

2010 Interim Report

(Stock Code: 02601)



中國太平洋保險(集團)股份有限公司
China Pacific Insurance (Group) Co.,Ltd.

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

Operational Overview

Unit: in RMB million

For 6 months ended 30 June	2010	2009
Gross written premiums	76,066	50,651
Life insurance	48,959	31,969
Property and casualty insurance	27,078	18,656
Net profit attributable to equity holders of the parent	4,019	2,410
Life insurance	2,174	1,557
Property and casualty insurance	1,521	643
Combined ratio of property and casualty insurance (%)	94.5	97.5

Key Accounting Data and Financial Indicators

Unit: in RMB million

Key Accounting Data	January to June 2010	January to June 2009		Variance (%)
		As Restated	As Previously Reported	
Total income	72,778	51,646	36,019	40.9
Profit before tax	5,037	3,102	5,159	62.4
Net profit ^{note}	4,019	2,410	3,937	66.8
Net cash flow from operating activities	37,604	19,280	19,280	95.0
	30 June 2010	31 December 2009		Variance (%)
Total assets	435,470	397,187		9.6
Equity ^{note}	74,210	74,651		(0.6)

Note: Attributable to equity holders of the parent

Unit: in RMB

Key Financial Indicators	January to June 2010	January to June 2009		Variance (%)
		As Restated	As Previously Reported	
Basic earnings per share (RMB per share) ^{note}	0.47	0.31	0.51	51.6
Diluted earnings per share (RMB per share) ^{note}	0.47	N/A	N/A	N/A
Weighted average return on equity (%) ^{note}	5.2	4.8	6.4	Increased by 0.4pt
Net cash inflow per share from operating activities (RMB per share)	4.37	2.50	2.50	74.8
	30 June 2010	31 December 2009		Variance (%)
Net assets per share (RMB per share) ^{note}	8.63	8.80		(1.9)

Note: Attributable to equity holders of the parent

Contents

02	Section I	Important Information and Definitions
04	Section II	Corporate Information
06	Section III	Highlight of Accounting and Operation Data
10	Section IV	Chairman's Statement
16	Section V	Management Discussion and Analysis
26	Section VI	Changes in the Share Capital, Shareholders' Profile and Disclosure of Interests
32	Section VII	Directors, Supervisors and Senior Management
38	Section VIII	Corporate Governance Report
42	Section IX	Significant Events
48	Section X	Financial Report
50	Section XI	Embedded Value
56	Section XII	Documents Available for Inspection
58	Section XIII	Appendix

Cautionary Statements:

In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may materially differ from the actual results of the Company in the future. The Company does not guarantee its future performance. You are advised to exercise caution.

Section I Important Information and Definitions



Important Information

1. The 2010 Interim Report of the Company was considered and approved at the 2nd session of the 6th board of directors on 27 August 2010, which 15 Directors were required to attend and 14 of them attended in person and WANG Chengran, a Director, appointed in writing ZHENG Anguo, a Director, to attend the meeting and vote on his behalf.
2. The 2010 Interim Financial Report of the Company has not been audited.
3. The data for the comparative period in the report has been properly restated according to the retrospective result in line with the change of accounting policies.

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 CPIC Group
"CPIC Property"	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC Asset Management"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a subsidiary of CPIC Group
"Pacific-Antai"	Pacific-Antai Life Insurance Co., Ltd.
"CIRC"	China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"CBRC"	China Banking Regulatory Commission
"NSSF"	National Council for Social Security Fund of the PRC
"SSE"	The Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi
"Company Law"	the Company Law of the PRC
"Insurance Law"	the Insurance Law of the PRC
"Securities Law"	the Securities Law of the PRC
"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
"Code on Corporate Governance Practice"	Code on Corporate Governance Practice 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)

Section II Corporate Information



Corporate Information

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: GAO Guofu

Board Secretary and Joint Company Secretary: CHEN Wei

Securities Representative: YANG Jihong

Tel: +86-21-58767282

Fax: +86-21-68870791

Email: ir@cpic.com.cn

Address: South Tower, Bank of Communications
Financial Building, 190 Central Yincheng Road,
Pudong New District, Shanghai, PRC

Joint Company Secretary: NGAI Wai Fung

Tel: +852-35898678

Fax: +852-35898378

Email: Maurice.Ngai@kcs.com

Address: 8th Floor, Gloucester Tower, The Landmark,
15 Queen's Road Central, Hong Kong

Registered Office: South Tower, Bank of Communications
Financial Building, 190 Central Yincheng Road,
Pudong New District, Shanghai, PRC

Office Address: South Tower, Bank of Communications
Financial Building, 190 Central Yincheng Road, Pudong
New District, Shanghai, PRC

Postal Code: 200120

Place of Business in Hong Kong: Room 203-208,
Far East Consortium Building, 121 Des Voeux Road,
Central, 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>

Interim Report Available at:

the Board Office of the Company

Stock Exchange for A Share Listing:

The Shanghai Stock Exchange

Stock Name for A Share: CPIC

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

Date of Initial Registration: 13 May 1991

Place of Initial Registration: the State Administration for
Industry & Commerce of the PRC

Registration No. of Business Licence: 1000001001110

Tax Registration No.:

Guo Shui Hu Zi 310043132211707

Di Shui Hu Zi 310043132211707

Organisation Code: 13221170-7

Domestic Accountant: Ernst & Young Hua Ming

Office of Domestic Accountant:

Level 16, Ernst & Young Tower,
Oriental Plaza, No. 1 East Chang An Avenue,
Dongcheng District, Beijing, PRC

International Accountant: Ernst & Young

Office of International Accountant:

18/F, Two International Finance Centre, 8 Finance Street,
Central, Hong Kong

Section III Highlight of Accounting and Operation Data



Highlight of Accounting and Operation Data

I. Key Accounting Data and Financial Indicators

Unit: in RMB million

Key Accounting Data	January to June 2010	January to June 2009		Variance (%)
		As Restated	As Previously Reported	
Total income	72,778	51,646	36,019	40.9
Profit before tax	5,037	3,102	5,159	62.4
Net profit ^{note}	4,019	2,410	3,937	66.8
Net cash flow from operating activities	37,604	19,280	19,280	95.0
	30 June 2010	31 December 2009		Variance (%)
Total assets	435,470	397,187		9.6
Equity ^{note}	74,210	74,651		(0.6)

Note: Attributable to equity holders of the parent

Unit: in RMB

Key Financial Indicators	January to June 2010	January to June 2009		Variance (%)
		As Restated	As Previously Reported	
Basic earnings per share (RMB per share) ^{note}	0.47	0.31	0.51	51.6
Diluted earnings per share (RMB per share) ^{note}	0.47	N/A	N/A	N/A
Weighted average return on equity (%) ^{note}	5.2	4.8	6.4	Increased by 0.4pt
Net cash inflow per share from operating activities (RMB per share)	4.37	2.50	2.50	74.8
	30 June 2010	31 December 2009		Variance (%)
Net assets per share (RMB per share) ^{note}	8.63	8.80		(1.9)

Note: Attributable to equity holders of the parent

II. Other Key Financial and Regulatory Indicators

Unit: in RMB million

Indicators	30 June 2010/ January to June 2010	30 June 2009/ January to June 2009 (As Restated)
The Group		
Investment assets ⁽¹⁾	395,896	366,018
Investment returns (%) ⁽²⁾	4.3	5.0
Life insurance⁽⁵⁾		
Net premiums earned	46,918	30,427
Growth rate of net premiums earned (%)	54.2	40.0
Net policyholders' benefits and claims	43,724	29,783
Property and casualty insurance⁽⁵⁾		
Net premiums earned	16,175	11,850
Growth rate of net premiums earned (%)	36.5	18.2
Claims incurred	8,823	7,165
Unearned premium reserves	20,940	14,617
Claim reserves	12,627	10,939
Combined ratio (%) ⁽³⁾	94.5	97.5
Comprehensive loss ratio (%) ⁽⁴⁾	54.5	60.5

Notes:

- (1) Investment assets include cash and short-term time deposits.
- (2) Investment returns = (investment income + gain/(loss) from change in fair value + interest income from cash and short-term time deposits - provision for impairment of investment assets - interest expenses from securities sold under agreements to repurchase) / ((investment assets at the beginning of the period + investment assets at the end of the period - securities sold under agreements to repurchase at the beginning of the period - securities sold under agreements to repurchase at the end of the period) / 2), excluding foreign exchange gain or loss.
- (3) Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
- (4) Comprehensive loss ratio = claim incurred / net premiums earned.
- (5) The life insurance and property and casualty insurance businesses stated above refer to those businesses of CPIC Life and CPIC Property respectively.

III. The discrepancy between the financial result prepared under PRC Accounting Standards ("PRC GAAP") and Hong Kong Financial Reporting Standards ("HKFRS")

There is no difference on the equity of the Group as at 30 June 2010 and 31 December 2009 and the net profit of the Group for the 6-month periods ended 30 June 2010 and 30 June 2009 as stated in accordance with PRC GAAP and HKFRS.

Section IV Chairman's Statement

Chairman's Statement



WU Dingfu, chairman of CIRC, visited the data center of CPIC

During the first half of 2010, China's insurance market maintained a healthy growth momentum, having benefited from such positive changes in its internal and external environment as the further improvement of the fundamentals of China's economy. However, the industry was inevitably affected by the volatile capital markets in the face of complicated and dynamic international and domestic economic and financial conditions. Facing both opportunities and challenges, CPIC rationally tackled the difficulties and problems arising during the course of its operations. With the objective of sustainable value-enhancing growth, CPIC persevered in transforming its approach to development and optimizing its business profile. By also implementing prudent investment policies, effectively managing risk and accelerating enhancement of its operational support capabilities, CPIC maintained a trend of sound development.

I. Fast growth of insurance business and continued enhancement of operating efficiencies

During the first half of 2010, CPIC realized the continued fast growth of gross written premiums by capturing growth opportunities, executing proactive marketing strategies and strengthening its sales capabilities. For the first half of the year, the Group's gross written premiums amounted to RMB76.066 billion, representing an increase of 50.2% compared to the same period last year. Of such gross written premiums, life insurance premiums amounted to RMB48.959 billion, representing an increase of 53.1% compared to the same period last year, and property and casualty insurance premiums amounted to RMB27.078 billion, representing an increase of 45.1% compared to the same period last year. The Group's investment assets amounted to RMB395.896 billion, while pension business custodian assets reached RMB25.072 billion.

The Company has persevered with the promotion and realization of the business philosophy of sustainable value-enhancing growth. It has continued to enhance its underwriting profitability while managing the downward risks of the capital markets, thereby realizing continued enhancement of operating efficiencies and stable growth of our corporate values. Net profit attributable to equity holders of the parent for the first half of the year amounted to RMB4.019 billion, representing an increase of 66.8% compared to the same period last year; and the Company's embedded value amounted to RMB104.724 billion, representing an increase of 6.5% as compared with that as at the end of last year.



CPIC signed a Letter of Intent for Cooperation with Allianz Group

II. Continued growth of regular premium life insurance business and development of sales capability

Substantial efforts were made by the Company in relation to its life insurance business to promote faster growth of its personal traditional and participating regular premium insurance business, as well as short-term accident insurance business. First year regular premiums for business underwritten through sales agents achieved steady growth and first year regular premiums for business underwritten through bancassurance continued to grow rapidly. Meanwhile, the growth of the Company's businesses in major developed provinces and cities accelerated, showing a strong growth momentum. First year regular gross written premiums for the first half of 2010 amounted to RMB9.263 billion, representing an increase of 36.5% compared to the same period last year. Of such first year regular gross written premiums, those underwritten through sales agents and those underwritten through bancassurance increased by 20.0% and 59.4% compared to the same period last year, respectively. The value of new sales for the first half of the year reached RMB3.238 billion, representing an increase of 18.1% compared to the same period last year.

During the first half of the year, our life insurance business achieved stable improvement of productivity by focusing on accelerating the growth of our sales force, striving to enhance the profitability of bancassurance, improving the organizational structure and performance appraisal system, and enhancing the fundamental management mechanisms and informatization system. As at the end of June 2010, we had a total of approximately 252,000 sales agents, representing a 2.4% increase from the same time last year, with average first year gross written premiums per agent of RMB3,305 per month, representing a growth of 9.8% compared to the same period last year.

III. Steady increase in market share and improved profitability of property and casualty insurance business

The Company's property and casualty insurance business achieved a growth rate higher than the industry average and a steady increase in market share as a result of its proactive transformation of its approach to development and its successful capturing of opportunities arising from improving market conditions. These accelerated the pace of its business development. The Company also continued to enhance cost control, greatly improved the underwriting profitability of this line of business and continued to remain ahead in the industry in terms of combined ratio. During the first half of the year, the Company's share of the property and casualty insurance market was 13.0%, representing an increase of 1.6 pt as compared to that as at the end of last year. The combined ratio for the first half of the year dropped 3 pt compared to the same period last year to 94.5%. Net profit increased 136.5% compared to the same period last year to RMB1.521 billion.

