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange
“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
“HKFRS”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Articles of Association”	The articles of association of China Pacific Insurance (Group) Co., Ltd.
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code for Securities Transactions”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Substantial Shareholder”	Has the meaning given to it under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being a person who has an interest in the relevant share capital of the Company, the nominal value of which is equal to or more than 5% of the nominal value of the relevant share capital of the Company
“RMB”	Renminbi
“pt”	Percentage point

Financial report

VIEW OF INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Interim condensed consolidated income statement

Interim condensed consolidated statement of comprehensive income

Equity



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 44, 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 2019 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2019

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Gross written premiums	6(a)	207,809	192,633
Less: Premiums ceded to reinsurers	6(b)	(11,211)	(9,400)
Net written premiums	6(c)	196,598	183,233
Net change in unearned premium reserves		(11,113)	(6,125)
Net premiums earned		185,485	177,108
Investment income	7	31,952	25,629
Other operating income		1,695	1,565
Other income		33,647	27,194
Total income		219,132	204,302
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(31,824)	(23,652)
Claims incurred	8	(34,321)	(31,889)
Changes in long-term life insurance contract liabilities	8	(82,509)	(79,039)
Policyholder dividends	8	(5,827)	(5,692)
Finance costs		(1,780)	(1,401)
Interest credited to investment contracts		(1,659)	(1,377)
Other operating and administrative expenses		(47,004)	(47,701)
Total benefits, claims and expenses		(204,924)	(190,751)
Share of profit in equity accounted investees		277	161
Profit before tax	9	14,485	13,712
Income tax	10	2,041	(5,263)
Net profit for the period		16,526	8,449
Attributable to:			
Equity holders of the parent		16,183	8,254
Non-controlling interests		343	195
		16,526	8,449
Basic earnings per share	11	RMB 1.79	RMB 0.91
Diluted earnings per share	11	RMB 1.79	RMB 0.91

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Net profit for the period		16,526	8,449
Other comprehensive income			
Exchange differences on translation of foreign operations		3	4
Available-for-sale financial assets		7,899	481
Income tax relating to available-for-sale financial assets		(1,954)	(119)
Other comprehensive income to be reclassified to profit or loss in subsequent period		5,948	366
Other comprehensive income for the period	12	5,948	366
Total comprehensive income for the period		22,474	8,815
Attributable to:			
Equity holders of the parent		22,012	8,623
Non-controlling interests		462	192
		22,474	8,815

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
ASSETS			
Goodwill		1,357	1,357
Property and equipment		18,708	19,301
Right-of-use assets		3,867	-
Investment properties		8,508	8,542
Other intangible assets		2,469	2,542
Prepaid land lease payments		688	344
Interests in associates	13	10,090	7,591
Investment in joint ventures	14	9,883	9,881
Held-to-maturity financial assets	15	290,597	284,744
Investments classified as loans and receivables	16	315,683	272,015
Restricted statutory deposits		6,738	6,738
Term deposits	17	149,211	128,396
Available-for-sale financial assets	18	466,523	415,868
Financial assets at fair value through profit or loss	19	6,583	11,835
Securities purchased under agreements to resell		16,906	23,095
Policy loans		53,069	49,194
Interest receivables		17,421	19,282
Reinsurance assets	20	25,893	23,467
Deferred income tax assets	21	856	2,379
Insurance receivables		33,754	19,012
Other assets	22	13,925	15,053
Cash and short-term time deposits	23	22,491	15,323
Total assets		1,475,220	1,335,959

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (continued)

30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital	24	9,062	9,062
Reserves	25	91,760	85,904
Retained profits	25	61,704	54,610
Equity attributable to equity holders of the parent		162,526	149,576
Non-controlling interests		4,553	4,472
Total equity		167,079	154,048
Liabilities			
Insurance contract liabilities	26	1,024,510	919,671
Investment contract liabilities	27	72,515	62,255
Policyholders' deposits		70	70
Bonds payable	28	9,987	13,985
Securities sold under agreements to repurchase		89,518	75,075
Lease liabilities		3,456	-
Deferred income tax liabilities	21	1,645	1,168
Income tax payable		1,185	7,331
Premium received in advance		6,836	16,384
Policyholder dividend payable		24,962	26,501
Payables to reinsurers		7,739	6,233
Other liabilities		65,718	53,238
Total liabilities		1,308,141	1,181,911
Total equity and liabilities		1,475,220	1,335,959

KONG Qingwei

Director

HE Qing

Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 2019 (unaudited)										
	Attributable to equity holders of the parent								Total	Non-controlling interests	Total equity
	Issued capital	Capital reserves	Surplus reserves	General reserves	Available-for-sale investment revaluation reserves	Foreign currency translation reserves	Retained profits	Reserves			
At 1 January 2019	9,062	66,635	4,835	11,642	2,808	(16)	54,610	149,576	4,472	154,048	
Total comprehensive income	-	-	-	-	5,826	3	16,183	22,012	462	22,474	
Dividend declared ¹	-	-	-	-	-	-	(9,062)	(9,062)	-	(9,062)	
Appropriations to general reserves	-	-	-	27	-	-	(27)	-	-	-	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(381)	(381)	
At 30 June 2019	9,062	66,635	4,835	11,669	8,634	(13)	61,704	162,526	4,553	167,079	

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2018, amounting to RMB9,062 million (RMB1.0 per share).

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

¹ Dividend declared represents the final dividend on ordinary shares declared for the year ended 31 December 2017, amounting to RMB7,250 million (RMB0.80 per share).

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	29	68,864	59,560
Income tax paid		(4,059)	(5,794)
Net cash inflow from operating activities		64,805	53,766
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(1,127)	(1,078)
Proceeds from sale of property and equipment, intangible assets and other assets		36	26
Purchases of investments, net		(104,405)	(90,039)
Acquisition of a subsidiary and other business entities, net		(2,442)	(2,701)
Proceeds from disposal of a subsidiary and other business entities, net		3	-
Interest received		29,098	23,713
Dividends received from investments		2,391	2,981
Other cash received related to investing activities		-	313
Net cash outflow from investing activities		(76,446)	(66,785)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		14,345	11,138
Proceeds from the issue of asset-backed securities		4,540	-
Repayment of asset-backed securities		-	(1,000)
Repayment of borrowings		(4,000)	-
Proceeds from the issue of bonds		-	4,990
Interest paid		(1,453)	(1,158)
Dividends paid		(313)	(38)
Principal elements of lease payments		(672)	-
Repayment of NCI of consolidated structured entities		(204)	-
Other cash received related to financing activities		329	-
Net cash inflow from financing activities		12,572	13,932
Effects of exchange rate changes on cash and cash equivalents		10	13
Net increase in cash and cash equivalents		941	926
Cash and cash equivalents at the beginning of period		38,121	28,786
Cash and cash equivalents at the end of period		39,062	29,712
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		18,713	14,522
Time deposits with original maturity of no more than three months		2,224	1,237
Other monetary assets		1,219	1,076
Investments with original maturity of no more than three months		16,906	12,877
Cash and cash equivalents at the end of period		39,062	29,712

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2019 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 2018.

