2011
Interim Report

(Stock Code: 02601)

信·任二十年

中国太平洋保险
China Pacific Insurance

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	2011	2010
Gross written premiums	**86,875**	**76,066**
Life insurance	54,574	48,959
Property and casualty insurance	32,267	27,078
Net profit attributable to equity holders of the parent	**5,816**	**4,019**
Life insurance	2,793	2,174
Property and casualty insurance	2,342	1,521
New business value of life insurance for the first half of the year	**3,830**	**3,238**
Combined ratio of property and casualty insurance (%)	**91.1**	**94.5**

Unit: in RMB million

Key Accounting Data	January to June 2011	January to June 2010	Variance (%)
Total income	85,805	72,778	17.9
Profit before tax	7,519	5,037	49.3
Net profit[note]	5,816	4,019	44.7
Net cash flow from operating activities	35,137	37,604	(6.6)
	30 June 2011	**31 December 2010**	**Variance (%)**
Total assets	537,223	475,711	12.9
Equity[note]	79,809	80,297	(0.6)

Note: Attributable to equity holders of the parent.

Key Financial Indicators	January to June 2011	January to June 2010	Variance (%)
Basic earnings per share (RMB per share)[note]	0.68	0.47	44.7
Diluted earnings per share (RMB per share)[note]	0.68	0.47	44.7
Weighted average return on equity (%)[note]	7.2	5.2	Increased by 2.0pt
Net cash inflow per share from operating activities (RMB per share)	4.09	4.37	(6.6)
	30 June 2011	**31 December 2010**	**Variance (%)**
Net assets per share (RMB per share)[note]	9.28	9.34	(0.6)

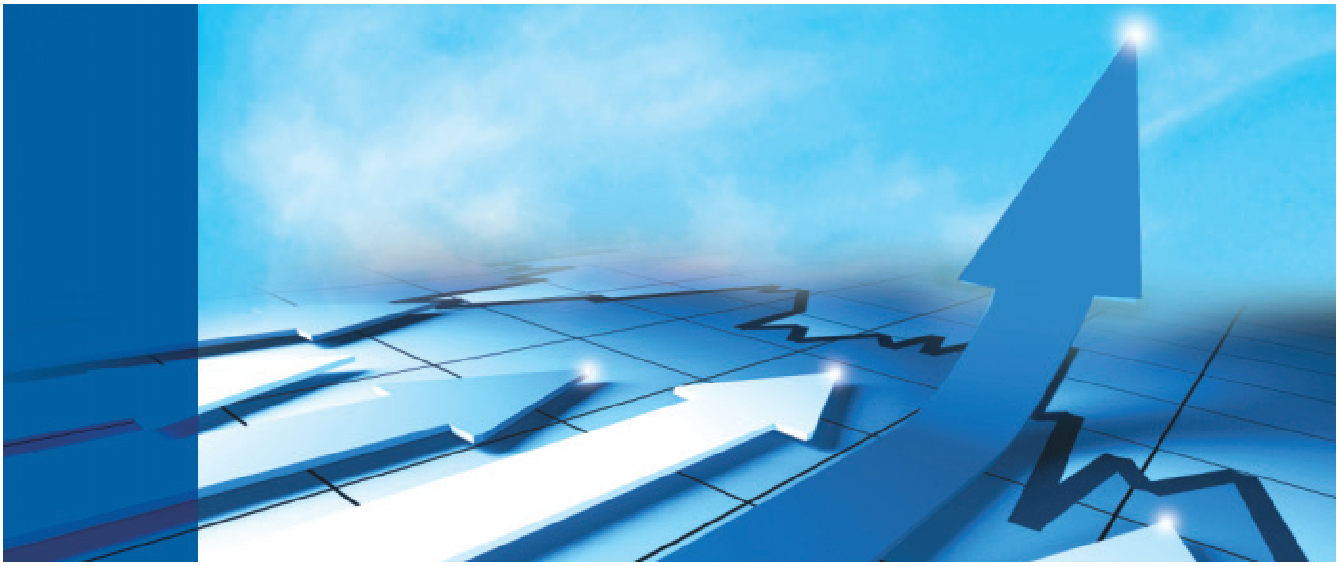
Note: Attributable to equity holders of the parent.

Contents

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 2011 Interim Report of the Company was considered and approved at the 6th session of the 6th Board of Directors on 26 August 2011, which 15 Directors were required to attend and 14 of them attended in person and WU Jumin, a Director, appointed in writing GAO Guofu, Chairman of the Board of Directors, a Director, to attend the meeting and vote on his behalf.
2. The 2011 Interim Financial Report of the Company has not been audited.

