

Under the rules of the Shanghai Stock Exchange on which our A shares are listed, we are required to publish, on a quarterly basis, reports containing unaudited financial statements. Since we published certain financial statements for the three months and the nine months ended 30 September 2009 in the PRC prior to the date of this prospectus, we have prepared consolidated financial statements as of and for the three months and the nine months ended 30 September 2009 in accordance with Hong Kong Financial Reporting Standards and have included such consolidated financial statements in this prospectus.



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INDEPENDENT REVIEW REPORT

The Board of Directors
China Pacific Insurance (Group) Co., Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") set out on pages II-2 to II-22, which comprise the consolidated balance sheet as at 30 September 2009, the consolidated income statements and statements of comprehensive income for the three-month and nine-month periods ended 30 September 2008 and 2009, the consolidated statements of changes in equity and cash flow statements for the nine-month periods ended 30 September 2008 and 2009, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA. A review of interim financial statements 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
10 December 2009

INTERIM CONSOLIDATED INCOME STATEMENTS

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 (unaudited)	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)
Gross written premiums and policy fees	4(a)	12,641	16,330	42,034	52,103
Less: Premiums ceded to reinsurers	4(b)	(1,879)	(2,238)	(6,569)	(7,776)
Net written premiums and policy fees	4	10,762	14,092	35,465	44,327
Net change in unearned premium reserves . .		149	(516)	(2,237)	(3,775)
Net premiums earned and policy fees		10,911	13,576	33,228	40,552
Investment income	5	(3,858)	5,797	10,594	14,675
Other operating income		58	87	402	252
Other income		(3,800)	5,884	10,996	14,927
Total income		7,111	19,460	44,224	55,479
Net policyholders' benefits and claims:					
Life insurance death and other benefits paid	6	(148)	(631)	(2,283)	(2,481)
Claims incurred	6	(3,557)	(4,112)	(10,598)	(11,473)
Changes in long-term traditional insurance contract liabilities	6	1,309	(4,952)	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	6	(1,236)	(1,268)	(3,558)	(3,681)
Policyholder dividends	6	(729)	(580)	(2,003)	(1,565)
Finance costs		(91)	(169)	(471)	(307)
Interest credited to investment contracts . .		(26)	(18)	(85)	(56)
Amortisation on deferred acquisition costs . .		(1,341)	(2,241)	(3,858)	(6,027)
Provision for insurance guarantee fund		(78)	(96)	(254)	(309)
Change in deferred revenue		(1,031)	(374)	(2,572)	(1,361)
Other operating and administrative expenses		(1,626)	(1,980)	(5,504)	(5,583)
Total benefits, claims and expenses		(8,554)	(16,421)	(39,522)	(47,307)
Share of (loss)/profit of:					
A jointly-controlled entity		(42)	26	(44)	52
(Loss)/profit before tax	7	(1,485)	3,065	4,658	8,224
Income tax	8	388	(773)	443	(1,931)
Net (loss)/profit for the period		(1,097)	2,292	5,101	6,293
Attributable to:					
Equity holders of the parent		(1,101)	2,258	4,981	6,195
Minority interests		4	34	120	98
		(1,097)	2,292	5,101	6,293
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent . .	9	<u>RMB(0.14)</u>	<u>RMB0.29</u>	<u>RMB0.65</u>	<u>RMB0.80</u>

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts expressed in RMB million unless otherwise specified)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2008 (unaudited)	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)
Net (loss)/profit for the period		<u>(1,097)</u>	<u>2,292</u>	<u>5,101</u>	<u>6,293</u>
Other comprehensive income					
Exchange differences on translation of foreign operations		(1)	—	(7)	(2)
Net gains/(losses) on available-for-sale financial assets		2,947	(6,833)	(25,858)	(3,060)
Shadow accounting adjustment		(2,302)	1,991	4,602	2,371
Income tax relating to components of other comprehensive income/(loss) . . .		<u>(145)</u>	<u>1,199</u>	<u>5,307</u>	<u>161</u>
Other comprehensive income/(loss) for the period, net of tax.	10	<u>499</u>	<u>(3,643)</u>	<u>(15,956)</u>	<u>(530)</u>
Total comprehensive (loss)/income for the period, net of tax.		<u>(598)</u>	<u>(1,351)</u>	<u>(10,855)</u>	<u>5,763</u>
Attributable to:					
Equity holders of the parent		(593)	(1,329)	(10,666)	5,670
Minority interests		<u>(5)</u>	<u>(22)</u>	<u>(189)</u>	<u>93</u>
		<u>(598)</u>	<u>(1,351)</u>	<u>(10,855)</u>	<u>5,763</u>