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

2.1 Basis of preparation (continued)

(1) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of amended or improved standards and interpretations as of 1 January 2019 as described below. The adoption of these revised HKFRSs currently has had no significant impact on these consolidated financial statements.

HKFRS 16	Leases
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC 23)	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

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

HKFRS 16, 'Lease'. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On 1 January 2019, the Group recognized the right-of-use assets of RMB3,773 million and the lease liabilities of RMB3,365 million.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC 4)-Int 4 Determining whether an Arrangement contains a Lease.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. The only exceptions are short-term and low-value leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The group shall apply HKAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.98%.

The difference between the operating lease commitments disclosed as at 31 December 2018 discounted using the lessee's incremental borrowing rate of at the date of initial application and the lease liabilities as at 1 January 2019 is not material.

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

2.1 Basis of preparation (continued)

(2) New and revised standards not yet adopted

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

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

HKFRS 17	Insurance Contracts ¹
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¹ Effective for annual periods beginning on or after 1 January 2021

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI which are not recycled to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on 1 January 2018. The Group is eligible to and has elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'. The impact of the adoption of HKFRS 9 on the Group's consolidated financial statements will, to a large extent, have to take into account the interaction with the issued insurance contracts standard. The Group will not adopt the HKFRS 9 until 1 January 2021 and the Group makes additional disclosures as below:

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

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

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

2.1 Basis of preparation (continued)

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

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

	As at 30 June 2019 Fair value	Six months ended 30 June 2019 Change in the fair value
Financial assets held for trading(A)	6,187	898
Financial assets managed and whose performance evaluated on a fair value basis (B)	396	-
Financial assets other than A or B		
— Financial assets meet SPPI(C)	896,982	(4,583)
— Financial assets not meet SPPI	194,092	14,250
Total	1,097,657	10,565

Credit risk rating grades of financial assets meet SPPI(C)	As at 30 June 2019 Carrying amounts
Domestic	
Rating not required	247,798
AAA	585,101
A-1	1,375
AA+	41,816
AA	1,700
Not rated	236
Overseas	
A-(inclusive) or above	215
BBB+	298
BBB	88
BBB-	14
BB+(inclusive) or below	153
Total	878,794

Financial assets not have low credit risk	As at 30 June 2019	
	Carrying amounts	Fair value
Domestic	1,936	1,936
Overseas	153	155
Total	2,089	2,091

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

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

2.1 Basis of preparation (continued)

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

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

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

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted. However an exposure draft of proposed amendments was published on 26 June 2019. According to this amendments, the International Accounting Standards Board ("IASB") proposed to defer IFRS17 until the financial period beginning on or after 1 January 2022. The Board had also proposed to extend to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time. The impact is expected to be significant. However, it won't have impact on the Group until be adopted.

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.

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 2019, 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 2019 by approximately RMB3,816 million and a decrease in profit before tax for the six months ended 30 June 2019 by approximately RMB3,816 million.

4. SEGMENT INFORMATION

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

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

The Group's operating segments are listed as follows:

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

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

4. SEGMENT INFORMATION (continued)

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 2019, gross written premiums from transactions with the top five external customers amounted to 0.6% (During the six months ended 30 June 2018: 0.9%) of the Group's total gross written premiums.

Segment income statement for the six months ended 30 June 2019

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	139,096	69,037	198	(77)	69,158	-	(445)	207,809
Less: Premiums ceded to reinsurers	(1,999)	(9,645)	(92)	80	(9,657)	-	445	(11,211)
Net written premiums	137,097	59,392	106	3	59,501	-	-	196,598
Net change in unearned premium reserves	(3,038)	(8,312)	23	-	(8,289)	-	214	(11,113)
Net premiums earned	134,059	51,080	129	3	51,212	-	214	185,485
Investment income	28,439	2,441	17	-	2,458	16,733	(15,678)	31,952
Other operating income	1,176	120	1	-	121	2,248	(1,850)	1,695
Other income	29,615	2,561	18	-	2,579	18,981	(17,528)	33,647
Segment income	163,674	53,641	147	3	53,791	18,981	(17,314)	219,132
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(31,824)	-	-	-	-	-	-	(31,824)
Claims incurred	(4,096)	(30,203)	(79)	-	(30,282)	-	57	(34,321)
Changes in long-term life insurance contract liabilities	(82,384)	-	-	-	-	-	(125)	(82,509)
Policyholder dividends	(5,827)	-	-	-	-	-	-	(5,827)
Finance costs	(1,244)	(417)	-	-	(417)	(55)	(64)	(1,780)
Interest credited to investment contracts	(1,659)	-	-	-	-	-	-	(1,659)
Other operating and administrative expenses	(26,116)	(20,328)	(44)	-	(20,372)	(2,370)	1,854	(47,004)
Segment benefits, claims and expenses	(153,150)	(50,948)	(123)	-	(51,071)	(2,425)	1,722	(204,924)
Segment results	10,524	2,693	24	3	2,720	16,556	(15,592)	14,208
Share of profit in equity accounted investees	380	(4)	-	-	(4)	(7)	(92)	277
Profit before tax	10,904	2,689	24	3	2,716	16,549	(15,684)	14,485
Income tax	1,711	684	(3)	-	681	(176)	(175)	2,041
Net profit for the period	12,615	3,373	21	3	3,397	16,373	(15,859)	16,526

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2018

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

The segment assets as at 30 June 2019 and 31 December 2018 are as following:

	Life insurance	Property and casualty insurance			Others	Eliminations	Total	
		Mainland China	Hong Kong	Eliminations				
30 June 2019 (Unaudited)	1,217,161	173,310	1,329	(296)	174,343	110,461	(26,745)	1,475,220
31 December 2018 (Audited)	1,088,667	163,489	1,394	(545)	164,338	87,410	(4,456)	1,335,959

5. SCOPE OF CONSOLIDATION

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2019 are as follows:

Name	Type of legal entity	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company		Percentage of voting rights attributable to the Company	Note
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Limited company	Property and casualty insurance	Shanghai	The PRC	19,470,000	19,470,000	98.50	-	98.50	
CPIC Life	Limited company	Life insurance	Shanghai	The PRC	8,420,000	8,420,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Limited company	Investment management	Shanghai	Shanghai	2,100,000	2,100,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Limited company	Property and casualty insurance	Hong Kong	Hong Kong	HK\$250,000 thousand	HK\$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Limited company	Management of properties	Shanghai	Shanghai	115,000	115,000	100.00	-	100.00	
Ningbo Fenghua Xikou Garden Hotel Co., Ltd.	Limited company	Hotel operations	Zhejiang	Zhejiang	27,277	27,277	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension")	Limited company	Pension business and investment management	Shanghai	Shanghai	3,000,000	3,000,000	-	61.10	62.16	
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	
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	