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 Investment (H.K.)"	CPIC Investment Management (H.K.) Company Limited, a holding 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
"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
"PRC GAAP"	China Accounting Standards for Business Enterprises issued by Ministry of Finance of the People's Republic of China, and the application guide, interpretation and other related regulations issued afterwards
"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
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Joint Company Secretary: MA Sau Kuen Gloria
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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:
Suite 4301, 43/F., Central Plaza, 18 Habour Road, Wanchai, Hong Kong
Website: http://www.cpic.com.cn
Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):
China Securities, Shanghai Securities and Securities Times
Announcements for A Share Published at: http://www.sse.com.cn
Announcements for H Share Published at: http://www.hkexnews.hk
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 Center,
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: 100000000011107
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 Center, 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 2011	January to June 2010	Variance (%)
Total income	85,805	72,778	17.9
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Note:
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II. Other Key Financial and Regulatory Indicators

Unit: in RMB million

Indicators	30 June 2011/ January to June 2011	31 December 2010/ January to June 2010
The Group		
Investment assets[(1)]	490,513	435,751
Investment returns (%)[(2)]	4.4	4.3
Life insurance[(3)]		
Net premiums earned	53,080	46,918
Growth rate of net premiums earned (%)	13.1	54.2
Net policyholders' benefits and claims	48,185	43,724
Property and casualty insurance[(3)]		
Net premiums earned	21,921	16,175
Growth rate of net premiums earned (%)	35.5	36.5
Claims incurred	12,416	8,823
Unearned premium reserves	26,929	21,933
Claim reserves	18,167	15,211
Combined ratio (%)[(4)]	91.1	94.5
Comprehensive loss ratio (%)[(5)]	56.6	54.5

Notes:

(1) Investment assets include cash and short-term time deposits.

(2) Investment returns = (investment income + interest income from cash and short-term time deposits + rental income from investment properties + gain from disposal of a jointly-controlled entity + share of profit/(loss) of a jointly-controlled entity - 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) The life insurance and property and casualty insurance businesses stated above refer to those businesses of CPIC Life and CPIC Property respectively.

(4) Combined ratio = (claims incurred + operating and administrative expenses relating to insurance businesses)/net premiums earned.

(5) Comprehensive loss ratio = claims incurred/net premiums earned.

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 2011 and 31 December 2010 and the net profit of the Group for the 6-month periods ended 30 June 2011 and 30 June 2010 as stated in accordance with PRC GAAP and HKFRS.

Section IV Chairman's Statement

Chairman's Statement

CPIC holding its 20th anniversary celebration ceremony on 13 May 2011

During the year, in the face of the ever-changing and complex domestic and international economic and financial conditions, CPIC persevered with its focus on developing main insurance businesses, promoting and implementing development strategies to achieve sustainable value-enhancing growth. By also proactively responding to market changes, the Group maintained healthy development of its overall businesses. The Group's gross written premiums in the first half of 2011 was RMB86.875 billion, representing an increase of 14.2% over the same period of the previous year. The Group benefited from its significantly improved ability to realize underwriting profit in property and casualty insurance and the rapidly growing profitability of life insurance, with the result that the net profit attributable to equity holders of the parent company was RMB5.816 billion in the first half of 2011, representing an increase of 44.7% over the same period of the previous year.

I. Continued healthy development of the Group's overall businesses, with steady increase in profitability and continued growth of corporate value

In the first half of the year, the business of CPIC continued its healthy development by maintaining steady growth in business scale and corporate value.

The overall business scale of the Company maintained its growth momentum and the Company recorded gross written premiums of RMB86.875 billion, representing an increase of 14.2% over the same period of the previous year. The Company's share of China's insurance market was 10.8%, representing an increase of 0.9pt since the end of 2010. Of such gross written premiums, life insurance premiums amounted to RMB54.574 billion, representing an increase of 11.5% compared to the same period of the previous year, and property and casualty insurance premiums amounted to RMB32.267 billion, representing an increase of 19.2% compared to the same period of the previous year. The Company's investment assets amounted to RMB490.513 billion, representing an increase of 12.6% over the end of the previous year while property and casualty insurance premiums from cross-selling reached RMB993 million, representing an increase of 89.5% over the same period of the previous year.