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts expressed in RMB million unless otherwise specified)

	Notes	31 December 2008 (audited)	30 September 2009 (unaudited)
ASSETS			
Property and equipment		6,596	7,326
Intangible assets		365	343
Prepaid land lease payments		213	205
Investment in a jointly-controlled entity		391	397
Financial assets at fair value through profit or loss	11	1,166	371
Held-to-maturity financial assets	12	70,980	86,618
Available-for-sale financial assets	13	96,142	117,694
Investments classified as loans and receivables	14	16,532	22,200
Securities purchased under agreements to resell		60	—
Term deposits		82,756	86,340
Restricted statutory deposits		1,838	1,838
Policy loans		698	1,182
Interest receivables		4,979	6,708
Deferred acquisition costs		20,114	24,046
Reinsurance assets	15	9,627	11,396
Deferred income tax assets	16	763	726
Income tax receivable		508	—
Insurance receivables		4,303	4,877
Other assets		2,406	3,555
Cash and short-term time deposits	17	17,513	11,996
Total assets		337,950	387,818
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	7,700	7,700
Reserves	19	38,264	37,739
Retained profits	19	13,391	17,276
Equity attributable to equity holders of the parent		59,355	62,715
Minority interests		671	706
Total equity		60,026	63,421
Liabilities			
Insurance contract liabilities	20	239,467	274,256
Investment contract liabilities	21	3,039	2,454
Subordinated debt		2,188	2,244
Securities sold under agreements to repurchase		7,020	14,778
Policyholders' deposits		576	90
Provisions		98	94
Deferred income tax liabilities	16	1,753	3,058
Income tax payable		8	382
Deferred revenue		9,469	11,016
Premium received in advance		2,788	1,454
Policyholder dividend payable		4,147	4,956
Payables to reinsurers		2,213	3,058
Other liabilities		5,158	6,557
Total liabilities		277,924	324,397
Total equity and liabilities		337,950	387,818

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in RMB million unless otherwise specified)

For the nine months ended 30 September 2008 (unaudited)									
Attributable to equity holders of the parent									
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve				
At 1 January 2008	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Total comprehensive (loss)/income	—	—	—	(7)	(15,640)	4,981	(10,666)	(189)	(10,855)
Dividends declared ¹	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(60)	(60)
Capital injection into subsidiaries	—	10	—	—	—	—	10	126	136
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries . .	—	9	—	—	(9)	—	—	—	—
At 30 September 2008	<u>7,700</u>	<u>38,538</u>	<u>894</u>	<u>(25)</u>	<u>(3,506)</u>	<u>15,377</u>	<u>58,978</u>	<u>589</u>	<u>59,567</u>

1 Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2007, amounting to RMB2,310 million (RMB0.30 per share).

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

(All amounts expressed in RMB million unless otherwise specified)

For the nine months ended 30 September 2009 (unaudited)									
Attributable to equity holders of the parent									
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve				
At 1 January 2009	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026
Total comprehensive (loss)/income	—	—	—	(2)	(523)	6,195	5,670	93	5,763
Dividends declared ¹	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(58)	(58)
At 30 September 2009	<u>7,700</u>	<u>38,541</u>	<u>985</u>	<u>(26)</u>	<u>(1,761)</u>	<u>17,276</u>	<u>62,715</u>	<u>706</u>	<u>63,421</u>

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).