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2019 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		
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 Senior Living Investment Management Co., Ltd. ("CPIC Senior Living Investment")	Limited company	Pension business investment, etc	Shanghai	Shanghai	3,000,000	3,000,000	-	98.29	100.00	
CPIC Allianz Health	Limited company	Health insurance	Shanghai	Shanghai	1,700,000	1,700,000	77.05	-	77.05	
Anxin Agriculture Insurance Co., Ltd. ("Anxin")	Limited company	Property and casualty insurance	Shanghai	Shanghai	700,000	700,000	-	51.35	52.13	
Pacific Medical & Healthcare Management Co., Ltd. ("Pacific Medical & Healthcare")	Limited company	Medical consulting services, etc	Shanghai	Shanghai	500,000	500,000	-	98.29	100.00	(1)
Pacific Insurance Agency Co., Ltd. ("Pacific Insurance Agency")	Limited company	Insurance agency	Shanghai	Shanghai	50,000	50,000	-	100.00	100.00	
CPIC Fund Management Co., Ltd. ("CPIC Funds")	Limited company	Fund management	Shanghai	Shanghai	150,000	150,000	-	50.83	51.00	
Pacific Care Home Development (Chengdu) Co., Ltd. ("Chengdu Project Company")	Limited company	Pension business investment, real estate	Chengdu	Chengdu	1,000,000	510,000	-	98.29	100.00	(2)
Pacific Care Home Development (Hangzhou) Co., Ltd. ("Hangzhou Project Company")	Limited company	Pension business investment, real estate	Hangzhou	Hangzhou	1,200,000	280,000	-	98.29	100.00	(3)

* Subsidiaries of City Island.

5. SCOPE OF CONSOLIDATION (continued)

(a) Particulars of the Company's incorporated subsidiaries as at 30 June 2019 are as follows (continued):

(1) Pacific Medical & Healthcare

Pursuant to the resolution of the 4th meeting of the CPIC Life's 6th term of board of directors held in 2018. CPIC Life signed a capital injection contract with Pacific Medical & Healthcare, the Group's wholly-owned subsidiary, to increase capital to Pacific Medical & Healthcare by RMB400 million. The CBIRC issued the 'Approval of CPIC Life's equity investment in Pacific Medical & Healthcare' (Yin Bao Jian Fu [2019] No.246) on 1 March 2019, Pacific Medical & Healthcare completed the modification of its business license on 7 May 2019.

(2) Chengdu Project Company

Chengdu Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91510115MA6B4BEJ4P on 24 December 2018. The registered capital is RMB1,000 million CPIC Life made the capital contribution of RMB400 million and RMB110 million in 2018 and 2019, respectively. CPIC Life has made the capital contribution of RMB510 million as at 30 June 2019.

(3) Hangzhou Project Company

Hangzhou Project Company, a wholly-owned subsidiary set up by CPIC Life, has obtained the business license of legal entity with the unified social credit code of 91330185MA2GMQ5J3E on 31 May 2019. The registered capital is RMB1,200 million and CPIC Life has made the capital contribution of RMB280 million as at 30 June 2019.

(b) As at 30 June 2019, consolidated structured entities material to the Group are as followings:

Name	Collective Holding by the Group (%)	Product Scale (Units in RMB thousand)	Principal activities
CPIC Zengfu Annually Open Pure Type Launching Securities Investment Fund	100.00	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, time deposits and other bank deposits), NCDs, money market instrument, treasury futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
CPIC Zengyu Annually Open Pure Type Launching Securities Investment Fund	100.00	5,009,999	Investing in financial instruments with high liquidity including national bonds, government bond, local treasury bonds, financial bonds, enterprise bonds, corporate bonds, Central Bank bills, medium term notes, short-term commercial paper, super short-term commercial paper, SME private debt, asset-backed security, subordinated debt, the debt part of the convertible bonds, bonds repo, bank deposits (including agreement deposits, time deposits and other bank deposits), NCDs, money market instrument, treasury bond futures and other financial instruments that laws and regulations or the CSRC allow funds to invest (yet subject to related regulations of the CSRC).
Pacific-China Nonferrous Metal Mining (Group) Co., Ltd. ("CNMC") Debt Investment Plan (Phase I)	53.91	2,430,000	Investing in projects operated by CNMC's subsidiaries through debt investment plan.
Pacific Excellent Wealth Focus Dividend & Value Equity	97.41	923,174	Investing in legally listed domestic stocks (including stocks listed in Shanghai and Shenzhen main board, SME, GEM, HKSE which are allowed to be traded under the interconnected mechanism between the mainland and Hongkong stock markets and others approved by CSRC), convertible bonds, bond reverse repurchases (including pit trading and OTC, etc.), securities investment funds (including pit trading and OTC etc.), bank deposits (including current deposits, time deposits, agreement deposits, inter-bank deposits, notice deposits, NCDs, certificates of deposit, etc.). Stock index futures (limited to hedging) is allowed as well.

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

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2019	2018
Long-term life insurance premiums	127,678	122,585
Short-term life insurance premiums	10,973	8,620
Property and casualty insurance premiums	69,158	61,428
	207,809	192,633

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2019	2018
Long-term life insurance premiums ceded to reinsurers	(1,119)	(1,150)
Short-term life insurance premiums ceded to reinsurers	(879)	(212)
Property and casualty insurance premiums ceded to reinsurers	(9,213)	(8,038)
	(11,211)	(9,400)

(c) Net written premiums

	Six months ended 30 June	
	2019	2018
Net written premiums	196,598	183,233

7. INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
Interest and dividend income (a)	29,609	26,070
Realized gains (b)	2,522	1,310
Unrealized gains/(losses) (c)	898	(1,540)
Charge of impairment losses on financial assets	(1,077)	(211)
	31,952	25,629

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	Six months ended 30 June	
	2019	2018
Financial assets at fair value through profit or loss		
- Fixed maturity investments	48	47
- Investment funds	6	24
- Equity securities	12	88
- Other equity investments	25	37
	91	196
Held-to-maturity financial assets		
- Fixed maturity investments	6,608	6,986
Loans and receivables		
- Fixed maturity investments	13,809	10,567
Available-for-sale financial assets		
- Fixed maturity investments	6,455	5,344
- Investment funds	494	929
- Equity securities	1,328	755
- Other equity investments	824	1,293
	9,101	8,321
	29,609	26,070

(b) Realized gains

	Six months ended 30 June	
	2019	2018
Financial assets at fair value through profit or loss		
- Fixed maturity investments	55	(5)
- Investment funds	(6)	(18)
- Equity securities	(170)	281
- Other equity investments	(126)	2
- Derivative instruments	(2)	(2)
	(249)	258
Available-for-sale financial assets		
- Fixed maturity investments	30	45
- Investment funds	240	12
- Equity securities	2,483	974
- Other equity investments	18	21
	2,771	1,052
	2,522	1,310

7. INVESTMENT INCOME (continued)

(c) Unrealized gains/(losses)

	Six months ended 30 June	
	2019	2018
Financial assets at fair value through profit or loss		
- Fixed maturity investments	45	(25)
- Investment funds	373	(199)
- Equity securities	510	(1,313)
- Other equity investments	(29)	(2)
- Derivative instruments	(1)	(1)
	898	(1,540)