As the profitability of the Company steadily increased, the net profit attributable to equity holders of the parent for the first half of the year amounted to RMB5.816 billion, representing an increase of 44.7% over the same period of the previous year. The net profit generated from life insurance businesses amounted to RMB2.793 billion, representing an increase of 28.5% over the same period of the previous year. The net profit generated from property and casualty insurance businesses amounted to RMB2.342 billion, representing an increase of 54.0% over the same period of the previous year. Weighted average return on equity of the Company in the first half of the year was 7.2%, representing an increase of 2.0pt over the same period of the previous year.


CPIC Chairman GAO Guofu giving his address at CPIC's 20th anniversary celebration ceremony held on 13 May 2011

Growth in corporate value was sustained, with the new business value of life insurance amounting to RMB3.830 billion in the first half of the year, representing an increase of 18.3% over the same period of the previous year. The combined ratio of property and casualty insurance was 91.1%, representing a decrease of 3.4pt over the same period of the previous year. Underwriting profitability improved significantly, with the Company realizing RMB1.959 billion of underwriting profit, representing an increase of 119.8% over the same period of the previous year.

II. Focus on the sales channel and regular premium business, enhancement of sales capability and continued growth in the new business value of life insurance

During the first half of the year, CPIC Life prudently tackled the challenges facing the sales channel brought about by structural changes in the labor market and rising cost pressure, and mitigated the impact of new regulations on bancassurance business. CPIC Life achieved stable business growth, actively implementing development strategies of "focusing on the sales channel and regular premium business" and striving to enhance its sales capability. Gross written premiums of new insurance policies from the sales channel for the first half of the year amounted to RMB6.417 billion, representing an increase of 31.4% over the same period of the previous year. Average monthly gross written premiums of new policies per agent amounted to RMB3,773, representing an increase of 14.2% over the same period of the previous year. Premiums from new regular premium policies amounted to RMB10.022 billion, accounting for 33.0% of the new policy premiums and representing an increase of 4.1pt over the same period of the previous year. Of such premiums from new regular premium policies, those underwritten through the sales channel amounted to RMB6.030 billion, representing an increase of 33.7% over the same period of the previous year. New business value for the first half of the year reached RMB3.830 billion, representing an increase of 18.3% over the same period of the previous year.

By strengthening fundamental management and intensifying agent training, CPIC Life effectively enhanced the sales capability of its agents. CPIC Life continued to effectively increase the number of its agents, and promoted workforce productivity and increased employment from urban areas. As at the end of June, CPIC Life had a total of approximately 282,000 sales agents, representing an increase of 11.9% over the same time of the previous year. By actively responding to regulatory and market changes, deepening cooperation between channels, and consolidating the sales force and the maintenance of customer relationships, CPIC Life has sought to transform of the bancassurance sales model. CPIC Life quickened the pace of development of new channels and implemented a transformation of the telemarketing operational model, further optimizing its internet sales network and e-commerce platform.

Total assets entrusted under management of Changjiang Pension amounted to RMB25.758 billion, remaining at the same level as at the end of the previous year. Assets under investment management of Changjiang Pension amounted to RMB16.159 billion, representing an increase of 15.2% over the end of the previous year. The number of managed enterprise annuity individual accounts amounted to approximately 759,000, representing a decrease of 7.2% over the end of the previous year.

III. Active response to market changes, enhancement of refinement management, steady growth of property and casualty insurance and a continued leading position in combined ratio

In the first half of the year, using channel building as an anchor, CPIC Property continued to enhance its refinement management and strengthen its cost control, thereby maintaining a healthy development trend and its industry leading position in terms of combined ratio. Gross written premiums of property and casualty insurance businesses in the first half of the year amounted to RMB32.267 billion, representing an increase of 19.2% over the same period of the previous year, which was 2.0pt higher than the industry average. CPIC Property's share in China's property insurance market was 13.2%, 0.4pt higher than that at the end of the previous year while the combined ratio was 91.1%, 3.4pt lower than that of the same period of the previous year. The comprehensive expense ratio was 34.5%, 5.5pt lower than that of the same period of the previous year.

In respect of the automobile insurance business, CPIC Property overcame such unfavourable market conditions as the significant slowdown in the growth of automobile sales by further intensifying its efforts at market expansion and enhancing policy renewal management. CPIC Property also strived to enhance the growth of its automobile insurance businesses through developing multiple channels and accelerating the development of new business channels targeted at individual clients. In the first half of the year, premiums of the automobile insurance businesses amounted to RMB23.812 billion, representing an increase of 17.6% compared to the same period of the previous year. Among the premiums of the automobile insurance, premiums of the telemarketing businesses amounted to RMB1.955 billion, representing an increase of 485.3% compared to the same period of the previous year.