INTERIM CONSOLIDATED CASH FLOW STATEMENTS

(All amounts expressed in RMB million unless otherwise specified)

		Nine months ended 30 September	
	Note	2008	2009
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	22	22,986	27,097
Income tax (paid)/refund		(148)	454
Net cash inflow from operating activities		22,838	27,551
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(2,521)	(1,198)
Proceeds from sale of items of property and equipment, intangible assets and other assets		131	21
Purchases of investments, net.		(31,416)	(44,784)
Increase of investments in a jointly-controlled entity		(50)	—
Interest received		6,387	6,997
Dividends received from investments		7,191	620
Net cash outflow from investing activities		(20,278)	(38,344)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(10,863)	7,758
Capital contribution from minority shareholders of subsidiaries		137	—
Interest paid		(420)	(199)
Dividends paid		(2,268)	(2,342)
Net cash (outflow)/inflow from financing activities		(13,414)	5,217
Effects of exchange rate changes on cash and cash equivalents		(90)	(1)
Net decrease in cash and cash equivalents		(10,944)	(5,577)
Cash and cash equivalents at beginning of period		29,122	17,573
Cash and cash equivalents at end of period		18,178	11,996
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		5,743	6,588
Time deposits with original maturity of no more than three months		9,203	4,684
Other monetary assets.		1,504	724
Securities purchased under agreements to resell with original maturity of no more than three months		1,728	—
Cash and cash equivalents at end of period		18,178	11,996

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to approval by the China Insurance Regulatory Commission in 2001, the Company separated its insurance business into property and casualty insurance and life insurance and was restructured as an investment holding, joint stock limited company in October 2001.

In December 2007, the Company conducted a public offering of A Shares in the PRC. Upon the completion of the A share offering, the share 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.

The principal activities of the Company and its subsidiaries (the "Group") are various property and casualty and life insurance businesses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements 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, 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 HKFRSs financial statements as included in the Accountants' Report dated 10 December 2009, the text of which is set out in Appendix I to the Prospectus.

The preparation of these financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's HKFRSs financial statements as included in the Accountants' Report dated 10 December 2009.

3. SEGMENT INFORMATION

For management purpose, the Group is organised 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 nine-month periods ended 30 September 2008 and 2009, no gross written premiums and policy fees from transactions with a single external customer amounted to 2% or more of the Group's total gross written premiums and policy fees.

APPENDIX II
UNAUDITED INTERIM FINANCIAL REPORT

Segment income statement for the nine-month period ended 30 September 2008 (unaudited)

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	19,833	22,160	136	(95)	22,201	—	—	42,034
Less: Premiums ceded to reinsurers	(1,444)	(5,197)	(23)	95	(5,125)	—	—	(6,569)
Net written premiums and policy fees	18,389	16,963	113	—	17,076	—	—	35,465
Net change in unearned premium reserves	(78)	(2,151)	(8)	—	(2,159)	—	—	(2,237)
Net premiums earned and policy fees	18,311	14,812	105	—	14,917	—	—	33,228
Investment income	10,391	1,302	6	—	1,308	(1,105)	—	10,594
Other operating income	94	35	—	—	35	408	(135)	402
Other income	10,485	1,337	6	—	1,343	(697)	(135)	10,996
Segment income	28,796	16,149	111	—	16,260	(697)	(135)	44,224
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,283)	—	—	—	—	—	—	(2,283)
Claims incurred	(481)	(10,039)	(78)	—	(10,117)	—	—	(10,598)
Changes in long-term traditional insurance contract liabilities	(8,336)	—	—	—	—	—	—	(8,336)
Interest credited to long- term investment type insurance contract liabilities	(3,558)	—	—	—	—	—	—	(3,558)
Policyholder dividends	(2,003)	—	—	—	—	—	—	(2,003)
Finance costs	(270)	(163)	—	—	(163)	(38)	—	(471)
Interest credited to investment contracts	(85)	—	—	—	—	—	—	(85)
Amortisation on deferred acquisition costs	(1,686)	(2,172)	—	—	(2,172)	—	—	(3,858)
Provision for insurance guarantee fund	(84)	(170)	—	—	(170)	—	—	(254)
Change in deferred revenue . .	(2,572)	—	—	—	—	—	—	(2,572)
Other operating and administrative expenses	(2,432)	(2,907)	(36)	—	(2,943)	(318)	189	(5,504)
Segment benefits, claims and expenses	(23,790)	(15,451)	(114)	—	(15,565)	(356)	189	(39,522)
Segment results	5,006	698	(3)	—	695	(1,053)	54	4,702
Share of loss of:								
A jointly-controlled entity . .	—	—	—	—	—	(44)	—	(44)
Profit/(loss) before tax	5,006	698	(3)	—	695	(1,097)	54	4,658
Income tax	84	(80)	—	—	(80)	439	—	443
Net profit/(loss) for the period	5,090	618	(3)	—	615	(658)	54	5,101