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Six months ended 30 June 2019		
	Gross	Ceded	Net
Life insurance death and other benefits paid	32,590	(766)	31,824
Claims incurred			
- Short-term life insurance	4,218	(364)	3,854
- Property and casualty insurance	34,873	(4,406)	30,467
Changes in long-term life insurance contract liabilities	82,609	(100)	82,509
Policyholder dividends	5,827	-	5,827
	160,117	(5,636)	154,481

	Six months ended 30 June 2018		
	Gross	Ceded	Net
Life insurance death and other benefits paid	24,265	(613)	23,652
Claims incurred			
- Short-term life insurance	3,353	(151)	3,202
- Property and casualty insurance	31,878	(3,191)	28,687
Changes in long-term life insurance contract liabilities	79,730	(691)	79,039
Policyholder dividends	5,692	-	5,692
	144,918	(4,646)	140,272

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
Employee benefit expense (including directors' and supervisors' emoluments)	11,248	9,909
Auditors' remuneration	15	11
Short-term and low-value leases payments	171	-
Operating lease payments in respect of land and buildings	-	628
Depreciation of property and equipment	820	718
Depreciation of investment properties	158	163
Depreciation of right-of-use assets	591	-
Amortization of other intangible assets	267	237
Amortization of prepaid land lease payments	5	-
Amortization of other assets	5	17
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(1)	(5)
Charge of impairment loss on insurance receivables and other assets	431	213
Charge of impairment loss on financial assets (note 7)	1,077	211
Foreign exchange loss/(income), net	75	(52)

10. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2019	2018
Current income tax	(2,087)	6,249
Deferred income tax (note 21)	46	(986)
	(2,041)	5,263

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2019	2018
Deferred income tax (note 21)	1,954	119

(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.

10. INCOME TAX (continued)

(c) Reconciliation of tax expense (continued)

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

	Six months ended 30 June	
	2019	2018
Profit before tax	14,485	13,712
Tax computed at the statutory tax rate	3,621	3,428
Adjustments to income tax in respect of previous periods	(4,887)	(3)
Income not subject to tax	(1,099)	(1,124)
Expenses not deductible for tax	135	2,810
Others	189	152
Tax expense at the Group's effective rate	(2,041)	5,263

Pursuant to the Announcement on the Pre-tax Deduction Policy for the Commission and Brokerage Expenses of Insurance Enterprises issued by the Ministry of Finance and the State Administration of Taxation in May 2019 (Notice of the Ministry of Finance and the State Administration of Taxation No.72, 2019), the deductible commissions rate is increased to 18%, with allowing any excess amount to be carried forward to future years. The commission rate is calculated as insurance business related commission and handling fees over the current year total premium income less surrenders. This announcement is first effective for the 2018 annual income tax filing for insurance companies.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
Consolidated net profit for the period attributable to equity holders of the parent	16,183	8,254
Weighted average number of ordinary shares in issue (million)	9,062	9,062
Basic earnings per share	RMB 1.79	RMB 0.91
Diluted earnings per share	RMB 1.79	RMB 0.91

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2019 and 30 June 2018.

12. OTHER COMPREHENSIVE INCOME/(LOSS)

	Six months ended 30 June	
	2019	2018
Exchange differences on translation of foreign operations	3	4
Available-for-sale financial assets		
Gains arising during the period	14,084	3,733
Reclassification adjustments for losses included in profit or loss	(2,771)	(1,052)
Fair value change on available-for-sale financial assets attributable to policyholders	(4,491)	(2,411)
Impairment charges reclassified to the income statement	1,077	211
	7,899	481
Income tax relating to available-for-sale financial assets	(1,954)	(119)
	5,945	362
Other comprehensive income	5,948	366

13. INTERESTS IN ASSOCIATES

	30 June 2019					
	Historical cost	At 1 January 2019	Additions	Share of profit	Dividend declared	At 30 June 2019
Taiji (Shanghai) Information Technology Co., Ltd.(the "Taiji")	2	1	-	1	-	2
Shanghai Juche Information Technology Co., Ltd.(the "Juche")	3	8	-	-	-	8
Zhongdao Automobile Rescue Industry Co., Ltd.(the "Zhongdao")	17	21	-	-	-	21
Shanghai Proton and Heavy Ion Hospital(the "Zhizhong")	100	63	-	(1)	-	62
Shanghai Dedao Co., Ltd.(the "Dedao")	5	1	-	-	-	1
Shanghai Xingongying Information Technology Co., Ltd.(the "Xingongying")	81	63	-	(4)	-	59
Shanghai Heji Business Management LP.(the "Heji")	500	496	-	(2)	-	494
Changjiang Pension - China National Chemical Corporation Infrastructure Debt Investment Scheme(the "CHEMCHINA Debt Investment Scheme")	2,160	2,164	-	58	(58)	2,164
Changjiang Pension - Sichuan Railway Xugu Highway Investment Infrastructure Debt Investment Scheme(the "Sichuan Railway Investment Scheme")	250	250	-	7	(7)	250
Ningbo Zhilin Investment Management LLP.(the "Ningbo Zhilin")	2,416	2,475	-	108	(61)	2,522
Changjiang Pension - Yunnan Energy Investment Infrastructure Debt Investment Scheme(the "Yunnan Energy Investment Scheme")	3,610	2,049	1,565	103	(100)	3,617
Beijing More Health Technology Group Co., Ltd. (the "Beijing Miaoyijia")	413	-	413	(7)	-	406
Jiaxing Yishang Equity Investment (L.P.) (the "Jiaxing Yishang")	474	-	474	10	-	484
	10,031	7,591	2,452	273	(226)	10,090

On 25 September 2015, CPIC Property, CPIC Online Services signed the ownership transfer contract with Shanghai Bochen Business Information Consulting Firm, Shanghai Shiji Investment Management LLP. and individual shareholder Jun Fan for transferring 33.6% shares of Zhongdao. After this transaction, CPIC Property held 25.6% shares of Zhongdao, and CPIC Online Services held 8% shares of Zhongdao, respectively. In 2019, Shanghai Sudao Management Consulting Center LLP. became the shareholder of Zhongdao, and the total registered capital increased to RMB55 million. CPIC Property's holding of shares in Zhongdao became 23.27%, and CPIC Online Services' s holding of shares in Zhongdao became 7.27% respectively.

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 shareholder Wenjian Zhang for transferring 6.63% shares of Xingongying. On 31 December 2016, CPIC Online Services and Xingongying 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. In 2019, the shareholders of Xingongying changed, and the total registered capital increased to RMB3.035 million. CPIC Property' s holding of shares in Xingongying became 6.43%, and CPIC Online Services' s holding of shares in Xingongying became 0.69% respectively.