With regard to our automobile insurance business, the Company substantially improved the quality of its business and its operating efficiency through a series of management measures such as business profile optimization, effective cost control and improved management of claims settlement. With regard to our non-automobile insurance business, the Company achieved rapid growth of such high quality business segments as cargo insurance, liability insurance, short-term accident insurance and homeowners insurance through its implementation of proactive marketing strategies, its effective business policy communication and execution mechanisms and performance assessment system, and improved coverage of major accounts and process management.

IV. Adherence to the principle of Asset-Liability Management (ALM) and prudent handling of capital market volatility

During the first half of 2010, the Company continued to adopt prudent investment strategies. For fixed-income assets, we increased allocation to long-term assets, and recorded a 15.7% increase in interest income. For equity investments, we diligently analyzed the changes in market conditions and adjusted our asset allocation accordingly to effectively cope with market volatility. Meanwhile, we increased investments in debt-equity hybrid instruments such as convertible bonds issued by commercial banks. We continued to explore investment opportunities in alternative areas, with the total amount of investment in infrastructure projects representing 4.6% of our investment portfolio, ahead of our industry peers. For the first half of the year, total investment income amounted to RMB9.259 billion, total investment yield was 4.3%, net investment income amounted to RMB8.966 billion, and net investment yield was 4.2%.

V. Acceleration of the development of information technology platforms to support centralized management

The Company made significant progress in its continued enhancement of its centralized and professional business management and in its substantial efforts to advance construction of its information technology platforms. The commencement of operations of the Company's new data center in Shanghai has not only significantly improved the stability and security of its IT systems but has also provided an advanced and stable platform for the consolidation of such business processes as product development, sales management, underwriting and claims adjustment, and customer services. Meanwhile, the Company set up an advanced corporate database and data analysis platform to provide strong support for the identification of high quality customer resources, the acceleration of the establishment of new sales channels and the provision of customized services.

VI. Significant enhancement of brand value

The Company has continued to adhere to its core corporate values of "business integrity, prudence and sustainability, pursuit of performance excellence", and its mission to "be a responsible insurance company". In 2010, CPIC received various honours for its comprehensive strengths and corporate governance, significantly enhancing the value of its brand:

- CPIC ranked 10th among the "Best Chinese Brands 2010" published by ForbesChina and Interbrand;
- CPIC ranked 208th in the UK's "FT Global 500" list for 2010;
- CPIC ranked among the top 20 listed companies and among the top 10 listed financial companies in the "Corporate Governance Assessment of the Top 100 Chinese Listed Companies" organized by Protiviti and the Corporate Governance Research Center of the Institute of World Economy and Politics of the Chinese Academy of Social Sciences;
- CPIC ranked 18th among the "Top 100 Publicly Listed Companies in the PRC for 2009" by Wharton Econometric Forecasting Associates (華頓經濟研究院), People's Daily Online and the magazine Shanghai Economy.

At present, the development of the Chinese economy is in the critical phase of transitioning from recovery to stable growth. At the same time, the domestic and international environment for economic growth remains challenging. In the second half of the year, it is expected that China will continue to implement an active fiscal policy and a moderately loose monetary policy to maintain stable and relatively faster economic growth, per capita income will continue to increase, and insurance investment channels will further broaden. All these factors will be beneficial to the sustainable growth of the insurance industry. However, uncertainties over China's economy are expected to further intensify under the influence of various domestic and external factors.

In the face of opportunities and challenges brought about by the changes in its external environment, CPIC will continue to promote and realize its objective of sustainable value-enhancing growth and to actively promote the sustainable and healthy growth of its insurance business with its pulse on insurance industry development trends. For our life insurance business, we will pursue the enhancement of the Company's embedded value by optimizing resource allocation and product strategies, and improving organizational structure and operation mechanisms. We will also focus on accelerating the business growth from sales agents. For our property and casualty insurance business, we are ready to capture opportunities arising from improving market conditions to increase our market share and maintain our superior underwriting profitability in the market. For our asset management business, we will adhere to our prudent investment strategies, optimize asset allocation and capitalize on the broadening of insurance investment channels. By doing so, we aim to accelerate the development and improvement of our competitiveness and innovation capabilities in new investment areas, effectively manage market risk and realize sustainable investment returns that consistently exceed the cost of liabilities. With the support of all our shareholders and the public, CPIC will continue to work hard towards its goal of being a first-class insurance financial services group that rewards its shareholders and contributes to society with continually outstanding results.

Section V Management Discussion and Analysis

Management Discussion and Analysis



CPIC held the 100-day World Expo Countdown Activity on 19 January 2010

The Company provides a comprehensive range of life insurance and property and casualty insurance products through our subsidiaries, namely CPIC Life and CPIC Property, and manages insurance investments through our subsidiary, CPIC Asset Management. At the same time, the Company engages in pension business through its subsidiary, Changjiang Pension and engages in property and casualty insurance business in Hong Kong through CPIC HK.

The following analysis of life insurance and property and casualty insurance business only refers to the businesses of CPIC Life and CPIC Property respectively, as the businesses of Changjiang Pension and CPIC HK accounted for a relatively small portion of the results of the Company.

In the analysis below, the comparative figures of 2009 interim period were restated in accordance with the retrospective application of the changes in accounting policies.

I. Key operational indicators

(in RMB million)

For 6 months ended 30 June	2010	2009
Gross written premiums	76,066	50,651
Life insurance	48,959	31,969
Property and casualty insurance	27,078	18,656
Net profit attributable to equity holders of the parent	4,019	2,410
Life insurance	2,174	1,557
Property and casualty insurance	1,521	643
Combined ratio of property and casualty insurance (%)	94.5	97.5

II. Key Business Analysis

1. Life insurance business analysis

During the first half of 2010, the Company actively enhanced the organizational structure of its sales agents and improved its performance appraisal system, with its prime focus on the growth of business underwritten through sales agents. Meanwhile, the Company expanded its regular premium business through the bancassurance channel, and sales capability has steadily improved. As a result, traditional and participating regular premium business and accident insurance have enjoyed rapid growth.

(in RMB million)

For 6 months ended 30 June	2010	2009
Gross written premiums	48,959	31,969
Traditional	7,485	7,537
Participating	39,254	22,678
Universal	47	48
Short-term accident and health	2,173	1,706
Gross written premiums	48,959	31,969
New policies	32,091	20,036
Regular premium	9,263	6,785
Single premium	22,828	13,251
Renewed policies	16,868	11,933
Gross written premiums	48,959	31,969
Sales agents	18,713	15,712
Bancassurance	28,385	14,787
Direct sales	1,861	1,470

(1) New policies

The Company recorded gross written premiums of RMB32.091 billion from new policies during the first half of 2010, representing an increase of 60.2% over the same period last year. Of these, premiums from regular premium policies amounted to RMB9.263 billion, representing an increase of 36.5%, while as a result of fluctuation of market demand, the gross written premiums of traditional and participating new regular policies with paying periods of 10 years or above amounted to RMB2.531 billion, representing a decrease of 18.4%. The business of single premium policies experienced rapid growth during the first half of the year, with gross written premiums of RMB22.828 billion recorded, mainly driven by market demand of bancassurance business and banks' substantial efforts to promote intermediary business.

(2) Structure of channels

For the first half of the year, the Company's gross written premiums underwritten through sales agents amounted to RMB18.713 billion, representing an increase of 19.1% over the same period last year. Of such business, our new traditional and participating regular premium policies business experienced faster growth, with gross written premiums amounting to RMB4.563 billion, representing an increase of 20.0%, establishing the fast and stable development of our sales force. The bancassurance channel business recorded gross written premiums of RMB28.385 billion, representing an increase of 92.0% over the same period last year, of which new traditional and participating regular premium policies recorded gross written premiums of RMB4.699 billion, representing an increase of 59.4%, maintaining a fast growth pace. The gross written premiums of the direct sales channel amounted to RMB1.861 billion, representing an increase of 26.6% over the same period last year. This was mainly due to the continued fast growth of the short-term accident insurance business, which increased 32.9% over the same period last year.

(3) Structure of insurance categories

For the first half of the year, premiums from traditional insurance policies of the Company amounted to RMB7.485 billion, about the same level of that of last year. Premiums from participating insurance policies amounted to RMB39.254 billion, representing an increase of 73.1% over the same period last year. Premiums from traditional and participating insurance policies in aggregate accounted for 95.5% of the gross written premiums, representing an increase of 1.0 pt over the same period last year. Premiums from universal insurance policies amounted to RMB47 million, representing a decrease of 2.1% over the same period last year. Premiums from short-term accident and health policies amounted to RMB2.173 billion, representing an increase of 27.4% over the same period last year.

(4) Persistency ratio of individual life insurance policy

For the first half of 2010, through such measures as reinforcing the management of renewal premiums and customer services, the Company recorded an increase of 6.8 pt for 13-month persistency ratio in respect of individual life insurance over the same period last year, while the persistency ratio continued to grow at a stable pace.

For 6 months ended 30 June	2010	2009
Individual life insurance customer 13-month persistency ratio (%) ⁽¹⁾	92.0	85.2
Individual life insurance customer 25-month persistency ratio (%) ⁽²⁾	82.0	83.1

Notes:

- (1) 13-month persistency ratio: Premiums under in-force life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.
- (2) 25-month persistency ratio: Premiums under in-force life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.

2. Property and casualty insurance business

For the first half of 2010, the Company successfully capitalized on improved stability in the property insurance market to accelerate its all-round development and to enhance its competitiveness. The Company achieved rapid business expansion while enhancing its underwriting profitability, and recorded gross written premiums amounting to RMB27.078 billion, representing an increase of 45.1% over the same period last year.

(in RMB million)

For 6 months ended 30 June	2010	2009
Gross written premiums	27,078	18,656
Automobile insurance	20,242	13,441
Non-automobile insurance	6,836	5,215

(1) Automobile insurance

For the first half of 2010, gross written premiums from automobile insurance amounted to RMB20.242 billion, representing an increase of 50.6% over the same period last year. The Company further enhanced its management of automobile insurance business by taking a differentiated approach to regions, products and customers. It also focused on more profitable business segments, continued to optimize the business profile of its automobile insurance business and improved its management of claims settlement. As a result, we achieved improvements in both business scale and underwriting profitability.

(2) Non-automobile insurance

For the first half of 2010, gross written premiums of non-automobile insurance amounted to RMB6.836 billion, representing an increase of 31.1% over the same period last year. The Company further improved its process management and accountability system in relation to non-automobile insurance, and strengthened its efforts to develop profitable businesses, key customers and key deals. During the period, the profitable businesses such as liability insurance, cargo insurance and short-term accident insurance achieved higher growth.

(in RMB million)

For 6 months ended 30 June	2010	2009
Gross written premiums	6,836	5,215
Commercial property and engineering insurance	3,610	2,791
Short-term accident and health insurance	1,044	825
Cargo insurance	643	475
Liability insurance	719	494
Others	820	630

Note: "Commercial property and engineering insurance" consists of commercial property insurance, special risk insurance and engineering insurance.

3. Asset management business

The Company conducts its investment business based on the Asset-Liability Management (ALM) principle. The Company makes strategic arrangements for long-term asset allocation by taking into account the specific characteristics of insurance liabilities and has increased allocation to long-term bonds. Based on in-depth market analysis, the Company formulates and implements prudent and flexible equity investment strategies, and has a firm grasp of industry allocation and stock selection. We continue to strengthen our efforts on alternative investments, and continue to focus our efforts on investment in infrastructure projects to maintain our leading position in the industry.

(1) Investment portfolio

As at 30 June 2010, the Company's total investment assets were RMB395.896 billion, representing an increase of 8.2% over that at the end of last year. Of such investment assets, fixed-income investment increased by RMB39.598 billion when compared with that at the end of last year, representing an increase of 4.4 pt in the share of total assets. This was mainly attributable to the Company's increase of its allocation to long-term bonds with the purchase of over RMB7.0 billion of newly issued 50-year treasury bonds. The Company's equity investments accounted for 10.9% of our total investment assets, representing a decrease of 1.4 pt over the end of last year. This was mainly due to our asset allocation adjustments in response to market movements. During the first half of the year, we newly invested RMB914 million in infrastructure projects. However, as one of the debt investment plans matured during the period, the amount of total infrastructure investment was slightly lower than that at the end of last year.

(in RMB million)

	As of 30 June 2010	As of 31 December 2009
Investment assets (Total)	395,896	366,018
By investment category		
Fixed income investments	312,067	272,469
– Debt securities	214,224	182,778
– Term deposits	93,832	86,371
– Other fixed income investments ⁽¹⁾	4,011	3,320
Equity investment	42,982	44,915
– Investment Funds	18,117	18,959
– Equity securities	23,114	24,190
– Other equity investments ⁽²⁾	1,751	1,766
Investments in infrastructure	18,340	18,396
Cash and cash equivalents	22,507	30,238
By investment purpose		
Financial assets at fair value through profit or loss	2,138	333
Available-for-sale financial assets	111,508	118,475
Held-to-maturity financial assets	140,327	104,618
Long term equity investments	449	464
Other investments ⁽³⁾	141,474	142,128

Notes:

(1) Other fixed income investments include restricted statutory deposits and policy loans.