APPENDIX II
UNAUDITED INTERIM FINANCIAL REPORT

Segment income statement for the nine-month period ended 30 September 2009 (unaudited)

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	25,058	27,001	154	(110)	27,045	—	—	52,103
Less: Premiums ceded to reinsurers	(2,088)	(5,775)	(23)	110	(5,688)	—	—	(7,776)
Net written premiums and policy fees	22,970	21,226	131	—	21,357	—	—	44,327
Net change in unearned premium reserves	(323)	(3,441)	(11)	—	(3,452)	—	—	(3,775)
Net premiums earned and policy fees	22,647	17,785	120	—	17,905	—	—	40,552
Investment income	13,027	860	14	—	874	771	3	14,675
Other operating income	134	76	2	—	78	207	(167)	252
Other income	13,161	936	16	—	952	978	(164)	14,927
Segment income	35,808	18,721	136	—	18,857	978	(164)	55,479
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,481)	—	—	—	—	—	—	(2,481)
Claims incurred	(280)	(11,123)	(70)	—	(11,193)	—	—	(11,473)
Changes in long-term traditional insurance contract liabilities	(14,464)	—	—	—	—	—	—	(14,464)
Interest credited to long- term investment type insurance contract liabilities	(3,681)	—	—	—	—	—	—	(3,681)
Policyholder dividends	(1,565)	—	—	—	—	—	—	(1,565)
Finance costs	(296)	(9)	—	—	(9)	(2)	—	(307)
Interest credited to investment contracts	(56)	—	—	—	—	—	—	(56)
Amortisation on deferred acquisition costs	(3,015)	(3,012)	—	—	(3,012)	—	—	(6,027)
Provision for insurance guarantee fund	(93)	(216)	—	—	(216)	—	—	(309)
Change in deferred revenue	(1,361)	—	—	—	—	—	—	(1,361)
Other operating and administrative expenses	(2,498)	(2,847)	(43)	—	(2,890)	(412)	217	(5,583)
Segment benefits, claims and expenses	(29,790)	(17,207)	(113)	—	(17,320)	(414)	217	(47,307)
Segment results	6,018	1,514	23	—	1,537	564	53	8,172
Share of profit of:								
A jointly-controlled entity	—	—	—	—	—	52	—	52
Profit before tax	6,018	1,514	23	—	1,537	616	53	8,224
Income tax	(1,409)	(374)	—	—	(374)	(133)	(15)	(1,931)
Net profit for the period	4,609	1,140	23	—	1,163	483	38	6,293

4. NET WRITTEN PREMIUMS AND POLICY FEES

(a) Gross written premiums and policy fees

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Long-term life insurance premiums	14,114	18,421
Short-term life insurance premiums	2,192	2,634
Property and casualty insurance premiums	22,201	27,045
Policy fees	3,527	4,003
	<u>42,034</u>	<u>52,103</u>

(b) Premiums ceded to reinsurers

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Long-term life insurance premiums ceded to reinsurers	(776)	(1,402)
Short-term life insurance premiums ceded to reinsurers	(668)	(686)
Property and casualty insurance premiums ceded to reinsurers	(5,125)	(5,688)
	<u>(6,569)</u>	<u>(7,776)</u>

(c) Net written premiums and policy fees

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Net written premiums and policy fees	<u>35,465</u>	<u>44,327</u>

5. INVESTMENT INCOME

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Interest and dividend income(a)	14,854	9,554
Realised gains/(losses)(b)	(54)	5,124
Unrealised gains/(losses)(c)	(695)	125
Charge of impairment losses on financial assets	<u>(3,511)</u>	<u>(128)</u>
	<u>10,594</u>	<u>14,675</u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL REPORT
(a) Interest and dividend income

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Financial assets at fair value through profit or loss		
- Fixed maturity investments	1	2
- Investment funds	143	1
- Equity securities	1	—
	<u>145</u>	<u>3</u>
Held-to-maturity financial assets		
- Fixed maturity investments	<u>2,071</u>	<u>2,723</u>
Loans and receivables		
- Fixed maturity investments	<u>3,296</u>	<u>3,547</u>
Available-for-sale financial assets		
- Fixed maturity investments	2,328	2,656
- Investment funds	6,847	448
- Equity securities	167	177
	<u>9,342</u>	<u>3,281</u>
	<u>14,854</u>	<u>9,554</u>