13. INTERESTS IN ASSOCIATES (continued)

On 10 September 2015, CPIC Property, CPIC Online Services, Shanghai Huizhong Investment Management LLP, Shanghai Taihui Investment Management LLP, and Suzhou Industrial Area 825 New Media Investment Management LLP, set up Juche with operating period of 20 years and registered capital of RMB5 million. Among all, CPIC Property held 32% shares of Juche and its first capital contribution reached RMB1.6 million; CPIC Online Services held 16% shares of Juche and its first capital contribution reached RMB0.8 million. In 2016, Ningbo Chunfeng Investment and Shanghai Huitian Car Services Limited became the shareholders of Juche, and the total registered capital increased to RMB5.88 million. CPIC Property's holding of shares in Juche became 27.2%, and CPIC Online Services's holding of shares in Juche became 13.6%. In 2019, CPIC Property, CPIC Online Services signed the ownership transfer investment cooperation contract with Shanghai Jingyang Business Information Consulting Co., Ltd., CPIC Property transferred 2% and CPIC Online Services transferred 1% of the shares of Juche. The amount of the contract was RMB3 million. After this transaction, CPIC Property held 25.2% shares of Juche, and CPIC Online Services held 12.6% shares of Juche, respectively.

CPIC Life, Shanghai Yizong Equity Investment Fund Management Co., Ltd. Shanxi Guantian Capital Management Limited and Shanghai Dongjin Industrial Co., Ltd. set up Jiaxing Yishang with operating period of 50 years and registered capital of RMB1,002.00 million. CPIC Life held 94.81% shares of Jiaxing Yishang and its first capital contribution reaches RMB474.05 million in 2019.

Pacific Medical & Healthcare and CPIC Senior Living Investment, the Subsidiary of CPIC Life, signed a Series C capital injection contract with Shanghai Changxi Information Technology Consulting Co., Ltd. and the other investment companies. After this capital injection, Pacific Medical & Healthcare held 15.00% shares of Beijing Miaoyijia and CPIC Senior Living Investment held 5.00% shares of Beijing Miaoyijia. Pacific Medical & Healthcare's capital contribution reached RMB309.38 million and CPIC Senior Living Investment's capital contribution reached RMB103.13 million respectively in 2019.

Nature of investment in associates as at 30 June 2019

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	-	37.42%	37.80%	5,882	5,882	Internet
Zhongdao	Shanghai	-	30.19%	30.54%	55,000	55,000	Automobile rescue services
Zhizhong	Shanghai	-	15.41%	20.00%	500,000	500,000	Oncology department and medical laboratory, etc.
Dedao	Shanghai	-	25.00%	25.00%	20,000	20,000	Information technology and automotive software
Xingongying ⁽¹⁾	Shanghai	-	7.02%	7.12%	3,035	3,035	Information technology development and consulting, etc.
Heji ⁽²⁾	Shanghai	-	98.11%		N/A	502,000	Business management, industrial investment, investment management, assets management, consulting, etc.
CHEMCHINA Debt Investment Scheme ⁽³⁾	N/A	-	70.55%		N/A	3,000,000	Debt investment scheme
Sichuan Railway Investment Scheme ⁽⁴⁾	N/A	-	38.17%		N/A	600,000	Debt investment scheme
Ningbo Zhilin ⁽⁵⁾	Ningbo	-	88.46%		N/A	2,684,798	Investment management, assets management
Yunnan Energy Investment Scheme ⁽⁶⁾	N/A	-	92.94%		N/A	2,235,000	Debt investment scheme
Beijing Miaoyijia	Beijing	-	19.66%	20.00%	75,009	67,372	Information Transmission, Software, and information technology services
Jiaxing Yishang ⁽⁷⁾	Jiaxing	-	93.19%		N/A	500,000	Equity Investment

13. INTERESTS IN ASSOCIATES (continued)

Nature of investment in associates as at 30 June 2019(continued)

Note:

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

Summarised financial information for principal associates:

	30 June 2019/Six months ended 30 June 2019			
	Total assets	Total liabilities	Total revenue	Net profit
Ningbo Zhilin	2,837	17	62	55
CHEMCHINA Debt Investment Scheme	3,007	2	88	80
Yunnan Energy Investment Scheme	3,809	2	111	108

Summarised financial information for other associates:

	Six months ended 30 June 2019	Six months ended 30 June 2018
Net loss for the period	(92)	(58)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(92)	(58)
Total comprehensive income/(loss) attributable to the Group	4	(7)
Carrying amount of the Group's interest	1,787	604

14. INVESTMENT IN JOINT VENTURES

	30 June 2019	31 December 2018
Share of net assets		
Ruiyongjing	9,835	9,831
Others	48	50
	9,883	9,881

14. INVESTMENT IN JOINT VENTURES (continued)

Particulars of the joint venture as at 30 June 2019 are as follow:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered capital (RMB thousand)	Paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect				
Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd("Binjiang-Xiangrui")	Shanghai	-	35.16%	35.70%	150,000	30,000	Real estate
Taiyi (Shanghai) Information Technology Co., Ltd	Shanghai	-	48.00%	48.00%	10,000	10,000	Used car information service platform
Hangzhou Dayu Internet Technology Co., Ltd	Hangzhou	-	20.25%	20.25%	13,333	13,333	Technology development services, consulting, etc.
Aizhu (Shanghai) Information Technology Co., Ltd	Shanghai	-	35.00%	35.00%	10,000	4,000	Internet technology, etc.
Pacific Euler Hermes Insurance Sales Co., Ltd	Shanghai	-	50.24%	50.00%	50,000	50,000	Insurance sales
Shanghai Dabaoguisheng Information Technology Co., Ltd	Shanghai	-	33.42%	34.00%	100,000	22,200	Third party operation services of insurance industry
Ruiyongjing Real-estate ⁽¹⁾	Shanghai	-	68.80%	57.14%	14,050,000	14,050,000	Real estate
Pacific Orpea ⁽²⁾	Shanghai	-	55.04%	60.00%	10,000	10,000	Senior living management, consulting, etc.

Note:

- (1) CPIC Life, the Group's subsidiary, holds over 50% of the ownership interest of Ruiyongjing Real-estate. Since CPIC Group has no controlling power on relevant activities of Ruiyongjing Real-estate according to the Articles of Association of Ruiyongjing Real-estate, Ruiyongjing Real-estate is accounted under equity method.
- (2) CPIC Senior Living Investment, the Group's subsidiary, holds over 50% of the ownership interest of Pacific Orpea. Since CPIC Group has no controlling power on relevant activities of Pacific Orpea according to the Articles of Association of Pacific Orpea, Pacific Orpea is accounted under equity method.

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

	Six months ended 30 June	
	2019 (RMB thousand)	2018 (RMB thousand)
The joint venture's net loss:	(6,109)	(6,290)

As at 30 June 2019, the Group's investment in joint ventures had no impairment.