In respect of the non-automobile insurance business, CPIC Property actively promoted the establishment of its sales accountability system, by adopting more differentiated strategies for the development of business lines and further emphasizing strategic deployment of resources. At the same time, CPIC Property capitalized on its strong professionalism to newly establish an unique operations and management model for its marine insurance business. In the first half of the year, premiums of the non-automobile insurance business amounted to RMB8.455 billion, representing an increase of 23.7% compared to the same period of the previous year.

IV. Prudent response to capital market fluctuations, capitalization of opportunities arising from the upward interest rate cycle and realization of a balanced growth of asset management and insurance business.

In the first half of the year, CPIC Asset Management maintained prudent investment strategies and continued to enhance asset-liability management. CPIC Asset Management capitalized on market opportunities, dynamically adjusted its capital structure and expanded investment channels. As at 30 June 2011, the investment assets amounted to RMB490.513 billion, representing an increase of 12.6% since the end of the previous year. Total investment income for the first half of the year amounted to RMB10.828 billion, representing an increase of 16.9% compared to the same period of the previous year. Total investment yield was 4.4%, representing an increase of 0.1pt compared to the same period of the previous year. Net investment income amounted to RMB10.762 billion, representing an increase of 20.0% compared to the same period of the previous year. Net investment yield was 4.4%, representing an increase of 0.2pt compared to the same period of the previous year.

In respect of fixed-income assets, CPIC Asset Management took advantage of the increase in market yield attributable to the upward adjustment cycle of interest rates to place negotiated deposits with higher yields and to invest in fixed-interest products of commercial banks such as subordinated debt and highly rated bonds. For the first half of the year, total fixed-interest income increased by 28.2% over the same period of the previous year. For equity investments, CPIC Asset Management closely tracked market trends and focused on achieving stable investment income. For the first half of the year, dividend income amounted to over RMB2 billion. CPIC Asset Management also proactively explored alternative investment opportunities, leveraged the liberalization of policies and business channels and established and promoted various infrastructure debt investment plans.

V. Achievement of "Fortune Global 500" ranking and further enhancement of brand influence

This year, CPIC ranked for the first time among the "Fortune Global 500" as No. 467. CPIC also received various awards for its overall strength, brand recognition and service quality, further enhancing the Company's brand value.

- CPIC ranked 467th in the "Fortune Global 500" list;
- CPIC ranked among the "FT Global 500" and the "Forbes Global Top 500 Listed Companies";
- In the "3.15" Forum of 2011, both CPIC Life and CPIC Property were honoured as "Excellent Companies in Service Quality" by the China Association for Quality Promotion. CPIC Property also obtained the "Outstanding Contribution Award in Insurance Counter Service" and ranked first in the investigation of property insurance counter service conducted by the China Association for Quality Promotion for 9 consecutive years;
- In the 7th China Finance and Economics Ranking organized by hexun.com, the Company received the 2010 Award for Outstanding Achievements in Brand Building in the insurance industry of China, and was honored as the "Most Reliable Property Insurance Company" and the "Most Reliable Life Insurance Company".

Looking forward, China's economy will continue to be exposed to a very complex and unstable domestic and international economic environment with a lot of uncertainties in the second half of the year. In addition, there will be some uncertainties in the insurance industry, including in relation to business transformation, slower growth and increasing cost pressure. In general, the continued economic growth in the second half of the year, the trend towards more stable price levels and the reform of the income distribution mechanism will be beneficial to the transformation and sustainable development of the insurance industry.

CPIC will continue to promote and realize its business philosophy of sustainable value-enhancing growth to promote the strategic transformation to a customer-oriented business model. As for the life insurance business, CPIC will continue to implement the development strategy of "focusing on the sales channel and regular premium business" to enhance sales capability and maintain stable and healthy development of the sales channel business. CPIC will accelerate the evolution of its bancassurance channel and facilitate business growth from new channels. As for the property and casualty insurance business, CPIC will continue to enhance its refinement management and intensify its business advancement efforts. CPIC will optimize channel deployment to accelerate the business development of new channels and improve its intensive management system to enhance overall operational efficiency. CPIC will seek to increase its market share and, maintain its leading position in the industry in terms of underwriting profitability. As for the asset management business, CPIC will continue to adopt stable and progressive investment strategies to refine its asset allocation and increase the proportion of high yield fixed income assets. CPIC will also actively increase investment in new areas, and strive to mitigate market risks and achieve sustainable investment returns that consistently exceed the cost of liabilities.