(b) Realised gains/(losses)

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Derivative financial instruments	<u>5</u>	<u>—</u>
Other financial assets at fair value through profit or loss		
- Fixed maturity investments	—	19
- Investment funds	307	46
- Equity securities	23	2
	<u>330</u>	<u>67</u>
Available-for-sale financial assets		
- Fixed maturity investments	1	845
- Investment funds	(1,684)	711
- Equity securities	1,294	3,501
	<u>(389)</u>	<u>5,057</u>
	<u>(54)</u>	<u>5,124</u>

(c) Unrealised gains/(losses)

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Financial assets at fair value through profit or loss		
- Fixed maturity investments	2	(1)
- Investment funds	(594)	127
- Equity securities	(103)	(1)
	<u>(695)</u>	<u>125</u>

APPENDIX II**UNAUDITED INTERIM FINANCIAL REPORT****6. NET POLICYHOLDERS' BENEFITS AND CLAIMS**

	Nine months ended 30 September 2008		
	Gross	Ceded	Net
	(unaudited)		
Life insurance death and other benefits paid	2,283	—	2,283
Claims incurred			
- Short-term life insurance	774	(293)	481
- Property and casualty insurance	13,621	(3,504)	10,117
Changes in long-term traditional insurance contract liabilities	8,692	(356)	8,336
Interest credited to long-term investment type insurance contract liabilities	3,558	—	3,558
Policyholder dividends	2,003	—	2,003
	<u>30,931</u>	<u>(4,153)</u>	<u>26,778</u>

	Nine months ended 30 September 2009		
	Gross	Ceded	Net
	(unaudited)		
Life insurance death and other benefits paid	2,481	—	2,481
Claims incurred			
- Short-term life insurance	637	(357)	280
- Property and casualty insurance	13,701	(2,508)	11,193
Changes in long-term traditional insurance contract liabilities	15,512	(1,048)	14,464
Interest credited to long-term investment type insurance contract liabilities	3,681	—	3,681
Policyholder dividends	1,565	—	1,565
	<u>37,577</u>	<u>(3,913)</u>	<u>33,664</u>

7. PROFIT BEFORE TAX

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Employee benefits expense (including directors' and supervisors' emoluments)	2,834	3,835
Auditors' remuneration	33	14
Operating lease payments in respect of land and buildings	200	278
Depreciation of property and equipment	386	497
Amortisation of intangible assets	84	105
Amortisation of prepaid land lease payments	3	7
Amortisation of other assets	7	6
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(123)	(17)
Charge of impairment loss on insurance receivables	109	37
Charge of impairment loss on financial assets (note 5)	3,511	128
Foreign exchange loss, net	<u>122</u>	<u>3</u>

8. INCOME TAX**(a) Income tax expense**

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Current income tax	76	428
Deferred income tax (note 16)	(519)	1,503
	<u>(443)</u>	<u>1,931</u>

(b) Tax recorded in other comprehensive income

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Deferred income tax (note 16)	<u>(5,307)</u>	<u>(161)</u>

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

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Profit before tax	4,658	8,224
Tax computed at the statutory tax rate	1,165	2,056
Lower tax rates of subsidiaries incorporated outside the Mainland China	—	(2)
Adjustments to income tax in respect of previous periods	3	(48)
Attributable to a jointly-controlled entity	11	(13)
Income not subject to tax	(1,863)	(215)
Expenses not deductible for tax	62	153
Unrecognized deferred income tax assets	179	—
Tax expense at the Group's effective rate	<u>(443)</u>	<u>1,931</u>

There was no share of income tax attributable to the jointly-controlled entity as they have been included in "Share of profit/(loss) of a jointly-controlled entity" on the face of the interim consolidated income statement.

9. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Consolidated net profit for the period attributable to equity holders of the parent . . .	4,981	6,195
Weighted average number of ordinary shares in issue (million)	7,700	7,700
Earnings per ordinary share	<u>RMB0.65</u>	<u>RMB0.80</u>

The Company had no dilutive potential ordinary shares for the nine-month periods ended 30 September 2008 and 2009, hence no diluted earnings per share amount is presented.