(2) Other equity investments include investment in a jointly-controlled entity.

(3) Other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits and investments classified as loans and receivables, etc.

(2) Investment income

During the first half of 2010, the Company recorded total investment income of RMB9.259 billion, representing an increase of 3.5% compared to the same period last year. Total investment yield was 4.3%, representing a decrease of 0.7 pt over the same period last year. This was mainly due to the significant decline in the stock market, resulting in a decrease in realized gains.

For the first half of 2010, the Company recorded net investment income of RMB8.966 billion, representing an increase of 40.9% compared to the same period last year. Net investment yield was 4.2%, 0.1 pt higher than the same period last year. Interest income from fixed-income assets amounted to RMB6.748 billion, representing an increase of 15.7% over the same period last year. Dividend income from equity assets amounted to RMB2.218 billion, representing an increase of 319.3% over the same period last year. This was mainly attributable to the significant increase in dividend income from closed-end investment funds.

(in RMB million)

For 6 months ended 30 June	2010	2009
Interest income from fixed investment assets	6,748	5,833
Dividend income from equity securities	2,218	529
Net investment income	8,966	6,362
Realized gains	150	2,521
Unrealized gains	1	127
Charge of impairment losses on financial assets	-	(128)
Other income ^{note}	142	61
Total investment income	9,259	8,943
Net investment yield (%)	4.2	4.1
Total investment yield (%)	4.3	5.0

Note: Other income includes interest income from cash and short-term time deposits and from securities purchased under agreements to resell and share of profits of a jointly-controlled entity and an associate.

(3) Alternative investments

The longer investment terms of infrastructure projects can more closely match the long-term nature of insurance funds. At the same time, direct investment in industry entities and projects can reduce the Company's exposure to the fluctuating equity market, facilitating the sustainability and stability of investment income. Maintaining its insurance industry leading position in alternative investments, the Company invested a total of RMB914 million in this area during the first half of the year. The main investment project was:

- HECIC New Energy Wind Farm Project Debt Investment Plan

During the first half of 2010, the Company established the "HECIC New Energy Wind Farm Project Debt Investment Plan", involving a total investment amount of RMB1.3 billion for a term of 7 years. The Company invested RMB780 million in the plan.

III. Segment information

1. Life insurance

The Company operates life insurance business primarily through CPIC Life, a 98.29%-owned subsidiary. Detailed analysis on the results is as follows:

(in RMB million)

For 6 months ended 30 June	2010	2009
Net premiums earned	46,918	30,427
Investment income ^{note}	7,484	7,889
Other operating income	282	330
Total income	54,684	38,646
Net policyholders' benefits and claims	(43,724)	(29,783)
Finance costs	(198)	(135)
Interest credited to investment contracts	(1,109)	(1,012)
Other operating and administrative expenses	(7,058)	(5,775)
Total benefits, claims and expenses	(52,089)	(36,705)
Profit before tax	2,595	1,941
Income tax	(421)	(384)
Net profit	2,174	1,557

Note: Investment income includes investment income and share of losses of a jointly-controlled entity / an associate.

- (1) The Company recorded net premiums earned of RMB46.918 billion, representing an increase of 54.2% over the same period last year. This was mainly attributable to the success of the Company in capturing market opportunities to accelerate overall business growth.
- (2) The Company recorded investment income of RMB7.484 billion, representing a decrease of 5.1% over the same period last year. Investment income was mainly affected by the downward adjustment of the capital markets and the decrease in realized gains offset the increase in fixed income.
- (3) Net policyholders' benefits and claims amounted to RMB43.724 billion, representing an increase of 46.8% over that of the same period last year. Of these, claims incurred increased 69.0% when compared with the same period last year, which was in line with the short-term business growth. The changes in long-term insurance contract liabilities recorded an increase of 65.3%, compared to the same period last year, mainly as a result of the growth in business. Policyholder dividends recorded an increase of 56.4% compared to the same period last year, mainly attributable to the growth in participating business and increase in policyholder dividends.

(in RMB million)

For 6 months ended 30 June	2010	2009
Net policyholders' benefits and claims	43,724	29,783
Life insurance death and other benefits paid	8,643	8,516
Claims incurred	316	187
Changes in long-term insurance contract liabilities	33,339	20,168
Policyholder dividends	1,426	912

- (4) Other operating and administrative expenses for life insurance business amounted to RMB7.058 billion, representing an increase of 22.2% as compared to the same period last year, which was in line with the Company's business growth. The increase was mainly attributable to rapid business growth and an increase in marketing expenses.
- (5) As a result of the above reasons, life insurance business of the Company recorded net profits of RMB2.174 billion in the first half of 2010.

2. Property and casualty insurance

The Company operates property and casualty insurance business primarily through CPIC Property, a 98.41%-owned subsidiary. Detailed analysis of the results is as follows:

<i>(in RMB million)</i>		
For 6 months ended 30 June	2010	2009
Net premiums earned	16,175	11,850
Investment income	1,035	566
Other operating income	56	49
Total income	17,266	12,465
Claims incurred	(8,823)	(7,165)
Finance costs	(2)	(3)
Other operating and administrative expenses	(6,507)	(4,462)
Total claims and expenses	(15,332)	(11,630)
Profit before tax	1,934	835
Income tax	(413)	(192)
Net profit	1,521	643

- (1) Net premiums earned by the Company amounted to RMB16.175 billion as a result of growth in the business, representing an increase of 36.5% as compared to that of the same period last year.
- (2) The Company recorded investment income of RMB1.035 billion, representing an increase of 82.9% as compared to the same period last year, mainly attributable to the significant increase in interest income and dividend income.
- (3) Claims incurred amounted to RMB8.823 billion, representing an increase of 23.1% as compared to the same period last year, being lower than the growth of the business. This was mainly attributable to the continued enhancement of the Company's refinement management system and an improvement in the competitive market conditions.
- (4) Other operating and administrative expenses amounted to RMB6.507 billion, representing an increase of 45.8% as compared to the same period last year, mainly attributable to the growth of the business.
- (5) As a result of the above factors, property and casualty insurance business recorded a net profit of RMB1.521 billion in the first half of 2010.

3. CPIC Asset Management

The Company manages its insurance investment business through CPIC Asset Management, a 99.66%-owned (directly and indirectly) subsidiary. As at 30 June 2010, the total assets of CPIC Asset Management amounted to RMB724 million and net assets amounted to RMB579 million. Net profit amounted to RMB17 million for the first half of 2010.

4. CPIC HK

The Company conducts overseas operations primarily through its wholly-owned subsidiary, CPIC HK. As at 30 June 2010, the total assets of CPIC HK amounted to RMB535 million, net assets amounted to RMB324 million while gross written premiums amounted to RMB124 million and net profit amounted to RMB24 million for the first half of 2010.

5. Changjiang Pension

The Company acquired Changjiang Pension in 2009 and holds 51.75% of its interests. As at 30 June 2010, the total assets of Changjiang Pension amounted to RMB875 million, net assets amounted to RMB839 million, and total entrusted assets under management reached RMB 25.072 billion. Net loss amounted to RMB23 million for the first half of 2010.

IV. Analysis on Specific Items

1. Solvency

The Company calculated and disclosed the actual solvency margin, the minimum solvency margin and the solvency margin ratio in accordance with the relevant requirements as issued by the CIRC. According to the requirements of the CIRC, the solvency margin ratio of domestic insurance companies in China shall reach the required level.

(in RMB million)

	As of 30 June 2010	As of 31 December 2009	Reasons for change
Life insurance			
Actual solvency margin	32,964	25,702	Profit for the first half of the year, capital injection from shareholders, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	13,967	12,361	Growth of insurance business
Solvency margin ratio (%)	236	208	
Property and casualty insurance			
Actual solvency margin	8,497	7,023	Profit for the first half of the year, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	5,086	4,049	Growth of insurance business
Solvency margin ratio (%)	167	173	

2. Gearing Ratio

	As at 30 June 2010	As at 31 December 2009
Gearing ratio	83.0%	81.2%

Note: Gearing ratio = (total liabilities + minority interests) / total assets.

Section VI Changes in the Share Capital, Shareholders'
Profile and Disclosure of Interests

Changes in the Share Capital, Shareholders' Profile and Disclosure of Interests

I. Table of changes in the share capital

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	425,411,112	5.01	-	-	-	-1,311,898	-1,311,898	424,099,214	4.93
(2) State-owned legal person shares	3,159,048,392	37.24	-	-	-	-477,767,050	-477,767,050	2,681,281,342	31.18
(3) Other domestic shares	136,747,727	1.61	-	-	-	+363,368,174	+363,368,174	500,115,901	5.82
held by									
legal persons	136,747,727	1.61	-	-	-	+363,368,174	+363,368,174	500,115,901	5.82
natural persons	-	-	-	-	-	-	-	-	-
(4) Foreign shares	-	-	-	-	-	-	-	-	-
held by									
legal persons	-	-	-	-	-	-	-	-	-
natural persons	-	-	-	-	-	-	-	-	-
Total	3,721,207,231	43.87	-	-	-	-115,710,774	-115,710,774	3,605,496,457	41.92
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	2,577,192,769	30.38	-	-	-	+104,010,774	+104,010,774	2,681,203,543	31.18
(2) Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign shares (H share)	2,184,600,000	25.75	-	-	-	+128,700,000	+128,700,000	2,313,300,000	26.90
(4) Others	-	-	-	-	-	-	-	-	-
Total	4,761,792,769	56.13	-	-	-	+232,710,774	+232,710,774	4,994,503,543	58.08
3. Total number of shares	8,483,000,000	100.00	-	-	-	+117,000,000	+117,000,000	8,600,000,000	100.00

Note: The H share over-allotment option was exercised in full in January 2010, resulting in an increase of the total number of the Company's shares from 8,483,000,000 shares to 8,600,000,000 shares.

II. Shareholders (1) Number of shareholders and their shareholdings

unit: share

A total number of 216,735 shareholders (including 207,695 A shareholders and 9,040 H shareholders) at the end of the reporting period							
Shares held by top ten shareholders							
Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period	Number of shares held with selling restrictions	Number of shares subject to pledge or lock-up period	Types of shares
Fortune Investment Co., Ltd.	State-owned legal person shares	14.93	1,284,277,846	-3,972,753	1,284,277,846	-	A
Shenergy Group Co., Ltd.	State-owned legal person shares	14.25	1,225,081,938	-3,789,638	1,225,081,938	-	A
Parallel Investors Holdings Limited	Overseas legal person shares	12.14	1,043,896,502	-	-	-	H
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person shares	11.46	985,343,900	128,641,500	-	-	H
Shanghai State-Owned Assets Operation Co., Ltd.	State-owned shares	4.93	424,099,214	-1,311,898	424,099,214	-	A
Shanghai Haiyan Investment Management Company Limited	Social legal person shares	4.90	421,703,174	421,703,174	421,703,174	-	A
Carlyle Holdings Mauritius Limited	Overseas legal person shares	3.25	279,403,498	-	-	-	H
Shanghai Jiushi Corporation	State-owned legal person shares	2.92	250,949,460	-382,451	-	-	A
Yunnan Hongta Group Co., Ltd.	State-owned legal person shares	2.03	174,339,390	-266,827	-	-	A
Account No. 1 of the NSSF	Social legal person shares	1.13	96,914,255	-	78,412,727	-	A



On 20 April 2010, CPIC held its first Annual Results Announcement Press Conference following its H share listing, in Shanghai and Hong Kong simultaneously

Shares held by top ten shareholders without selling restrictions		
Names of the shareholders without selling restrictions	Number of shares held without selling restrictions	Types of shares
Parallel Investors Holdings Limited	1,043,896,502	H
Hong Kong Securities Clearing Company Nominees Limited	985,343,900	H
Carlyle Holdings Mauritius Limited	279,403,498	H
Shanghai Jiushi Corporation	250,949,460	A
Yunnan Hongta Group Co., Ltd.	174,339,390	A
Bank of Communications–E Fund 50 Index Securities Investment Fund	54,448,182	A
Zhengzhou Yutong Group Co., Ltd.	50,000,000	A
Shanghai Lu'an Investment Co., Ltd. (上海潞安投资有限公司)	46,325,052	A
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	33,993,089	A
Sinopec Finance Company Limited	30,000,000	A
Description of connected relations or concerted action among the aforesaid shareholders	Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited are connected as both of them are companies of Carlyle Group. The Company is not aware of any other top ten shareholders without selling restrictions having connection or acting in concert.	

Notes:

- (1) The H share over-allotment option was exercised in January this year, and the relevant holders of state-owned shares reduced their shareholdings in the Company.
- (2) The shares held by Hong Kong Securities Clearing Company Nominees Limited are held on behalf of a number of its clients. As Hong Kong Stock Exchange does not require such shareholders to disclose whether the shares held by them are subject to pledge or lock-up period, Hong Kong Securities Clearing Company Nominees Limited is unable to calculate, or make available such data as, the number of such shares subject to pledge or lock-up period.
- (3) Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited undertook in writing that they would not transfer 1,323,300,000 H Shares they hold in total in the Company within one year from the H Share listing date, i.e. 23 December 2009 (inclusive).