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

15. HELD-TO-MATURITY FINANCIAL ASSETS

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

	30 June 2019	31 December 2018
Listed		
Debt investments		
- Government bonds	701	701
- Finance bonds	5,733	5,731
- Corporate bonds	9,819	10,695
	16,253	17,127
Unlisted		
Debt investments		
- Government bonds	97,489	76,578
- Finance bonds	98,791	104,694
- Corporate bonds	78,064	86,345
	274,344	267,617
	290,597	284,744

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	30 June 2019	31 December 2018
Debt investments		
- Finance bonds	2,001	2,600
- Debt investment scheme	150,942	134,041
- Wealth management products	130,504	103,374
- Preferred shares	32,000	32,000
- Loans	236	-
	315,683	272,015

As at 30 June 2019, CPIC Asset Management, a subsidiary of the Group, has 75 active debt investment schemes with a total value of RMB116.407 billion. Among which, the Group held approximately RMB52.357 billion as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2018, CPIC Asset Management, a subsidiary of the Group, has 70 debt investment schemes with a total value of RMB111.412 billion. Among which, the Group held approximately RMB47.993 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information). As at 30 June 2019, Changjiang Pension, a subsidiary of the Group, has 56 debt investment schemes with a total value of RMB102.820 billion. Among which, the Group held approximately RMB34.993 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2018, Changjiang Pension, a subsidiary of the Group, has 47 debt investment schemes with a total value of RMB87.740 billion. Among which, the Group held approximately RMB30.165 billion are recognized as investments classified as loans and receivables in the Group's consolidated financial information). Meanwhile, the Group also had investments in debt investment schemes launched by other insurance asset management companies with a value of approximately RMB63.592 billion recognized as investments classified as loans and receivables in the Group's consolidated financial information (As at 31 December 2018, approximately RMB55.883 billion). The value guaranteed by third parties or pledge on debt investment schemes invested by the Group are approximately RMB111.261 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

Maturity Period	30 June 2019	31 December 2018
1 month to 3 months (including 3 months)	2,407	14,134
3 months to 1 year (including 1 year)	27,914	12,993
1 to 2 years (including 2 years)	6,440	23,589
2 to 3 years (including 3 years)	11,700	16,200
3 to 4 years (including 4 years)	45,730	16,400
4 to 5 years (including 5 years)	54,920	41,080
Over 5 years	100	4,000
	149,211	128,396

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	30 June 2019	31 December 2018
Listed		
Equity investments		
- Equity securities	76,237	48,913
- Investment funds	4,677	4,195
Debt investments		
- Government bonds	7,276	7,441
- Finance bonds	6,107	6,718
- Corporate bonds	63,468	54,728
	157,765	121,995
Unlisted		
Equity investments		
- Investment funds	32,887	33,873
- Wealth management products	380	3,281
- Other equity investments	39,129	37,330
- Preferred shares	11,674	7,765
Debt investments		
- Government bonds	69,578	71,251
- Finance bonds	31,232	25,539
- Corporate bonds	120,909	114,530
- Wealth management products	2,969	304
	308,758	293,873
	466,523	415,868

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019	31 December 2018
Listed		
Equity investments		
- Equity securities	1,083	2,087
- Investment funds	134	105
Debt investments		
- Government bonds	24	173
- Finance bonds	87	90
- Corporate bonds	1,919	1,734
	3,247	4,189
Unlisted		
Equity investments		
- Investment funds	2,146	1,913
- Wealth management products	50	3,903
- Other equity investments	336	581
Debt investments		
- Finance bonds	-	31
- Corporate bonds	795	1,211
- Wealth management products	7	5
- Debt Investment scheme	2	2
	3,336	7,646
	6,583	11,835

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition as at fair value through profit or loss amounted to RMB396 million (31 December 2018, RMB4,491 million). The rest are trading assets, with no material limitation in realization.

20. REINSURANCE ASSETS

	30 June 2019	31 December 2018
Reinsurers' share of insurance contracts (note 26)	25,893	23,467

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.

	30 June 2019	31 December 2018
Net deferred income tax assets, at beginning of period	1,211	822
Acquisition of subsidiary	-	(120)
Recognized in profit or loss (note 10(a))	(46)	938
Recognized in other comprehensive income (note 10(b))	(1,954)	(429)
Net deferred income tax (liabilities)/assets, at end of period	(789)	1,211
Net deferred income tax (liabilities)/assets	(789)	1,211
Represented by:		
Deferred tax assets	856	2,379
Deferred tax liabilities	(1,645)	(1,168)

22. OTHER ASSETS

	30 June 2019	31 December 2018
Due from a related-party (1)	1,564	1,555
Tax receivable other than income tax	7	7
Receivable for securities	5,128	6,149
Due from agents	638	887
Co-insurance receivable	117	148
Provisional input tax	1,535	1,396
External Receivables	1,075	1,125
Cash pledge	146	139
Others	3,715	3,647
	13,925	15,053

(1) As at 30 June 2019, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related tax expenses amounted to approximately RMB1,564 million (31 December 2018, RMB1,555 million).

23. CASH AND SHORT-TERM TIME DEPOSITS

	30 June 2019	31 December 2018
Cash at banks and on hand	19,048	13,978
Time deposits with original maturity of no more than three months	2,224	262
Other monetary assets	1,219	1,083
	22,491	15,323

The Group's bank balances denominated in RMB amounted to RMB20,392 million as at 30 June 2019 (31 December 2018: RMB13,465 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 2019, RMB1,197 million in the Group's other monetary assets are restricted to meet the regulation requirement of the minimum settlement deposits (31 December 2018, RMB1,058 million).

As at 30 June 2019, the Group's use of restricted monetary funds for special-purpose funds and other reasons was RMB335 million.

24. ISSUED CAPITAL

	30 June 2019	31 December 2018
Number of shares issued and fully paid at RMB 1 each (million)	9,062	9,062

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 the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("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.

(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.

Of the Group's retained profits, RMB11,912 million as at 30 June 2019 (31 December 2018: RMB9,942 million) represents the Company's share of its subsidiaries' surplus reserve fund.

According to the resolution of the 6th meeting of the 6th Board of Directors of CPIC Property on 22 April 2019, CPIC Property proposed to appropriate RMB2 billion of discretionary surplus reserve from retained profits. The proposal was approved by the general meeting of shareholders of CPIC Property on 24 May 2019.

(c) General reserves

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

Of the Group's reserves, RMB11,669 million as at 30 June 2019 (31 December 2018: RMB11,642 million) represents the Company's share of its subsidiaries' general reserves.

25. RESERVES AND RETAINED PROFITS (continued)

(d) Other reserves

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

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs, or PRC GAAP where the overseas listing place permits. Pursuant to the resolution of the 15th meeting of the Company's 8th term of board of directors held on 22 March 2019, a final dividend of approximately RMB9,062 million (equivalent to RMB1.0 per share (including tax)) was proposed after the appropriation of statutory surplus reserves. The profit distribution plan was approved during shareholders meeting on 5 June 2019.