10. OTHER COMPREHENSIVE LOSS

	Nine months ended 30 September	
	2008 (unaudited)	2009 (unaudited)
Exchange differences on translation of foreign operations	(7)	(2)
Available-for-sale financial assets		
Gains/(losses) arising during the period	(29,758)	1,869
Reclassification adjustments for (gains)/losses included in profit or loss	389	(5,057)
Impairment charges reclassified to the income statement	3,511	128
	(25,858)	(3,060)
Income tax relating to available-for-sale financial assets	6,458	754
	(19,400)	(2,306)
Shadow accounting adjustment	4,602	2,371
Income tax relating to shadow accounting adjustment	(1,151)	(593)
	3,451	1,778
Other comprehensive loss	(15,956)	(530)

11. 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:

	31 December 2008 (audited)	30 September 2009 (unaudited)
Listed		
Equity securities	17	—
Investment funds	226	17
Debt securities		
- Government bonds	33	32
- Corporate bonds	54	66
	330	115
Unlisted		
Investment funds	836	256
	1,166	371

12. HELD-TO-MATURITY FINANCIAL ASSETS

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

	31 December 2008 (audited)	30 September 2009 (unaudited)
Listed		
Debt securities		
- Government bonds	3,955	3,037
- Finance bonds	58	51
- Corporate bonds	6,193	8,462
	10,206	11,550
Unlisted		
Debt securities		
- Government bonds	1,601	3,055
- Finance bonds	18,331	28,876
- Corporate bonds	40,842	43,137
	60,774	75,068
	70,980	86,618

APPENDIX II
UNAUDITED INTERIM FINANCIAL REPORT
13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>31 December 2008</u> (audited)	<u>30 September 2009</u> (unaudited)
Listed		
Equity securities	5,307	24,518
Investment funds	4,033	6,657
Debt securities		
- Government bonds	11,239	6,931
- Corporate bonds	<u>12,319</u>	<u>12,542</u>
	<u>32,898</u>	<u>50,648</u>
Unlisted		
Other equity investments	1,622	3,480
Investment funds	2,886	9,379
Debt securities		
- Government bonds	4,457	542
- Finance bonds	39,328	32,955
- Corporate bonds	<u>14,951</u>	<u>20,690</u>
	<u>63,244</u>	<u>67,046</u>
	<u>96,142</u>	<u>117,694</u>

At 30 September 2009, certain unlisted equity investments with a carrying amount of RMB3,480 million (RMB1,622 million at 31 December 2008) were stated at cost because their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

14. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>31 December 2008</u> (audited)	<u>30 September 2009</u> (unaudited)
Debt securities		
-Finance	11,537	7,656
-Corporate	<u>4,995</u>	<u>14,544</u>
	<u>16,532</u>	<u>22,200</u>

15. REINSURANCE ASSETS

	<u>31 December 2008</u> (audited)	<u>30 September 2009</u> (unaudited)
Reinsurers' share of insurance contracts (note 20)	9,627	11,396
Reinsurers' share of investment contracts (note 21)	<u>—</u>	<u>—</u>
	<u>9,627</u>	<u>11,396</u>

16. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	<u>31 December 2008</u> (audited)	<u>30 September 2009</u> (unaudited)
Net deferred income tax liabilities, at beginning of year/period	(6,714)	(990)
Recognised as income/(expense) (note 8(a))	1,161	(1,503)
Recognised in equity (note 8(b))	<u>4,563</u>	<u>161</u>
Net deferred income tax liabilities, at end of year/period	<u>(990)</u>	<u>(2,332)</u>

17. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2008	30 September 2009
	(audited)	(unaudited)
Cash at banks and on hand	5,991	6,588
Time deposits with original maturity of no more than three months . . .	10,997	4,684
Other monetary assets	525	724
	<u>17,513</u>	<u>11,996</u>

The Group's balances denominated in RMB amounted to RMB10,396 million as at 30 September 2009 (RMB15,810 million as at 31 December 2008). RMB is not freely convertible into other currencies; however, under Mainland China's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised 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 one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

18. ISSUED CAPITAL

	31 December 2008	30 September 2009
	(audited)	(unaudited)
Number of shares registered, issued and fully paid at RMB1 each (million)	<u>7,700</u>	<u>7,700</u>