(2) Number of Shares held by top ten shareholders with selling restrictions and their selling restrictions

unit: share

No.	Names of shareholders with selling restrictions	Number of Shares held with selling restrictions	Trading of shares with selling restrictions		Selling restrictions
			Date on which trading is permitted	Increase in number of tradable shares	
1	Fortune Investment Co., Ltd.	1,284,277,846	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
2	Shenergy Group Co., Ltd.	1,225,081,938	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
3	Shanghai State-Owned Assets Operation Co., Ltd.	424,099,214	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
4	Shanghai Haiyan Investment Management Company Limited	421,703,174	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
5	Account No. 1 of the NSSF	78,412,727	see Note	–	see Note
6	Baosteel Group Corporation	68,818,407	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
7	Shanghai Tobacco Package Printing Co., Ltd.	47,124,930	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
8	Shanghai Guoxin Investment Development Co., Ltd.	33,024,151	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
9	Fortune Trust Co., Ltd.	18,161,989	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder
10	Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	4,792,081	The third anniversary of A Shares listed	–	Voluntary lock up period of three years undertaken by the shareholder

Note: Pursuant to the Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》) (Cai Qi No. [2009] 94), some state-owned shares in the Company were transferred into NSSF in late December 2009. In addition to the selling restrictions which the former holders of such state-owned shares are subject to statutorily and voluntarily, NSSF shall be subject to a further three-year lock-up period.

(3) Changes in controlling shareholders and de facto controllers

The ownership structure of the Company is diversified and there are no controlling shareholders or de facto controllers.

III. Disclosure of interests

(1) Directors' and Supervisors' Interests and Short Positions in Shares

As at 30 June 2010, none of the directors, supervisors or senior management of the Company 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The directors' and the supervisors' shareholdings in A Shares are set out in Section VII "Directors, Supervisors and Senior Management".

(2) 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 30 June 2010, the following persons (excluding the directors and the supervisors 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:

unit: share

Names of substantial shareholders	Capacity	Types of shares	Number of Shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Carlyle Offshore Partners II, Ltd. ^{note}	Beneficial owner	H shares	1,323,300,000 (L)	57.20	15.39

(L) denotes long position and (S) denotes short position.

Note: Pursuant to Part XV of the SFO, Carlyle Offshore Partners II, Ltd. is deemed or taken to be interested in 1,323,300,000 H shares of the Company. Among these shares, Carlyle Asia Ltd., TC Group Cayman Investment Holdings, L.P., TCG Holdings Cayman II, L.P., Carlyle CPL Partners I, L.P., Parallel Investors Holdings Limited, Carlyle Asia Partners, L.P. and Carlyle Holdings Mauritius Limited, the subsidiaries controlled, directly or indirectly, by Carlyle Offshore Partners II, Ltd., are interested in 1,323,300,000, 1,323,300,000, 1,323,300,000, 1,043,896,502, 1,043,896,502, 279,403,498 and 279,403,498 H shares of the Company, respectively.

Save as disclosed above, as at 30 June 2010, the Company was not aware that there was any other person (other than the directors or the President 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.

IV. Purchase, Redemption or Sale of the Listed Securities of the Company

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

Section VII Directors, Supervisors and Senior
Management

Directors, Supervisors and Senior Management

I. Changes in Directors, Supervisors and Senior Management of the Company

(1) Re-election of the Board of Directors

On 3 June 2010, the Company held the 2009 Annual General Meeting to re-elect the board of directors of the Company, at which the members of the 6th Board of Directors were elected. The 6th Board of Directors of the Company comprises 15 Directors, including 2 Executive Directors, namely GAO Guofu and HUO Lianhong; 8 non-executive directors, namely WANG Chengran, FENG Junyuan, Janine, YANG Xianghai, YANG Xiangdong, WU Jumin, ZHOU Ciming, ZHENG Anguo and XU Fei; and 5 independent non-executive directors, namely XU Shanda, CHANG Tso Tung Stephen, LI Ruoshan, YUEN Tin Fan and XIAO Wei. The Directors were appointed for a term of three years. On 23 July 2010, Mr. GAO Guofu and Mr. YANG Xianghai were elected as the Chairman and the Vice Chairman respectively of the 6th Board of Directors at the 1st session of the 6th Board of Directors.

Biographical details of the members of the 6th Board of Directors are as follows:

WANG Chengran, male, born in April 1959, a university graduate with a bachelor's degree. He is an economist. Mr. WANG currently serves as Assistant to the General Manager and the Head of the Audit Department of Baosteel Group Corporation and Non-Executive Director of the Company. Mr. WANG was Director of the Asset Operation Office of Finance Department and the Head of Asset Operation Department of Shanghai Baosteel Group Corporation. He also served as the Business Director, the Head of the Asset Operation Department and Assistant to the General Manager of Baosteel Group Corporation and Chairman of Fortune Investment Co., Ltd. He currently serves as a director of China State Shipbuilding Corporation, a company listed on the SSE.

FENG Junyuan, Janine, female, born in March 1969, holds a master's degree in Business Administration. She joined the Carlyle Group since 1998 and currently serves as a managing director of Carlyle; a non-executive director of the Company, CPIC Life and CPIC Property. Prior to joining Carlyle, Ms. FENG worked for Credit Suisse First Boston's New York office for approximately five years, engaging in investment banking business. She received a master's degree in Business Administration from Harvard Business School.

XU Shanda, male, born in September 1946, holds a master's degree. He is currently a member of the National Committee of Chinese People's Political Consultative Conference (CPPCC), the Chairman of the Chinese Certified Tax Agents Association, a member of the Accounting Standards Committee of the Ministry of Finance, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants, a member of Chinese Economics 50 Forum, a member of its academic committee and an independent non-executive director of the Company. Mr. XU was formerly a deputy director-general of the State Administration of Taxation from December 1999 to December 2006. Prior to that, Mr. XU held various governmental positions, including Deputy Director of the Policy Research Division of the State Administration of Taxation under the Ministry of Finance, Director of the Research Office of the Taxation Science Research Institute under the State Administration of Taxation, Deputy Director-general of the Department of Tax Reform, Deputy Director-general of the Department of Policy and Legislation, Director-general of the Department of Local Taxation and Director-general of the Department of Auditing under the State Administration of Taxation. Mr. XU currently also serves as an independent director of the Industrial and Commercial Bank of China Ltd., a company listed on the SSE and Hong Kong Stock Exchange. Mr. XU graduated from the Automation Faculty of Tsinghua University in 1970. He received a master's degree in Agricultural Economic Management from the Graduate School of Chinese Academy of Agricultural Sciences in 1984. In 1999, Mr. XU received a master's degree in Fiscal Studies from the University of Bath in the United Kingdom.

LI Ruoshan, male, born in February 1949, a post-graduate with a doctorate degree. He is a professor, a mentor of doctorate candidates. His current position is with the Accounting Department of the School of Management of Fudan University and an independent non-executive director of the Company. Mr. LI is currently a member of the Experts Committee for Listed Companies of the SSE, a member of Shanghai Committee of Judicial Accounting Appraisal and the Vice Chairman of the Shanghai Accounting Academy. Mr. LI served as an independent director of Fuyao Glass Group Industries Co. Ltd., Sinochem International Corporation and Shanghai Jinfeng Investment Co., Ltd., all of which are companies listed on the SSE. Mr. LI is currently an independent director of Zhejiang Guangbo Group Co., Ltd. and Zhejiang Wanfeng Auto Wheel Co., Ltd., both of which are companies listed on the Shenzhen Stock Exchange. Mr. LI received a doctorate degree in Economics from Xiamen University.

YANG Xianghai, male, born in February 1952, holds a master's degree in Economics. He is a senior economist. He currently serves as the Chairman of Shenergy Group Co., Ltd. and Vice Chairman and a non-executive director of the Company. Mr. YANG was Deputy Director and Director of the Economic Regulation Office and General Office of Shanghai Planning Commission. He also served as assistant to the Chief Commissioner and as Deputy Chief Commissioner of Shanghai Planning Commission, a director of Shanghai Securities Administration Office and the General Manager of the SSE. He was Vice Chairman and General Manager of Shenergy Group Co., Ltd. In addition, he has been Chairman of Shenergy Company Limited, a company listed on the SSE, and Chairman of Shanghai Gas (Group) Co., Ltd.

YANG Xiangdong, male, born in January 1965, holds a master's degree in Business Administration. He currently serves as Managing Director of the Carlyle Group and the Co-head of Carlyle Asia Partners. He also serves as a non-executive director of the Company and Vice Chairman of CPIC Life. Prior to joining the Carlyle Group, Mr. YANG worked for Goldman Sachs for 9 years, serving as the Managing Director, the Co-head of Principal Investment Asia and a member of the Asia Management Committee of Goldman Sachs. Mr. YANG was also a director of CPIC Asset Management. He currently serves as an independent non-executive director of SmarTone Telecommunications Holdings Limited, a company listed on Hong Kong Stock Exchange. Mr. YANG received a bachelor's degree in Economics from Harvard University and a master's degree in Business Administration from Harvard Business School.

XIAO Wei, male, born in December 1960, a post-graduate with a master's degree. He is a lawyer. He is currently a partner of Junhe Law Firm and an independent non-executive director of the Company. Mr. XIAO was previously a lawyer at Beijing No. 7 Law Firm and China Legal Affairs Centre. He was a member of the Listing Review Committee and the Review Committee for Major Reorganizations by the Listed Companies of the CSRC. He was also an independent director of Shenzhen Guangju Energy Co., Ltd., a company listed on the Shenzhen Stock Exchange. He is also an independent director of Lombarda China Fund Management Co., Ltd. Mr. XIAO received a master's degree from the Chinese Academy of Social Sciences and a master's degree in Law from Columbia University.

WU Jumin, male, born in April 1956, a post-graduate from the Party Central Academy Research Institute. He is a senior economist. He currently serves as a deputy general manager of Shanghai Tobacco (Group) Corporation and Non-Executive Director of the Company. Mr. WU previously served as Deputy Head of the Organization Section, the Head of Education Section and the Principal of the School, the Head of Cadre Section, and as Deputy Officer and Officer of the Personnel Educational Department of Shanghai Tobacco Group. He was also Deputy Managing Director of Shanghai Gao Yang International Tobacco Co., Ltd. and Deputy Factory Director and Factory Director of Shanghai Tobacco Group.

CHANG Tso Tung Stephen, male, born in November 1948. He holds a bachelor's degree in Science. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an independent non-executive director of the Company. Mr. CHANG retired from Ernst & Young in January 2004. Prior to his retirement, Mr. CHANG held various positions with Ernst & Young, including the Deputy Chairman of Ernst & Young Hong Kong and China, Managing Partner of Professional Services, and the Chairman of Audit and Advisory Business Services of Ernst & Young. Mr. CHANG served as an independent non-executive director of GST Holdings Limited and Nam Hing Holdings Limited, both of which are companies listed on Hong Kong Stock Exchange. He currently serves as an independent director of China World Trade Center Company Ltd., a company listed on the SSE. Mr. CHANG received a bachelor's degree in Science from the University of London.

ZHOU Ciming, male, born in October 1951, a post-graduate with a master's degree. He is a senior economist. He currently serves as the Board Secretary and Deputy Chief Economist of Shenergy Group Co., Ltd., a non-executive director of the Company, Vice Chairman of CPIC Property and a director of CPIC Life. Mr. ZHOU Ciming was Vice Chairman of the Board of Directors and Chairman of the Board of Supervisors of CPIC Life. He was the Director of the Teaching and Research Office, the Associate Dean, an assistant professor and a mentor of master degree candidates at the Shanghai University of Finance and Economics. He was a visiting professor at the University of Washington and Stanford University. In addition, Mr. ZHOU was the Vice Chairman of Shanghai Jiulian Securities Brokerage Co., Ltd.

ZHENG Anguo, male, born in November 1964, a post-graduate with a doctorate degree. He is a senior economist and a member of the Shanghai Committee of the National Committee of Chinese People's Political Consultative Conference (CPPCC). He currently serves as General Manager of Fortune Investment Co., Ltd., Chairman of Fortune Trust Co., Ltd., Chairman of Fortune SGAM Fund Management Co., Ltd and Non-Executive Director of the Company. Mr. ZHENG was Manager of the Issuance Department and Investment Department of Shenzhen Branch of Nanfang Securities Co., Ltd. He was also the Assistant to the General Manager of the Investment Banking Department, Deputy General Manager of Shanghai Branch, and the Deputy Head of the Research Office of Nanfang Securities Co., Ltd. Mr. ZHENG served as Vice President and President of Fortune Investment Trust Co., Ltd. and Chairman of Fortune SGAM Fund Management Co., Ltd.