26. INSURANCE CONTRACT LIABILITIES

	30 June 2019		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	921,011	(11,768)	909,243
Short-term life insurance contracts			
- Unearned premiums	6,892	(333)	6,559
- Claim reserves	4,063	(533)	3,530
	10,955	(866)	10,089
Property and casualty insurance contracts			
- Unearned premiums	55,026	(6,798)	48,228
- Claim reserves	37,518	(6,461)	31,057
	92,544	(13,259)	79,285
	1,024,510	(25,893)	998,617
Incurred but not reported claim reserves	8,857	(1,313)	7,544
	31 December 2018		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 20)	Net
Long-term life insurance contracts	831,352	(11,668)	819,684
Short-term life insurance contracts			
- Unearned premiums	3,803	(172)	3,631
- Claim reserves	3,733	(307)	3,426
	7,536	(479)	7,057
Property and casualty insurance contracts			
- Unearned premiums	45,652	(5,609)	40,043
- Claim reserves	35,131	(5,711)	29,420
	80,783	(11,320)	69,463
	919,671	(23,467)	896,204
Incurred but not reported claim reserves	8,102	(1,041)	7,061

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
	2015	2016	2017	2018	30 June 2019	
Estimate of ultimate claim cost as of:						
End of current year/period	58,926	57,960	59,974	64,450	34,844	
One year later	57,737	57,071	57,147	64,430		
Two years later	56,376	55,725	56,059			
Three years later	55,752	55,264				
Four years later	55,594					
Current estimate of cumulative claims	55,594	55,264	56,059	64,430	34,844	266,191
Cumulative payments to date	(54,713)	(53,491)	(51,293)	(52,483)	(18,647)	(230,627)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,954
Total gross claim reserves included in the consolidated balance sheet						37,518

Net property and casualty insurance claim reserves:

	Property and casualty insurance (Accident year)					Total
	2015	2016	2017	2018	30 June 2019	
Estimate of ultimate claim cost as of:						
End of current year/period	51,435	50,934	52,415	56,073	30,356	
One year later	50,423	50,251	50,539	56,070		
Two years later	49,470	49,406	49,499			
Three years later	49,077	48,998				
Four years later	48,965					
Current estimate of cumulative claims	48,965	48,998	49,499	56,070	30,356	233,888
Cumulative payments to date	(48,248)	(47,558)	(45,459)	(46,486)	(16,747)	(204,498)
Liability in respect of prior years, unallocated loss adjustment expenses, assumed business, discount and risk adjustment margin						1,667
Total net claim reserves included in the consolidated balance sheet						31,057

27. INVESTMENT CONTRACT LIABILITIES

At 1 January 2018	56,268
Deposits received	11,819
Deposits withdrawn	(8,703)
Fees deducted	(148)
Interest credited	2,531
Others	488
At 31 December 2018	62,255
Deposits received	12,733
Deposits withdrawn	(4,528)
Fees deducted	(78)
Interest credited	1,659
Others	474
At 30 June 2019	72,515

28. BONDS PAYABLE

On 7 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. CPIC Property exercised the early redemption option for the subordinated debt in 2019.

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

On 27 July 2018, CPIC Property issued a 10-year capital replenishment bond with a total face value of RMB5 billion in the interbank market. CPIC Property has the option to redeem the bond conditionally at the end of the fifth year. The initial coupon rate of the capital replenishment bond is 4.99% 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 5.99%.

	31 December 2018	Issuance	Premium amortization	Redemption	30 June 2019
CPIC Property	13,985	-	2	(4,000)	9,987

29. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2019	2018
Profit before tax	14,485	13,712
Investment income	(31,952)	(25,629)
Foreign currency loss/(income)	75	(52)
Finance costs	1,429	1,105
Charge of impairment losses on insurance receivables and other assets, net	431	213
Depreciation of property and equipment	820	718
Depreciation of investment properties	158	163
Depreciation of right-of-use assets	591	-
Amortization of other intangible assets	267	237
Amortization of prepaid land lease payments	5	-
Amortization of other assets	5	17
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(1)	(5)
	(13,687)	(9,521)
Increase in reinsurance assets	(2,426)	(1,416)
Increase in insurance receivables	(14,742)	(11,760)
Increase in other assets	1,128	(3,784)
Increase in insurance contract liabilities	97,797	89,138
Decrease in other operating liabilities	794	(3,097)
Cash generated from operating activities	68,864	59,560

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	
	2019	2018
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	-	4

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

(b) Dividends paid

	Six months ended 30 June	
	2019	2018
Equity holders who individually own more than 5% of equity interests of the Company	3,182	2,487

30. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

	Six months ended 30 June	
	2019	2018
Salaries, allowances and other short-term benefits	10	8

(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 2018 and the six months ended 30 June 2019, the Group had certain transactions with some government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, and the sale, purchase, issuance and redemption of bonds or equity instruments).

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

31. COMMITMENTS

(a) Capital commitments

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

		30 June 2019	31 December 2018
Contracted, but not provided for	(1)(2)(3)(4)	3,603	355
Authorized, but not contracted for	(1)(2)(3)	3,143	6,256
		6,746	6,611

As at 30 June 2019, 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 2019, the cumulative amount incurred by the Company amounted to RMB1,709 million. Of the balance, RMB33 million was disclosed as a capital commitment contracted but not provided for and RMB258 million was disclosed as a capital commitment authorized but not contracted for.
- (2) In November 2012, CPIC Property and a third party bid for the use right of the land located at Huangpu District, Shanghai. And in February 2013, both parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co., Ltd. ("Binjiang-Xiangrui") as the owner of the land use right to this parcel of land and construction development subject. Total investment of this project approximated RMB2,090 million. As at 30 June 2019, the cumulative amount incurred by CPIC Property amounted to RMB1,576 million. Of the balance, RMB154 million was disclosed as a capital commitment contracted but not provided for and RMB360 million was disclosed as a capital commitment authorized but not contracted for.

31. COMMITMENTS (continued)

(a) Capital commitments(continued)

As at 30 June 2019, major projects with capital commitments are as follows (continued):

- (3) In July 2018, CPIC Life and a third party bid for the use right of the land located at Huangpu District, Shanghai. Both parties set up a project company named Ruiyongjing Real Estate as the owner of the land use right to this parcel of land and construction development subject. The estimated total investment of the project is approximately RMB19,500 million. The registered capital of the joint venture is RMB14,050 million, of which CPIC Life shall make a contribution of RMB9,835 million, representing 70% of the registered capital. In addition, CPIC Life will provide shareholder's loans to the joint venture, which are estimated to be approximately RMB5,450 million. The total amount of the above two contributions to be made by CPIC Life to be made by CPIC Life is estimated to be RMB15,285 million. As at 30 June 2019, the cumulative amount incurred by the CPIC Life amounted to RMB10,071 million. Of the balance, RMB2,764 million was disclosed as a capital commitment contracted but not provided for and RMB2,450 million was disclosed as a capital commitment authorized but not contracted for.
- (4) CPIC Life and a third party jointly established Jiaying Yishang Equity investment Partnership (Limited Partnership). The Total investment of this project approximated RMB950 million. As of June 30 2019, the cumulative amount incurred by the Company amounted to RMB474 million. Of the balance, RMB476 million was disclosed as a capital commitment authorized but not contracted for.