19. RESERVES AND RETAINED PROFITS

(a) Capital reserve

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

(b) Surplus reserves

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

(i) Statutory surplus reserve ("SSR")

According to the PRC Company Law and the articles of association of the Company and its subsidiaries in Mainland China, 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, RMB994 million as at 30 September 2009 (31 December 2008: RMB994 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

(ii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the SSR, the Company and its subsidiaries in Mainland China 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 Mainland China 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, RMB991 million as at 30 September 2009 (31 December 2008: RMB991 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

(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 Mainland China.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company after the listing of its shares on the Main Board of the Stock Exchange of Hong Kong should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. The amount that the Company's subsidiaries can legally distribute by way of a dividend is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in the financial statements prepared in accordance with HKFRSs.

20. INSURANCE CONTRACT LIABILITIES

	As at 31 December 2008 (audited)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 15)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	79,638	(3,001)	76,637
- Investment type insurance contracts	132,536	—	132,536
- Claim reserves	709	(16)	693
	<u>212,883</u>	<u>(3,017)</u>	<u>209,866</u>
Short-term life insurance contracts			
- Unearned premiums	1,426	(444)	982
- Claim reserves	470	(139)	331
	<u>1,896</u>	<u>(583)</u>	<u>1,313</u>
Property and casualty insurance contracts			
- Unearned premiums	14,520	(3,090)	11,430
- Claim reserves	10,168	(2,937)	7,231
	<u>24,688</u>	<u>(6,027)</u>	<u>18,661</u>
	<u>239,467</u>	<u>(9,627)</u>	<u>229,840</u>
IBNR included in claim reserves	<u>1,815</u>	<u>(509)</u>	<u>1,306</u>

	As at 30 September 2009 (unaudited)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 15)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	93,449	(4,049)	89,400
- Investment type insurance contracts	148,343	—	148,343
- Claim reserves	794	(18)	776
	<u>242,586</u>	<u>(4,067)</u>	<u>238,519</u>
Short-term life insurance contracts			
- Unearned premiums	1,756	(451)	1,305
- Claim reserves	427	(128)	299
	<u>2,183</u>	<u>(579)</u>	<u>1,604</u>
Property and casualty insurance contracts			
- Unearned premiums	18,887	(4,004)	14,883
- Claim reserves	10,600	(2,746)	7,854
	<u>29,487</u>	<u>(6,750)</u>	<u>22,737</u>
	<u>274,256</u>	<u>(11,396)</u>	<u>262,860</u>
IBNR included in claim reserves	<u>1,882</u>	<u>(491)</u>	<u>1,391</u>

21. INVESTMENT CONTRACT LIABILITIES

	31 December 2008 (audited)	30 September 2009 (unaudited)
Investment contract liabilities	3,039	2,454
Reinsurers' share of investment contract liabilities (note 15)	—	—
	<u>3,039</u>	<u>2,454</u>

22. NOTE TO INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Profit before tax	4,658	8,224
Investment income	(10,594)	(14,675)
Foreign currency losses, net	122	3
Finance costs	471	240
Charge of impairment losses on insurance receivables and other assets, net	91	27
Depreciation of property and equipment	386	497
Amortisation of intangible assets	84	105
Amortisation of other assets	7	6
Amortisation of prepaid land lease payments	3	7
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(123)	(17)
Share of loss/(profit) of a jointly-controlled entity	44	(52)
	(4,851)	(5,635)
Increase in deferred acquisition costs	(4,076)	(3,822)
Increase in reinsurance assets	(1,961)	(1,769)
Increase in insurance receivables	(2,416)	(611)
Increase in other assets	(1,311)	(32)
Increase in insurance contract liabilities	37,576	42,803
Decrease in investment contract liabilities	(1,214)	(585)
Increase in insurance guarantee fund	20	19
Increase in deferred revenue	2,572	1,361
Decrease in other operating liabilities	(1,353)	(4,632)
Cash generated from operating activities	<u>22,986</u>	<u>27,097</u>

23. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

(a) Sale of insurance and investment contracts

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Equity holders who individually own more than 5% of equity interests of the Company	<u>45</u>	<u>42</u>

The Directors are of the opinion that 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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Salaries, allowances and other short-term benefits	18	16
Long-term incentive paid ⁽¹⁾	<u>1</u>	<u>3</u>
Total compensation of key management personnel	<u>19</u>	<u>19</u>

1 This represents amount paid to key management personnel under the Group's long-term incentive plan. 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, and the eventual entitlement and payment of such amounts depend upon the future performance of both the Group and the relevant personnel.