YUEN Tin Fan, male, born in October 1952. He holds a bachelor's degree in Economics. He is currently Vice Chairman of Pacific Century Regional Developments Limited and an independent non-executive director of the Company. Mr. YUEN was previously Chairman of Pacific Century Insurance Holdings Limited, Vice Chairman of Pacific Century Group and PCCW Limited, and the Chief Executive Officer of Hong Kong Stock Exchange. Mr. YUEN is currently a member of Shanghai CPPCC, a non-executive director of Kee Shing (Holdings) Ltd. and an independent non-executive director of China Foods Limited, both of which are companies listed on Hong Kong Stock Exchange. Mr. YUEN received a bachelor's degree in Economics from the University of Chicago.

XU Fei, female, born in December 1967, a post-graduate with a doctorate degree. She is a holder of PRC Lawyer Certificate, a corporate legal consultant. She currently serves as the Vice President of Shanghai State-owned Assets Operation Co., Ltd and Non-Executive Director of the Company. Ms. XU previously worked in the Shanghai Branch of PICC Property and Casualty Company Limited, serving as Deputy Office Head, Deputy General Manager and General Manager of the Market Development Department and the Legal Department, Assistant to the General Manager and as the Deputy General Manager of the Shanghai Branch.

GAO Guofu, male, born in June 1956, a post-graduate with a doctorate degree. He is a senior economist. He currently serves as Chairman and an executive director of the Company. Mr. GAO Guofu has served as General Manager of Shanghai Waigaoqiao Free Trade Zone Development (Holding) Co. and Deputy Director of Administration Committee of Shanghai Waigaoqiao Free Trade Zone. He was the Acting President of Shanghai Wanguo Securities Company, the Deputy General Manager and the General Manager of Shanghai Jiushi Corporation, and the General Manager of Shanghai Urban Construction Investment and Development Corporation.

HUO Lianhong, male, born in April 1957, a university graduate with a bachelor's degree. He is a senior economist. He currently serves as an executive director and President of the Company. He also serves as the Chairman of CPIC Property and a director of CPIC Life and CPIC Asset Management. Mr. HUO previously served as the Chairman of CPIC Asset Management. He was the Deputy General Manager and the General Manager of the Hainan Branch and the Beijing Branch of the Company. Prior to that, Mr. HUO was a deputy office supervisor of Chongqing Branch of Bank of Communications and the Head and Deputy Manager of the Insurance Department of Hainan Branch.

(2) **Re-election of the Board of Supervisors**

On 26 May 2010, the Company held the Staff Representative Meeting, at which the staff representative supervisors of the 6th Board of Supervisors were elected. On 3 June 2010, the Company held the 2009 Annual General Meeting, at which the shareholder representative supervisors of the 6th Board of Supervisors were elected. The 6th Board of Supervisors of the Company comprises 5 supervisors, including 3 shareholder representative supervisors, namely ZHANG Jianwei, ZHOU Zhuping and LIN Lichun; and 2 staff representative supervisors, namely SONG Junxiang and HE Jihai. The supervisors were appointed for a term of three years. On 23 July 2010, Mr. ZHOU Zhuping was elected as the Chairman of the 6th Board of Supervisors at the 1st session of the 6th Board of Supervisors.

Biographical details of the members of the 6th Board of Supervisors are as follows:

ZHANG Jianwei, male, born in September 1954. He holds a master's degree in Business Management. He is a senior economist. He is currently Deputy General Manager of Shanghai Jiushi Corporation, a supervisor of the Company and CPIC Property. Mr. ZHANG was previously Deputy Factory Director of Shanghai Xinhua Glass Factory and Deputy General Manager of Shanghai Optic Communications Equipment Co., Ltd. He also worked for Shanghai Jiushi Corporation, serving as Deputy Manager and Manager of Operation Department, General Manager of Operation Management Department, Manager of Development Planning Department, Asset Operation Department and Assistant to General Manager of the company. Mr. ZHANG is currently a director of Haitong Securities Company Limited, Shanghai Highly (Group) Co., Ltd. and Shenergy Company Limited, all of which are companies listed on the SSE.

ZHOU Zhuping, male, born in March 1963, a master's degree holder. He is a senior accountant. He currently serves as Deputy General Manager of Baosteel Group Corporation and Chairman of the Board of Supervisors of the Company. Mr. ZHOU was Deputy Director of Financial Planning Department (asset operation) of Shanghai Baosteel Group Corporation, the Secretary of the Board of Baoshan Iron & Steel Co., Ltd., Deputy Chief Financial Officer of Baosteel International Trade Corporation, Deputy General Manager of Baoshan Iron & Steel Trading Company Limited, Director of Finance Department of Baosteel Group Corporation, Director of Operation of Baosteel Group Corporation, General Manager of Baosteel Enterprise Development Corporation and President of Baosteel Development Limited.

LIN Lichun, female, born in August 1970, a university graduate with a bachelor's degree. She is a certified public accountant in China. She is currently the Head of Shanghai Office of Hongta Group, a director and the General Manager of Shanghai Hongta Hotel, a supervisor of the Company and CPIC Property. Ms. LIN served as the Chief Financial Officer and Deputy General Manager of Shanghai Hongta Hotel with extensive experience in financial management. She also served as a supervisor of CPIC Life.

SONG Junxiang, male, born in October 1955, currently serves as Chairman of the Trade Union of the Company. Mr. SONG has been a supervisor of the Company since August 2008. Mr. SONG joined the Company in April 2003. Prior to joining the Company, Mr. SONG worked in the Organization Department of the Committee of the Communist Party of China for the Shanghai Municipality.

HE Jihai, male, born in October 1954, a holder of PRC Lawyer Certificate, Certified Public Accountant and senior economist. He received a master's degree in Management Engineering. Mr. HE currently serves as the General Manager of the Legal and Compliance Department of the Company and Supervisor of the Company. Mr. HE previously served as senior officer of the Legal Department and Deputy General Manager of the Legal and Compliance Department since he joined the Company in August 2000. Prior to joining the Company, Mr. HE worked for the Shanghai municipal government.

3. Changes in Senior Management

There is no change in the senior management of the Company during the reporting period.

II. Changes in Shareholdings of Directors, Supervisors and Senior Management

unit: share

Names	Positions	Shareholding at the beginning of the year	Increase in the shareholding during the period	Decrease in the shareholding during the period	Shareholding at the end of the period	Types of shares	Reasons for the change
GAO Guofu	Chairman and Executive Director	10,200	–	–	10,200	A	–
HUO Lianhong	Executive Director and President	9,000	11,000	–	20,000	A	Secondary market purchase
SONG Junxiang	Supervisor	6,200	11,800	–	18,000	A	Secondary market purchase
XU Jinghui	Executive Vice-President	8,000	12,000	–	20,000	A	Secondary market purchase
TANG Dasheng	Vice-President	6,100	18,000	–	24,100	A	Secondary market purchase
SHI Jierong	Vice-President	8,200	11,700	–	19,900	A	Secondary market purchase
SUN Peijian	Vice-President and Chief Compliance Officer	7,425	9,600	–	17,025	A	Secondary market purchase
GU Yue	Vice-President and Chief Auditor	7,000	11,000	–	18,000	A	Secondary market purchase
CHEN Wei	Board Secretary and Joint Company Secretary	2,400	0	–	2,400	A	–

Section VIII Corporate Governance Report

Corporate Governance Report

I. Corporate Governance Overview

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 such relevant laws and regulations as Company Law, Securities Law, Insurance Law 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 formed a more improved corporate governance structure by constant optimization of its group management structure, full consolidation of its internal resources and facilitation of the communication with the capital market.

During the reporting period, the Company was basically in compliance with the requirements and substantially all of the recommended best practices set out in the Code on Corporate Governance Practices.

The Company has adopted and implemented the Model Code for Securities Transactions to govern directors and supervisors' securities transactions. Upon specific enquiry by the Company, all of the directors and the supervisors confirmed that they had 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 the supervisors that were not in compliance with the Model Code for Securities Transactions.

During the reporting period, the Company held 1 general meeting, 2 board meetings and 2 meetings of supervisors. The resolutions approved at the relevant meetings were published on the websites of the SSE and Hong Kong Stock Exchange and relevant media for information disclosure 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.

The board of directors established 4 special committees, namely the Strategic Committee, the Audit Committee, the Nominations and Remuneration Committee and the Risk Management Committee, which conduct in-depth studies on specific issues and submit their recommendations to the board of directors for consideration.

In the first half of 2010, the Strategic Committee of the Board held 2 meetings and proposed recommendations and advice on such significant issues as the profit distribution of the Company.

In the first half of 2010, the Audit Committee of the Board held 6 meetings to review the annual report for 2009 and the first quarter report for 2010 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 2009 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.

In the first half of 2010, the Nominations and Remuneration Committee of the Board held 2 meetings to review the remuneration packages of senior management of the Company and the appointment of a number of members of senior management.

In the first half of 2010, 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 entering into of connected transactions.

II. Special Campaign for Corporate Governance

In accordance with the Notice on the Issues Concerning Carrying out Special Campaigns to Strengthen Corporate Governance of Listed Companies issued by the CSRC and the requirements of the CSRC Shanghai Bureau, the Company issued the Announcement on Further Improving the Real Estate Ownerships of the Company on 19 November 2009 and undertook to achieve a qualification rate of 100% for its property ownership by 30 June 2010. As of 30 June 2010, the Company completed the rectification of its defective titles, and achieved a qualification rate of 100% for the ownership of its self-owned properties.

Section IX Significant Events

Significant Events

- I. Implementation of Profit Distribution Plan during the Reporting Period** The Company distributed a cash dividend of RMB0.3 per share in accordance with the Resolution on Profit Distribution Plan for the year 2009 approved at the 2009 Annual General Meeting. The implementation of this distribution plan was completed in July 2010.
- II. Proposals for Profit Distribution and the Transfer of Capital Reserves to Share Capital for the First Half of the Year** The Company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the first half of 2010.
- III. Material Litigations and Arbitrations** During the reporting period, there was no litigation or arbitration of material importance to the Company.
- IV. Significant Connected Transactions during the Reporting Period** During the reporting period, the Company did not enter into any connected transactions or continuing connected transactions subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A 'Connected Transactions' of the Hong Kong Listing Rules.
- V. Acquisition, Disposal and Restructuring of Assets** During the reporting period, the Company did not carry out any acquisition, disposal or restructuring of assets which was required to be disclosed.
- VI. Custody** During the reporting period, the Company did not enter into any custody arrangement which was required to be disclosed.
- VII. Contracting** During the reporting period, the Company did not enter into any contracting arrangement which was required to be disclosed.
- VIII. Lease** During the reporting period, the Company did not enter into any lease which was required to be disclosed.



CPIC carried out community activities in Shanghai Children's Welfare Society on 13 May 2010 (the Anniversary Date of Incorporation)

- IX. Guarantee** During the reporting period, the Company did not give any guarantee which was required to be disclosed.
- X. Entrusted Wealth Management** During the reporting period, the Company did not enter into any entrusted wealth management arrangement which was required to be disclosed.
- XI. The Fulfillment of the Undertakings Made by the Company during the Reporting Period** During the reporting period, the Company did not enter into any undertaking which was required to be disclosed.
- XII. Extension of Lock-up Undertakings Made by the Shareholders Holding More than 5% of Shares during the Reporting Period** During the reporting period, the Company's shareholders holding more than 5% of shares did not extend their lock-up undertakings.

XIII. Penalty on and Rectification on Listed Companies and Their Directors, Supervisors and Senior Management

During the reporting period, neither the Company nor its Directors, Supervisors or senior management were subject to any investigation, administrative penalty or official censure by CSRC, or public reprimand by any stock exchange.

XIV. Review of Accounts

The audit committee of the Company has reviewed the principal accounting policies of the Company and the financial statements for the 6 months ended 30 June 2010 in the presence of internal and external auditors.

XV. Analysis on and Illustration of Other Major Events

(1) **Investment in securities (included in financial assets at fair value through profit or loss)**

Unit: RMB million

No.	Types of securities	Stock Codes	Abbreviated stock names	Amount of initial investment	Number of shares held (million shares)	Carrying amount at the end of the period	Percentage of the total investment securities at the end of the period (%)	Profit or loss in the reporting period
1	Convertible bonds	SS113001	Bank of China's convertible bonds	1,513.19	15.13	1,530.30	100	17.70
Profit or loss of disposed investment securities during the reporting period				-	-	-	-	0.29
Total				1,513.19	-	1,530.30	-	17.99

Notes:

- (1) The table above reflected the shares, warrants and convertible bonds included in the financial assets at fair value through profit or loss of the Company.
- (2) Profit or loss for the reporting period includes dividend payment and gain or loss from the change in fair value of the investment.