(b) 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:

	30 June 2019	31 December 2018
Within 1 year (including 1 year)	738	796
1 to 2 years (including 2 years)	551	547
2 to 3 years (including 3 years)	338	320
3 to 5 years (including 5 years)	141	325
More than 5 years	135	134
	1,903	2,122

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 2019, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is extremely low.

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 2019					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Held-to-maturity financial assets	-	32,874	93,043	391,571	-	517,488
Investments classified as loans and receivables	-	59,471	188,008	161,669	-	409,148
Restricted statutory deposits	-	2,152	5,255	-	-	7,407
Term deposits	-	39,993	135,764	121	-	175,878
Available-for-sale financial assets	290	28,086	167,193	279,404	152,441	627,414
Financial assets at fair value through profit or loss	61	144	2,392	900	3,458	6,955
Securities purchased under agreements to resell	-	16,913	-	-	-	16,913
Insurance receivables	6,644	23,839	4,111	132	-	34,726
Cash and short-term time deposits	20,267	2,224	-	-	-	22,491
Others	1,197	64,772	1,571	-	-	67,540
Total	28,459	270,468	597,337	833,797	155,899	1,885,960
Liabilities:						
Insurance contract liabilities	-	117,587	74,794	832,129	-	1,024,510
Investment contract liabilities	-	1,035	3,686	67,794	-	72,515
Policyholders' deposits	63	7	-	-	-	70
Bonds payable	-	505	2,068	12,718	-	15,291
Securities sold under agreements to repurchase	-	89,622	-	-	-	89,622
Lease liabilities	-	1,345	2,313	336	-	3,994
Others	57,935	30,940	1,059	19	-	89,953
Total	57,998	241,041	83,920	912,996	-	1,295,955

33. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2018					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Held-to-maturity financial assets	-	35,667	94,886	363,852	-	494,405
Investments classified as loans and receivables	-	39,514	173,263	135,678	-	348,455
Restricted statutory deposits	-	2,935	4,370	-	-	7,305
Term deposits	-	33,670	120,213	4,027	-	157,910
Available-for-sale financial assets	321	27,627	151,025	274,426	120,526	573,925
Financial assets at fair value through profit or loss	61	4,019	2,875	723	4,690	12,368
Securities purchased under agreements to resell	-	23,125	-	-	-	23,125
Insurance receivables	2,708	14,019	2,740	84	-	19,551
Cash and short-term time deposits	15,260	63	-	-	-	15,323
Others	1,085	61,583	1,568	-	-	64,236
Total	19,435	242,222	550,940	778,790	125,216	1,716,603
Liabilities:						
Insurance contract liabilities	-	99,612	82,905	737,154	-	919,671
Investment contract liabilities	63	723	3,500	57,969	-	62,255
Policyholders' deposits	-	70	-	-	-	70
Bonds payable	-	4,741	2,623	12,418	-	19,782
Securities sold under agreements to repurchase	-	75,238	-	-	-	75,238
Others	50,370	23,957	498	16	-	74,841
Total	50,433	204,341	89,526	807,557	-	1,151,857

34. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

	As at 30 June 2019	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	290,597	308,787
Investments classified as loans and receivables	315,683	315,764
Financial liabilities:		
Bonds payable	9,987	10,456

	As at 31 December 2018	
	Carrying amounts	Fair values
Financial assets:		
Held-to-maturity financial assets	284,744	305,804
Investments classified as loans and receivables	272,015	272,101
Financial liabilities:		
Bonds payable	13,985	14,966

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.

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:

- Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- 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
- 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 significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

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.

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 2019			
	Level 1	Level 2	Level 3	Total fair value
Assets measured at fair value				
Financial assets at fair value through profit or loss				
- Equity securities	801	282	-	1,083
- Investment funds	2,103	177	-	2,280
- Debt securities	1,655	1,170	-	2,825
- Others	-	50	345	395
	4,559	1,679	345	6,583
Available-for-sale financial assets				
- Equity securities	72,828	3,409	-	76,237
- Investment funds	29,634	7,930	-	37,564
- Debt securities	24,515	274,055	-	298,570
- Others	-	3,349	50,803	54,152
	126,977	288,743	50,803	466,523
Assets for which fair values are disclosed				
Investments classified as loans and receivables (note 34)	-	2,081	313,683	315,764
Held-to-maturity financial assets (note 34)	6,984	301,803	-	308,787
Investment properties	-	-	12,128	12,128
Liabilities for which fair values are disclosed				
Bonds payable (note 34)	-	-	10,456	10,456

35. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2018			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	1,777	310	-	2,087
- Investment funds	1,849	169	-	2,018
- Debt securities	1,626	1,613	-	3,239
- Others	-	3,903	588	4,491
	5,252	5,995	588	11,835
Available-for-sale financial assets				
- Equity securities	45,448	3,465	-	48,913
- Investment funds	25,029	13,039	-	38,068
- Debt securities	24,911	255,296	-	280,207
- Others	-	3,585	45,095	48,680
	95,388	275,385	45,095	415,868
Assets for which fair values are disclosed				
Investments classified as loans and receivables (note 34)	-	2,746	269,355	272,101
Held-to-maturity financial assets (note 34)	6,547	299,257	-	305,804
Investment properties	-	-	12,017	12,017
Liabilities for which fair values are disclosed				
Bonds payable (note 34)	-	-	14,966	14,966

During the six months ended 30 June 2019, due to changes in availability of quoted prices (unadjusted) in active markets, the Group transferred certain debt securities between Level 1 and Level 2. For the six months ended 30 June 2019, the Group transferred the debt securities with a carrying amount of RMB7,888 million from Level 1 to Level 2 and RMB4,591 million from Level 2 to Level 1. In 2018, the Group transferred the debt securities with a carrying amount of RMB9,667 million from Level 1 to Level 2 and RMB5,909 million from Level 2 to Level 1.

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 2019					End of period
	Beginning of period	Increase	Dispose	Net unrealised loss recognized in profit or loss	Net unrealised gain recognized in other comprehensive income	
Financial assets at fair value through profit or loss						
- Wealth management products	5	3	-	-	-	8
- Debt Investment scheme	2	-	-	-	-	2
- Other equity investments	581	253	(500)	1	-	335
Available-for-sale financial assets						
- Preferred shares	7,765	3,785	-	-	124	11,674
- Other equity investments	37,330	1,432	-	(7)	374	39,129
	As at 31 December 2018					End of year
	Beginning of year	Increase	Transferred from Level 3	Net unrealised loss recognized in profit or loss	Net unrealised gain recognized in other comprehensive income	
Financial assets at fair value through profit or loss						
- Wealth management product	-	5	-	-	-	5
- Debt Investment scheme	-	2	-	-	-	2
- Other equity investments	500	81	-	-	-	581
Available-for-sale financial assets						
- Common shares	4	-	(4)	-	-	-
- Preferred shares	7,764	-	-	-	1	7,765
- Other equity investments	27,284	7,720	-	(33)	2,359	37,330

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 3.10% to 12.20%, etc.

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

36. POST BALANCE SHEET EVENTS

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 23 August 2019.



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