24. COMMITMENTS

(a) Capital commitments

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

	31 December 2008 (audited)	30 September 2009 (unaudited)
Contracted, but not provided for:	6,863	2,526
Authorised, but not contracted for:	461	461
	<u>7,324</u>	<u>2,987</u>

(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:

	31 December 2008 (audited)	30 September 2009 (unaudited)
Within 1 year	256	290
1 to 2 years	200	205
2 to 3 years	127	130
More than 3 years	499	514
	<u>1,082</u>	<u>1,139</u>

25. 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 management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any.

In addition to the above legal proceedings, the Group was the defendant in certain pending litigation and disputes with a gross claim of RMB9 million and nil as at 31 December 2008 and 30 September 2009. 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. Provision amounts had decreased as they had been utilized for the settlement of such claims.

26. RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRSs FINANCIAL STATEMENTS

The material differences between the Group's PRC GAAP and HKFRSs financial statements are as follows:

Consolidated net profit attributable to equity holders of the parent

	Notes	Nine Months Ended 30 September	
		2008	2009
Financial statements prepared in accordance with PRC GAAP		3,876	4,061
Premiums, benefits and reserves for life insurance	(i)	(2,493)	(995)
Deferred acquisition costs	(ii)	4,083	3,822
Deferred tax	(iii)	(396)	(706)
Minority interests and others		(89)	13
Financial statements prepared in accordance with HKFRSs		<u>4,981</u>	<u>6,195</u>

Consolidated equity attributable to equity holders of the parent

		<u>31 December 2008</u>	<u>30 September 2009</u>
Financial statements prepared in accordance with PRC GAAP		48,741	50,052
Premiums, benefits and reserves for life insurance	(i)	(5,958)	(7,140)
Deferred acquisition costs	(ii)	20,114	24,046
Deferred tax	(iii)	(3,538)	(4,226)
Minority interests and others		<u>(4)</u>	<u>(17)</u>
Financial statements prepared in accordance with HKFRSs		<u>59,355</u>	<u>62,715</u>

(i) Premiums, benefits and reserves for life insurance

In the Group's PRC GAAP financial statements, long-term products generally comprise long-term life insurance and long-term health insurance, where premiums received and benefits paid are recognized in current period's income statement. In the Group's HKFRSs financial statements, long-term products are mainly classified as long-term traditional insurance contracts, long-term investment type insurance contracts and investment contracts. Premiums from long-term traditional life insurance contracts are recognised as revenue when due from policyholders, whereas amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits and only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue.

Also included in this reconciling item are differences in actuarial reserving methodologies. In the Group's PRC GAAP financial statements, reserves for life insurance are provided for in accordance with related actuarial regulations promulgated by CIRC. In the Group's HKFRSs financial statements, reserves for life insurance are provided for in accordance with HKFRS 4 Insurance Contracts with reference to international practices.

(ii) Deferred acquisition costs

In the Group's PRC GAAP financial statements, the costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, are recognized in the income statement when incurred. In the Group's HKFRSs financial statements, commissions, underwriting, marketing and policy issue expenses of acquiring new and renewal policies are deferred and amortized over the expected life of the insurance contracts as a constant percentage of expected premiums or as a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product types.

(iii) Deferred tax related to the above differences

The above differences between the Group's PRC GAAP and HKFRSs financial statements are temporary differences in accordance with HKAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities accordingly using the tax rates at that time expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

27. POST BALANCE SHEET EVENT

In April 2009, pursuant to the approval from CPLIC's board of directors, CPLIC entered into a share transfer agreement with Shanghai International Group ("SIG") to purchase SIG's 114 million shares in Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") for RMB170 million. CPLIC also entered into a share subscription agreement with Changjiang Pension to subscribe for 219 million new shares in Changjiang Pension for RMB328 million. The subscription amounting to RMB328 million was subsequently paid in July 2009. The share transfer agreement was approved by CIRC in October 2009. The share subscription was not yet completed.