(2) Shareholdings in Other Listed Companies (included in available-for-sale financial assets)

Unit: RMB million

No.	Stock Codes	Abbreviated stock names	Amount of initial investment	Percentage of shareholding in the company (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholding during the reporting period	Source of shares
1	SS600000	SPD Bank	2,059	1.36	2,117	18	(480)	Purchase from the market and from private placement
2	SS601668	China State Construction	1,310	0.98	1,036	7	(348)	Purchase from the market
3	SS601628 HK2628	China Life	677 172	0.10	581 161	16 3	(171) (13)	Purchase from the market
4	SS601939 HK0939	CCB	585 248	0.06	487 240	21 8	(126) (6)	Purchase from the market
5	SS601398 HK1398	ICBC	529 287	0.05	462 265	11 8	(96) (21)	Purchase from the market
6	SS601989	CSIC	661	1.35	668	4	(27)	Purchase from the market
7	SS601299	China CNR	488	1.07	429	2	(95)	Purchase from the market
8	SS600694	Dashang Holdings	370	3.41	424	30	(48)	Purchase from the market
9	SS600900	China Yangtze Power	489	0.32	421	7	(40)	Purchase from the market
10	SS600036 HK3968	China Merchants Bank	267 155	0.12	212 148	2 2	(55) (3)	Purchase from the market

Notes:

- (1) The above table reflected the shareholding of the Company in other listed companies (top ten), which is included in available-for-sale financial assets.
- (2) Profit or loss in the reporting period represents the dividend payment and trading gains of the investment during the reporting period.
- (3) Percentage of shareholding in the company is calculated based on the investment of total number of shares denominated in different currencies.

(3) Shareholdings in Non-listed Financial Institutions

Unit: RMB million

Name of institution	Amount of initial investment	Number of shares held (share)	Percentage of shareholding in the company (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Change in shareholding during the reporting period	Accounting item	Source of shares
Bank of Hangzhou	1,300	100,000,000	5.98	1,300	-	-	Available-for-sale financial assets	Private placement

Note: Investment of insurance funds (excluding associates, jointly-controlled entities and subsidiaries).

Section X Financial Report

Financial Report



The interim condensed financial report of the Company has not been audited. Please see the appendix set out in section XIII for details.

Section XI Embedded Value

Embedded Value

TO THE DIRECTORS CHINA PACIFIC INSURANCE (GROUP) COMPANY LIMITED

Independent actuaries review opinion report on embedded value

Towers Watson Management (Shenzhen) Consulting Co. Ltd, trading as Towers Watson, ("Towers Watson" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as at 30 June 2010.

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

Towers Watson's scope of work comprised:

- a review of the methodology used to develop the embedded value of CPIC Group as at 30 June 2010, and the value of one year's sales and value of half year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") in the 12 months and 6 months to 30 June 2010 respectively as well as the corresponding value of half year's sales in the previous year (together, "Value of New Sales"), in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- a review of the economic and operating assumptions used to develop CPIC Group's embedded value as at 30 June 2010 and the Value of New Sales;
- a review of the results of CPIC Group's calculation of the value of in-force business, the Value of New Sales, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group as at 30 June 2010 and the Value of New Sales prepared by CPIC Group, Towers Watson has concluded that:

- The methodology used is consistent with a traditional deterministic discounted cash flow approach, and is consistent with the requirements of "Life Insurance Embedded Value Reporting Guidelines" issued by the CIRC;
- 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.

Towers Watson has performed reasonableness checks and analysis of CPIC Group's embedded value as at 30 June 2010 and the Value of New Sales, and Towers Watson has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of 2010 Interim report and that the aggregate results are reasonable in this context.

Towers Watson confirms that the results shown in the Embedded Value section of CPIC Group's 2010 Interim report are consistent with those reviewed by Towers Watson.

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 Towers Watson

Adrian Liu, FIAA, FCAA
27 August 2010

2010 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 2010 in accordance with the embedded value guidelines issued by China Insurance Regulatory Commission (“CIRC”) and have disclosed information relating to our group embedded value in this section. We have engaged 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 2010 interim report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth determined on the PRC statutory basis, and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business, the value of one year and the half year’s sales of CPIC Life (“Value of New Sales”) are defined as the discounted value of the projected stream of future after-tax distributable profits for existing business in force at the valuation date, and for new sales in the 12 months and 6 months immediately preceding the valuation date, where distributable profits are determined based on PRC statutory reserves and solvency margins at the required regulatory minimum level. Embedded value does not allow for any value attributable to future new business sales.

The embedded value and the Value of New 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 earnings in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the Value of New 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 Value of New Sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on the embedded value and the Value of New 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 experience. Therefore, special care is advised when interpreting embedded value results.

II. Summary of Embedded Value and Value of New Sales

The table below shows the Group Embedded Value of CPIC Group as at 30 June 2010, and the value of one year's sales of CPIC Life in the 12 month to 30 June 2010 as well as the value of first half year's sales of CPIC Life in 2010 and 2009 respectively, at risk discount rate of 11.5%.

Unit: RMB Million

Valuation Date	30 June 2010	31 December 2009
Group Adjusted Net Worth	74,321	72,368
Adjusted Net Worth of CPIC Life	35,111	24,150
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,424)	(2,505)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	41,724	36,476
Cost of Solvency Margin Held for CPIC Life	(8,369)	(7,516)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	30,930	26,454
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group	30,402	26,003
Group Embedded Value	104,724	98,371
Life Embedded Value	66,042	50,605
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	6,799	6,218
Cost of Solvency Margin	(1,302)	(1,219)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	5,497	5,000
Valuation Date	30 June 2010	30 June 2009
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	4,077	3,497
Cost of Solvency Margin	(839)	(756)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	3,238	2,741

Note that figures may not be additive due to rounding.

The Group Adjusted Net Worth represents the shareholder net equity of the Company measured on the statutory basis, inclusive of adjustments of the value of certain assets to market value. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the Company), and the value of in force business and the value of one year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

III. Key Valuation Assumptions

In determining the embedded value as at 30 June 2010, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment, and that the current method for determining statutory policy reserves and statutory minimum solvency margin levels remain unchanged. 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.

The key assumptions used in determining the Group Embedded Value are consistent with those used as at 31 December 2009.

IV. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business as at 30 June 2010 and the value of one year's sales of CPIC Life in the 12 months to 30 June 2010 to changes in key assumptions. In determining the sensitivity results, only the relevant assumption has been changed, while all other assumptions have been left unchanged.

The following table shows the sensitivity results of the value of in force business and the value of one year's sales after cost of solvency margin held.

Unit: RMB Million

	Value of In Force Business After Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held
Base	30,930	5,497
Discount Rate "11%"	32,416	5,807
Discount Rate "12%"	29,532	5,207
Investment Return "+25 basis points"	34,213	5,836
Investment Return "-25 basis points"	27,666	5,160
Mortality "-10%"	31,067	5,517
Morbidity "-10%"	31,105	5,525
Lapse and Surrender Rates "-10%"	30,977	5,510
Expenses "-10%"	31,577	5,931
Participating "+5% Distribution"	29,911	5,137
Short Term Claim Ratio "-10 %"	31,000	5,572
150% Solvency Margin	26,746	4,846

Note that figures may not be additive due to rounding.

Section XII Documents Available for Inspection

Documents Available for Inspection



- I. The original copy of the interim report under the seal of the Company and signed by the Chairman
- II. The original copy of the signed review report from the accountant's firm
- III. The original copies of all publicly disclosed announcements and documents of the Company during the reporting period

Chairman: 
Board of Directors
China Pacific Insurance (Group) Co., Ltd.
27 August 2010

Section XIII Appendix

Appendix



The interim condensed financial report and review report of the Company for the year 2010

Interim Condensed Financial Report and
Review Report of the Company
for the Year 2010

Contents

01	Independent Review Report
	Unaudited Interim Condensed Consolidated Financial Statements
02	Interim Consolidated Income Statement
03	Interim Consolidated Statement of Comprehensive Income
04	Interim Consolidated Balance Sheet
05	Interim Consolidated Statement of Changes in Equity
06	Interim Consolidated Cash Flow Statement
07	Notes to the Interim Condensed Consolidated Financial Statements

Independent Review Report

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 accompanying interim condensed consolidated financial statements set out on pages 2 to 25 which comprise the interim consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") as at 30 June 2010 and the related interim consolidated income statement, statement of comprehensive income, statement of changes in equity and 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" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2010

Interim Consolidated Income Statement

For the six months ended 30 June 2010

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

	Notes	Six months ended 30 June	
		2010 (unaudited)	2009 (unaudited / restated)
Gross written premiums	5(a)	76,066	50,651
Less: Premiums ceded to reinsurers	5(b)	(7,500)	(5,538)
Net written premiums	5	68,566	45,113
Net change in unearned premium reserves		(5,379)	(2,757)
Net premiums earned		63,187	42,356
Investment income	6	9,131	8,878
Other operating income		460	412
Other income		9,591	9,290
Total income		72,778	51,646
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	7	(8,643)	(8,516)
Claims incurred	7	(9,184)	(7,400)
Changes in long-term life insurance contract liabilities	7	(33,339)	(20,168)
Policyholder dividends	7	(1,426)	(912)
Finance costs		(205)	(138)
Interest credited to investment contracts		(1,109)	(1,012)
Other operating and administrative expenses		(13,813)	(10,380)
Total benefits, claims and expenses		(67,719)	(48,526)
Share of loss of a jointly-controlled entity		(22)	(18)
Profit before tax	8	5,037	3,102
Income tax	9	(967)	(655)
Net profit for the period		4,070	2,447
Attributable to:			
Equity holders of the parent		4,019	2,410
Minority interests		51	37
		4,070	2,447
Basic earnings per share	10	RMB0.47	RMB0.31
Diluted earnings per share	10	RMB0.47	Not applicable

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

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2010 (unaudited)	2009 (unaudited / restated)
Net profit for the period		4,070	2,447
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations		(3)	(2)
Available-for-sale financial assets		(6,360)	4,024
Income tax relating to available-for-sale financial assets		1,588	(1,002)
Other comprehensive (loss)/income for the period	11	(4,775)	3,020
Total comprehensive (loss)/income for the period		(705)	5,467
Attributable to:			
Equity holders of the parent		(670)	5,377
Minority interests		(35)	90
		(705)	5,467

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

Interim Consolidated Balance Sheet

30 June 2010

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2010 (unaudited)	31 December 2009 (audited)
ASSETS			
Property and equipment		8,217	8,145
Goodwill		149	149
Other intangible assets		336	376
Prepaid land lease payments		205	208
Investment in a jointly-controlled entity		449	464
Financial assets at fair value through profit or loss	12	2,138	333
Held-to-maturity financial assets	13	140,327	104,618
Available-for-sale financial assets	14	111,508	118,475
Investments classified as loans and receivables	15	21,124	22,199
Securities purchased under agreements to resell		67	115
Term deposits		93,832	86,371
Restricted statutory deposits		2,272	1,968
Policy loans		1,739	1,352
Interest receivable		8,581	6,679
Reinsurance assets	16	11,639	9,147
Deferred income tax assets	17	2,219	839
Insurance receivables		5,267	3,864
Other assets		2,961	1,762
Cash and short-term time deposits	18	22,440	30,123
Total assets		435,470	397,187
EQUITY AND LIABILITIES			
Equity			
Issued capital	19	8,600	8,483
Reserves	20	56,619	58,616
Retained profits	20	8,991	7,552
Equity attributable to equity holders of the parent		74,210	74,651
Minority interests		1,164	1,022
Total equity		75,374	75,673
Liabilities			
Insurance contract liabilities	21	276,671	236,152
Investment contract liabilities	22	52,690	52,090
Policyholders' deposits		87	89
Subordinated debt		2,301	2,263
Securities sold under agreements to repurchase		4,410	9,800
Deferred income tax liabilities	17	6	195
Income tax payable		775	272
Premium received in advance		1,972	4,269
Policyholder dividend payable		5,851	5,113
Payables to reinsurers		4,141	2,208
Other liabilities		11,192	9,063
Total liabilities		360,096	321,514
Total equity and liabilities		435,470	397,187

GAO Guofu
DirectorHUO Lianhong
Director

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

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2010

(All amounts expressed in RMB million unless otherwise specified)

For the six months ended 30 June 2010 (unaudited)									
	Attributable to equity holders of the parent								
	Reserves								
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2010	8,483	56,216	1,395	(26)	1,031	7,552	74,651	1,022	75,673
Total comprehensive loss	-	-	-	(3)	(4,686)	4,019	(670)	(35)	(705)
Dividends declared ¹	-	-	-	-	-	(2,580)	(2,580)	-	(2,580)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(44)	(44)
Issue of shares	117	2,688	-	-	-	-	2,805	-	2,805
Capital injection into subsidiaries	-	4	-	-	-	-	4	221	225
At 30 June 2010	8,600	58,908	1,395	(29)	(3,655)	8,991	74,210	1,164	75,374

¹ Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2009, amounting to RMB2,580 million (RMB0.30 per share).

For the six months ended 30 June 2009 (unaudited / restated)									
	Attributable to equity holders of the parent								
	Reserves								
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2009	7,700	38,318	1,006	(24)	(1,260)	2,898	48,638	482	49,120
Total comprehensive income	-	-	-	(2)	2,969	2,410	5,377	90	5,467
Dividends declared ¹	-	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(58)	(58)
At 30 June 2009	7,700	38,318	1,006	(26)	1,709	2,998	51,705	514	52,219

¹ Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2008, amounting to RMB2,310 million (RMB0.30 per share).

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

Interim Consolidated Cash Flow Statement
For the six months ended 30 June 2010

(All amounts expressed in RMB million unless otherwise specified)

	Notes	Six months ended 30 June	
		2010 (unaudited)	2009 (audited)
OPERATING ACTIVITIES			
Cash generated from operating activities	23	38,054	18,903
Income tax (paid)/refund		(450)	377
Net cash inflow from operating activities		37,604	19,280
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(797)	(719)
Proceeds from sale of items of property and equipment, intangible assets and other assets		24	15
Purchases of investments, net		(46,812)	(35,509)
Interest received		4,748	3,714
Dividends received from investments		2,130	485
Net cash outflow from investing activities		(40,707)	(32,014)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(5,390)	15,931
Capital contribution from minority shareholders of subsidiaries		225	–
Proceeds from issuance of shares		2,796	–
Interest paid		(79)	(53)
Dividends paid		(125)	(1,982)
Others		(1,939)	–
Net cash (outflow)/inflow from financing activities		(4,512)	13,896
Effects of exchange rate changes on cash and cash equivalents		(116)	(1)
Net (decrease)/increase in cash and cash equivalents		(7,731)	1,161
Cash and cash equivalents at beginning of period		30,238	17,573
Cash and cash equivalents at end of period		22,507	18,734
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		9,185	5,771
Time deposits with original maturity of no more than three months		12,686	12,387
Other monetary assets		569	576
Securities purchased under agreements to resell with original maturity of no more than three months		67	–
Cash and cash equivalents at end of period		22,507	18,734

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2010

(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 State Council of the PRC and Circular [2001] No.239 issued by 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"). The Company's H shares have been listed on the Hong Kong Stock Exchange since 23 December 2009. Upon the issuance of H shares, the Company's issued capital was increased to RMB8,483 million (before the exercise of H share over-allotment option). In January 2010, the H share over-allotment option was exercised and the issued capital of the Company was increased to RMB8,600 million.

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 business, life insurance businesses, pension and annuity businesses, as well as asset management.

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

These interim condensed consolidated financial statements do 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 2009. Further, in preparing its annual financial statements for the year ended 31 December 2009, the Group changed its accounting policies for insurance contracts, acquisition costs and insurance contract liabilities, as already disclosed in such financial statements. The Group has applied such new accounting policies in preparing these interim condensed consolidated financial statements for the six months ended 30 June 2010, and comparative figures for the six months ended 30 June 2009 have been restated.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of new and revised standards and interpretations as of 1 January 2010, noted below:

- HKFRS 1 *First-time Adoption of HKFRSs (Revised)*
The revised standard corrects a potential technical problem arising from the interaction of HKFRS 1 and the revised HKFRS 3 Business Combinations and revised HKAS 27 Consolidated and Separate Financial Statements as published in March 2008. The adoption of this revised standard did not have any impact on the financial position or financial performance of the Group.

- HKFRS 1 First-time Adoption of HKFRSs (Amended)*

The standard has been amended to provide relief from full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions (Amendment)*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes HK (IFRIC)-Int 8 and HK (IFRIC)-Int 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- HKFRS 3 Business Combinations (Revised) and HKAS 27 Consolidated and Separate Financial Statements (Revised)*

HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of minority interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with minority interests. The revised standards are applied prospectively and currently had no impact on the financial position or financial performance of the Group.

- HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (Amendment)*

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- HK(IFRIC)-Int 17 Distribution of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The adoption of this interpretation did not have any impact on the financial position or performance of the Group.
- HK Interpretation 4 Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases (Revised)*

This revised interpretation expands the scope of HK Interpretation 4 to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40. The adoption of this revised interpretation did not have any impact on the financial position or financial performance of the Group.
- Improvements to HKFRSs (issued October 2008)*

In October 2008, HKICPA issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at 31 December 2009, apart from the following:

 - HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* Clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a minority interest after the sale transaction. The amendment is applied prospectively and currently had no impact on the financial position or financial performance of the Group.

- *Improvements to HKFRSs (issued May 2009)*
In May 2009, HKICPA issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have significant impact on the financial position or performance of the Group.
 - HKFRS 8 *Operating Segment Information*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
 - HKAS 7 *Statement of Cash Flows*: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the cash flow statement of the contingent consideration on the business combination completed in 2010 upon cash settlement.
 - HKAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in HKFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to HKFRSs to the following standards did not have significant impact on the accounting policies, financial position or performance of the Group:

- HKFRS 2 *Share-based Payment*
- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- HKAS 1 *Presentation of Financial Statements*
- HKAS 17 *Leases*
- HKAS 38 *Intangible Assets*
- HKAS 39 *Financial Instruments: Recognition and Measurement*
- HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*
- HK(IFRIC)-Int 16 *Hedge of a Net Investment in a Foreign Operation*

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

3. Segment Information

For management purpose, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- The life insurance segment offers a wide range of RMB life insurance;
- The property and casualty insurance segment provides a wide range of RMB and foreign-currency property and casualty insurance;
- The corporate and other businesses segment provides investment and other management services.

Segment result represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are measured based on actual transaction price.

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

During the six months ended 30 June 2010 and 2009, no gross written premiums from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums.

Segment income statement for the six months ended 30 June 2010

	Life insurance	Mainland China	Property and casualty insurance			Corporate and others	Eliminations	Total
			Hong Kong	Eliminations	Sub-total			
Gross written premiums	48,959	27,078	124	(95)	27,107	-	-	76,066
Less: Premiums ceded to reinsurers	(1,839)	(5,740)	(16)	95	(5,661)	-	-	(7,500)
Net written premiums	47,120	21,338	108	-	21,446	-	-	68,566
Net change in unearned premium reserves	(202)	(5,163)	(14)	-	(5,177)	-	-	(5,379)
Net premiums earned	46,918	16,175	94	-	16,269	-	-	63,187
Investment income	7,494	1,035	11	-	1,046	584	7	9,131
Other operating income	282	56	(3)	-	53	267	(142)	460
Other income	7,776	1,091	8	-	1,099	851	(135)	9,591
Segment income	54,694	17,266	102	-	17,368	851	(135)	72,778
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(8,643)	-	-	-	-	-	-	(8,643)
Claims incurred	(316)	(8,823)	(45)	-	(8,868)	-	-	(9,184)
Changes in long-term life insurance contract liabilities	(33,339)	-	-	-	-	-	-	(33,339)
Policyholder dividends	(1,426)	-	-	-	-	-	-	(1,426)
Finance costs	(198)	(2)	-	-	(2)	(5)	-	(205)
Interest credited to investment contracts	(1,109)	-	-	-	-	-	-	(1,109)
Other operating and administrative expenses	(7,058)	(6,507)	(33)	-	(6,540)	(447)	232	(13,813)
Segment benefits, claims and expenses	(52,089)	(15,332)	(78)	-	(15,410)	(452)	232	(67,719)
Segment results	2,605	1,934	24	-	1,958	399	97	5,059
Share of loss of a jointly-controlled entity	(10)	-	-	-	-	(22)	10	(22)
Profit before tax	2,595	1,934	24	-	1,958	377	107	5,037
Income tax	(421)	(413)	-	-	(413)	(111)	(22)	(967)
Net profit for the period	2,174	1,521	24	-	1,545	266	85	4,070

Segment income statement for the six months ended 30 June 2009 (restated)

	Life insurance	Mainland China	Property and casualty insurance			Corporate and others	Eliminations	Total
			Hong Kong	Eliminations	Sub-total			
Gross written premiums	31,969	18,656	101	(75)	18,682	-	-	50,651
Less: Premiums ceded to reinsurers	(1,369)	(4,230)	(14)	75	(4,169)	-	-	(5,538)
Net written premiums	30,600	14,426	87	-	14,513	-	-	45,113
Net change in unearned premium reserves	(173)	(2,576)	(8)	-	(2,584)	-	-	(2,757)
Net premiums earned	30,427	11,850	79	-	11,929	-	-	42,356
Investment income	7,889	566	8	-	574	415	-	8,878
Other operating income	330	49	-	-	49	142	(109)	412
Other income	8,219	615	8	-	623	557	(109)	9,290
Segment income	38,646	12,465	87	-	12,552	557	(109)	51,646
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(8,516)	-	-	-	-	-	-	(8,516)
Claims incurred	(187)	(7,165)	(48)	-	(7,213)	-	-	(7,400)
Changes in long-term life insurance contract liabilities	(20,168)	-	-	-	-	-	-	(20,168)
Policyholder dividends	(912)	-	-	-	-	-	-	(912)
Finance costs	(135)	(3)	-	-	(3)	-	-	(138)
Interest credited to investment contracts	(1,012)	-	-	-	-	-	-	(1,012)
Other operating and administrative expenses	(5,775)	(4,462)	(29)	-	(4,491)	(261)	147	(10,380)
Segment benefits, claims and expenses	(36,705)	(11,630)	(77)	-	(11,707)	(261)	147	(48,526)
Segment results	1,941	835	10	-	845	296	38	3,120
Share of loss of a jointly-controlled entity	-	-	-	-	-	(18)	-	(18)
Profit before tax	1,941	835	10	-	845	278	38	3,102
Income tax	(384)	(192)	-	-	(192)	(68)	(11)	(655)
Net profit for the period	1,557	643	10	-	653	210	27	2,447

4. Scope of Consolidation

Particulars of the Company's incorporated subsidiaries as at 30 June 2010 are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company		Registered capital (RMB unless otherwise stated, thousand)	Paid-up capital (RMB unless otherwise stated, thousand)	Principal activities	Notes
		Direct	Indirect				
China Pacific Property Insurance Co., Ltd. ("CPPIC")	The PRC	98.41	–	5,461,000	5,461,000	Property and casualty insurance	(1)
China Pacific Life Insurance Co., Ltd. ("CPLIC")	The PRC	98.29	–	5,100,000	7,600,000	Life insurance	(2)
Pacific Asset Management Co., Ltd. ("PAMC")	Shanghai	80.00	19.66	500,000	500,000	Investment management	
China Pacific Insurance Co., (H.K.) Ltd.	Hong Kong	100.00	–	HK\$250,000	HK\$250,000	Property and casualty insurance	
Shanghai Pacific Real Estate Co., Ltd.	Shanghai	100.00	–	115,000	115,000	Management of properties	
Fenghua Xikou Garden Hotel	Zhejiang	–	98.35	8,000	8,000	Hotel operations	
Jiaxing Taibao Insurance Agency Co., Ltd.	Zhejiang	–	78.63	500	500	Insurance agency	
Changjiang Pension Insurance Co., Ltd.	Shanghai	–	51.00	787,610	787,610	Pension fund management business	

Pursuant to the approval of regulators, the Company and PAMC are in the process of establishing an asset management company in Hong Kong.

(1) Capital injection in CPPIC

On 10 November 2009, CPPIC's 2nd extraordinary shareholders' meeting resolved to further increase CPPIC's registered capital through issuance of 1,373,000,000 new ordinary shares with nominal value RMB1 per share to its then existing shareholders at a price of RMB1.82 per share. The Company subscribed for 1,349,636,851 shares in cash. Subsequently in February 2010, the Company subscribed for additional 6,354,746 shares abandoned by other shareholders. Upon the completion of share subscription, CPPIC's issued capital is increased to RMB5,461 million and the Company holds 5,374,429,646 shares in CPPIC. The Company's equity interest in CPPIC is increased from 98.30% to 98.41%. The increase of registered capital was approved by CIRC (Baojianfagai [2010]321) on 29 March 2010. CPPIC has obtained a revised business license.

(2) Capital injection in CPLIC

On 10 May 2010, CPLIC's annual shareholders' meeting for the year ended 31 December 2009 resolved to further increase CPLIC's registered capital through issuance of 2,500,000,000 new ordinary shares with nominal value RMB1 per share to its then existing shareholders at a price of RMB4.8 per share. The Company subscribed for 2,457,309,492 shares in cash. Upon the completion of share subscription, CPLIC's issued capital is increased to RMB7,600 million and the Company's equity interest in CPLIC remains unchanged at 98.29%. The increase of registered capital was approved by CIRC (Baojianfagai [2010]769) on 30 June 2010 and CPLIC is applying for a revised business license in this regard.

5. Net Written Premiums

(a) Gross written premiums

	Six months ended 30 June	
	2010	2009 (restated)
Long-term life insurance premiums	46,786	30,263
Short-term life insurance premiums	2,173	1,706
Property and casualty insurance premiums	27,107	18,682
	76,066	50,651

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2010	2009
Long-term life insurance premiums ceded to reinsurers	(1,280)	(925)
Short-term life insurance premiums ceded to reinsurers	(559)	(444)
Property and casualty insurance premiums ceded to reinsurers	(5,661)	(4,169)
	(7,500)	(5,538)

(c) Net written premiums

	Six months ended 30 June	
	2010	2009 (restated)
Net written premiums	68,566	45,113

6. Investment Income

	Six months ended 30 June	
	2010	2009
Interest and dividend income (a)	8,984	6,362
Realized gains (b)	150	2,521
Unrealized gains (c)	1	127
Charge of impairment losses on financial assets	–	(128)
Others	(4)	(4)
	9,131	8,878

(a) Interest and dividend income

	Six months ended 30 June	
	2010	2009
Financial assets at fair value through profit or loss		
– Fixed maturity investments	3	1
– Investment funds	–	1
	3	2
Held-to-maturity financial assets		
– Fixed maturity investments	2,732	1,752
Loans and receivables		
– Fixed maturity investments	2,490	2,329
Available-for-sale financial assets		
– Fixed maturity investments	1,541	1,751
– Investment funds	1,989	355
– Equity securities	229	173
	3,759	2,279
	8,984	6,362

(b) Realized gains

	Six months ended 30 June	
	2010	2009
Financial assets at fair value through profit or loss		
– Fixed maturity investments	–	11
– Investment funds	–	46
– Equity securities	–	2
	–	59
Available-for-sale financial assets		
– Fixed maturity investments	80	643
– Investment funds	(107)	198
– Equity securities	177	1,621
	150	2,462
	150	2,521

(c) Unrealized gains

	Six months ended 30 June	
	2010	2009
Financial assets at fair value through profit or loss		
– Fixed maturity investments	18	7
– Investment funds	(17)	121
– Equity securities	–	(1)
	1	127

7. Net Policyholders' Benefits and Claims

	Six months ended 30 June 2010		
	Gross	Ceded	Net
Life insurance death and other benefits paid	8,711	(68)	8,643
Claims incurred			
– Short-term life insurance	493	(177)	316
– Property and casualty insurance	10,913	(2,045)	8,868
Changes in long-term life insurance contract liabilities	34,278	(939)	33,339
Policyholder dividends	1,426	–	1,426
	55,821	(3,229)	52,592

	Six months ended 30 June 2009 (restated)		
	Gross	Ceded	Net
Life insurance death and other benefits paid	8,557	(41)	8,516
Claims incurred			
– Short-term life insurance	399	(212)	187
– Property and casualty insurance	8,757	(1,544)	7,213
Changes in long-term life insurance contract liabilities	20,877	(709)	20,168
Policyholder dividends	912	–	912
	39,502	(2,506)	36,996

8. Profit Before Tax

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

	Six months ended 30 June	
	2010	2009
Employee benefits expense (including directors' and supervisors' emoluments)	3,490	2,489
Auditors' remuneration	9	9
Operating lease payments in respect of land and buildings	222	191
Depreciation of property and equipment	396	309
Amortization of other intangible assets	82	69
Amortization of prepaid land lease payments	3	3
Amortization of other assets	5	6
Loss/(gain) on disposal of items of property and equipment, intangible assets and other long-term assets	21	(9)
Charge of impairment loss on insurance receivables	63	31
Charge of impairment loss on financial assets (note 6)	–	128
Foreign exchange loss, net	99	3

9. Income Tax

(a) Income tax

	Six months ended 30 June	
	2010	2009 (restated)
Current income tax	948	111
Deferred income tax (note 17)	19	544
	967	655

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2010	2009
Deferred income tax (note 17)	1,588	(1,002)

(c) Reconciliation of income tax

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

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

	Six months ended 30 June	
	2010	2009 (restated)
Profit before tax	5,037	3,102
Tax computed at the statutory tax rate	1,259	776
Adjustments to income tax in respect of previous periods	15	(83)
Income not subject to tax	(372)	(174)
Expenses not deductible for tax	53	132
Attributable to a jointly-controlled entity	6	4
Unrecognized deferred income tax	6	–
Income tax at the Group's effective rate	967	655

There was no share of income tax attributable to a jointly-controlled entity as it has been included in "Share of loss of a jointly-controlled entity" on the face of the interim consolidated income statement.

10. Earnings Per Share

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

	Six months ended 30 June	
	2010	2009 (restated)
Consolidated net profit for the period attributable to equity holders of the parent	4,019	2,410
Weighted average number of ordinary shares in issue (million)	8,581	7,700
Basic earnings per share	0.47	0.31
Diluted earnings per share	0.47	Not applicable

The Company's dilutive potential ordinary shares for the six months ended 30 June 2010 relate to the H share over-allotment option. The Company had no dilutive potential ordinary shares for the six months ended 30 June 2009, hence no diluted earnings per share amount is presented.

11. Other Comprehensive (Loss)/Income

	Six months ended 30 June	
	2010	2009 (restated)
Exchange differences on translation of foreign operations	(3)	(2)
Available-for-sale financial assets		
(Loss)/gains arising during the period	(6,210)	6,358
Reclassification adjustments for gains included in profit or loss	(150)	(2,462)
Impairment charges reclassified to the income statement	–	128
	(6,360)	4,024
Income tax relating to available-for-sale financial assets	1,588	(1,002)
	(4,772)	3,022
Other comprehensive (loss)/income	(4,775)	3,020

12. Financial Assets at Fair Value Through Profit or Loss

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

	30 June 2010	31 December 2009
Listed		
Investment funds	–	14
Debt securities		
– Government bonds	32	32
– Finance bonds	1,531	–
– Corporate bonds	15	15
	1,578	61
Unlisted		
Investment funds	560	272
	2,138	333

13. Held-to-Maturity Financial Assets

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

	30 June 2010	31 December 2009
Listed		
Debt securities		
– Government bonds	3,020	3,041
– Finance bonds	55	55
– Corporate bonds	9,544	8,868
	12,619	11,964
Unlisted		
Debt securities		
– Government bonds	22,016	9,679
– Finance bonds	48,022	35,717
– Corporate bonds	57,670	47,258
	127,708	92,654
	140,327	104,618

14. Available-for-Sale Financial Assets

	30 June 2010	31 December 2009
Listed		
Equity securities	23,114	24,190
Investment funds	7,079	6,841
Debt securities		
– Government bonds	1,948	6,099
– Finance bonds	9	–
– Corporate bonds	14,131	13,111
	46,281	50,241
Unlisted		
Other equity investments	5,302	5,154
Investment funds	10,478	11,832
Debt securities		
– Government bonds	537	530
– Finance bonds	24,548	29,884
– Corporate bonds	24,362	20,834
	65,227	68,234
	111,508	118,475

15. Investments Classified as Loans and Receivables

	30 June 2010	31 December 2009
Debt securities		
– Finance	6,784	7,655
– Corporate	14,340	14,544
	21,124	22,199

16. Reinsurance Assets

	30 June 2010	31 December 2009
Reinsurers' share of insurance contract liabilities (note 21)	11,639	9,147

17. 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 2010	31 December 2009
Net deferred income tax assets, at beginning of period/year	644	2,643
Recognized in profit or loss (note 9(a))	(19)	(1,219)
Recognized in other comprehensive income (note 9(b))	1,588	(780)
Net deferred income tax assets, at end of period/year	2,213	644

18. Cash and Short-Term Time Deposits

	30 June 2010	31 December 2009
Cash at banks and on hand	9,185	6,330
Time deposits with original maturity of no more than three months	12,686	23,370
Other monetary assets	569	423
	22,440	30,123

The Group's balances denominated in RMB amounted to RMB13,766 million as at 30 June 2010 (31 December 2009: RMB8,438 million). RMB is not freely convertible into other currencies; however, under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days 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.

19. Issued Capital

	30 June 2010	31 December 2009
Number of shares issued and fully paid at RMB1 each (million)	8,600	8,483

Please refer to note 1 for details of changes in issued capital.

20. Reserves and Retained Profits

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

(a) Capital reserve

Capital reserve mainly represents share premiums from issuance of shares and the deemed disposal of an equity interest in China Pacific Life Insurance Co., Ltd., the Company's life insurance subsidiary, to certain foreign investors in December 2005, and the subsequent repurchase of the said interest in the same subsidiary by the Company in April 2007.

(b) Surplus reserves

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

(i) Statutory surplus reserve ("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 generally accepted accounting principles in the PRC ("PRC GAAP"), to SSR until the balance reaches 50% of the respective registered capital.

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

Of the Group's retained profits, RMB1,692 million as at 30 June 2010 (31 December 2009: RMB1,692 million) represents the Company's share of its subsidiaries' surplus reserve fund.

(ii) Discretionary surplus reserve ("DSR")

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

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

(c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

Of the Group's retained profits, RMB1,686 million as at 30 June 2010 (31 December 2009: RMB1,686 million) represents the Company's share of its subsidiaries' general reserve.

(d) Other reserves

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

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the approval of the

annual general meeting on 3 June 2010, a final dividend of approximately RMB2,580 million (equivalent to RMB0.3 per share) was declared for the year ended 31 December 2009.

21. Insurance Contract Liabilities

As at 30 June 2010			
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 16)	Net
Long-term life insurance contracts	241,038	(4,643)	236,395
Short-term life insurance contracts			
– Unearned premiums	1,490	(285)	1,205
– Claim reserves	485	(123)	362
	1,975	(408)	1,567
Property and casualty insurance contracts			
– Unearned premiums	20,958	(3,519)	17,439
– Claim reserves	12,700	(3,069)	9,631
	33,658	(6,588)	27,070
	276,671	(11,639)	265,032
IBNR included in claim reserves	2,060	(513)	1,547

As at 31 December 2009			
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 16)	Net
Long-term life insurance contracts	208,810	(3,704)	205,106
Short-term life insurance contracts			
– Unearned premiums	1,229	(226)	1,003
– Claim reserves	470	(136)	334
	1,699	(362)	1,337
Property and casualty insurance contracts			
– Unearned premiums	14,634	(2,372)	12,262
– Claim reserves	11,009	(2,709)	8,300
	25,643	(5,081)	20,562
	236,152	(9,147)	227,005
IBNR included in claim reserves	1,821	(474)	1,347

22. Investment Contract Liabilities

	30 June 2010	31 December 2009
At beginning of period/year	52,090	50,339
Deposits received	3,854	6,328
Deposits withdrawn	(3,536)	(5,440)
Fees deducted	(171)	(384)
Interest credited	1,109	1,870
Others	(656)	(623)
At end of period/year	52,690	52,090

23. Note to Interim Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2010	2009 (restated)
Profit before tax	5,037	3,102
Investment income	(9,131)	(8,878)
Foreign currency losses, net	99	3
Finance costs	123	93
Charge of impairment losses on insurance receivables and other assets, net	65	23
Depreciation of property and equipment	396	309
Amortization of other intangible assets	82	69
Amortization of prepaid land lease payments	3	3
Amortization of other assets	5	6
Loss/(gain) on disposal of items of property and equipment, intangible assets and other long-term assets, net	21	(9)
Share of loss of a jointly-controlled entity	22	18
	(3,278)	(5,261)
Increase in reinsurance assets	(2,492)	(1,122)
Increase in insurance receivables	(1,464)	(760)
Increase in other assets	(862)	(224)
Increase in insurance contract liabilities	42,571	24,296
Increase in investment contract liabilities	600	1,209
Increase in other operating liabilities	2,979	765
Cash generated from operating activities	38,054	18,903

24. Related Party Transactions

The Group had the following material transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2010	2009
Equity holders who individually own more than 5% of equity interests of the Company	61	39

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2010	2009
Salaries, allowances and other short-term benefits	10	11
Long-term incentive paid (1)	2	2
Total compensation of key management personnel	12	13

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

25. Commitments

(a) Capital commitments

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

	30 June 2010	31 December 2009
Contracted, but not provided for	2,059	1,722
Authorized, but not contracted for	–	461
	2,059	2,183

(b) Operating lease commitments

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

	30 June 2010	31 December 2009
Within 1 year (including 1 year)	318	309
1 to 2 years (including 2 years)	221	218
2 to 3 years (including 3 years)	146	144
More than 3 years	477	504
	1,162	1,175

26. Contingent Liabilities

Owing to the nature of insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any.

In addition to the above legal proceedings, as at 30 June 2010, 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.

27. 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 the various 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 or when current market prices are not available, fair value is determined using valuation techniques.

The Group's financial assets mainly include cash and short-term time deposits, policy loans, insurance receivables, securities purchased under agreements to resell, statutory deposits, investments and other assets. The Group's financial liabilities mainly include securities sold under agreements to repurchase, investment contract liabilities, policyholders' deposits, subordinated debt issued and other liabilities.

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

The following table summarizes the carrying values and the fair values of held-to-maturity debt securities, subordinated debt, finance bonds and corporate bonds whose fair values are not presented in the consolidated balance sheet.

	As at 30 June 2010	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	140,327	144,048
Investments classified as loans and receivables	21,124	21,073
Financial liabilities:		
Subordinated debt	2,301	2,307
	As at 31 December 2009	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	104,618	103,794
Investments classified as loans and receivables	22,199	22,174
Financial liabilities:		
Subordinated debt	2,263	2,271

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.

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

28. Comparative Figures

As mentioned in note 2.1, certain comparative figures have been restated to conform to current period’s presentation.

29. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been approved and authorized for issue by the Company’s directors on 27 August 2010.



中國上海市銀城中路190號交銀金融大廈南樓
190 Central Yincheng Road, Shanghai, China
郵編(Zip): 200120
電話(Tel): +8621-58767282
傳真(Fax): +8621-68870791