Looking forward, taking the 20th anniversary of its establishment as a new starting point and impetus, and with the support of its shareholders, customers and the community, CPIC is fully committed to the next stage of its transformation and to rewarding its shareholders and the community with even better results.

Section V Management Discussion and Analysis

Management Discussion and Analysis

CPIC sponsored, and was the exclusive insurer for, the 14th FINA World Championships held in Shanghai — pictured is the sponsorship and insurance coverage signing ceremony on 26 June 2011

The Company provides a comprehensive range of life insurance and property and casualty insurance products through its subsidiaries, namely CPIC Life and CPIC Property, and manages and deploys insurance funds through its 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 and asset management business in Hong Kong through CPIC HK and CPIC Investment (H.K.), respectively.

The following analysis of life insurance, property and casualty insurance business and asset management business only refers to the businesses of CPIC Life, CPIC Property and CPIC Asset Management respectively, as the businesses of Changjiang Pension, CPIC HK and CPIC Investment (H.K.) accounted for a relatively small portion of the results of the Company.

I. Key operational indicators

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**86,875**	**76,066**
Life insurance	54,574	48,959
Property and casualty insurance	32,267	27,078
Net profit attributable to equity holders of the parent	**5,816**	**4,019**
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New business value of life insurance for the first half of the year	**3,830**	**3,238**
Combined ratio of property and casualty insurance (%)	**91.1**	**94.5**

	As at 30 June 2011	As at 31 December 2010
Group Embedded Value	**110,008**	**110,089**
Market shares[note]		
Life insurance (%)	9.7	8.8
Property and casualty insurance (%)	13.2	12.8
Pension business		
Assets entrusted	25,758	26,038
Assets under investment management	16,159	14,022

Note:
Based on the statistics of the CIRC.

II. Key Business Analysis

(I) Life insurance business analysis

During the year, adhering to the development strategy of "focusing on the sales channel and regular premium business", the Company actively promoted the strategic transformation to a customer-oriented business model and overcame the various challenges arising from market changes to achieve sustained business growth. During the first half of the year, gross written premiums of life insurance amounted to RMB54.574 billion, representing an increase of 11.5% over the same period of the previous year.

1. Analysis by insurance categories

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**54,574**	**48,959**
Traditional	7,899	7,485
Participating	44,177	39,254
Universal	38	47
Short-term accident and health	2,460	2,173
Gross written premiums	**54,574**	**48,959**
New policies	30,353	32,091
Regular premium	10,022	9,263
Single premium	20,331	22,828
Renewed policies	24,221	16,868
Gross written premiums	**54,574**	**48,959**
Individual business	52,432	48,060
Group business	2,142	899

(1) Structure of insurance categories

In the first half of the year, participating life insurance policies continued to dominate the market while industry-wide sales of universal insurance policies and investment-linked insurance policies were weak, as interest rates continued to increase and the capital markets were volatile. Premiums from participating insurance policies of the Company amounted to RMB44.177 billion, representing an increase of 12.5% over the same period of the previous year. Premiums from traditional insurance policies of the Company amounted to RMB7.899 billion, representing an increase of 5.5% over the same period of the previous year; premiums from universal insurance policies amounted to RMB38 million, representing a decrease of 19.1% over the same period of the previous year. Premiums from short-term accident and health policies amounted to RMB2.460 billion, representing an increase of 13.2% over the same period of the previous year.

(2) New policies

During the first half of the year, the Company recorded gross written premiums of RMB30.353 billion from new policies, representing a decrease of 5.4% over the same period of the previous year, among which premiums from new policies through sales agents amounted to RMB6.417 billion, representing an increase of 31.4%. Gross written premiums of new policies through bancassurance amounted to RMB20.718 billion, representing a decrease of 18.3% over the same period of the previous year. Premiums from new regular premium policies amounted to RMB10.022 billion, representing an increase of 8.2% over the same period of the previous year and accounting for 33.0% of the new policies, which was 4.1pt higher than the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
New policies	30,353	32,091
Among which: Sales agents	6,417	4,884
Bancassurance	20,718	25,345

(3) Persistency ratio of individual life insurance policy

For the first half of 2011, the Company recorded an increase of 1.1pt and 7.9pt for 13-month persistency ratio and 25-month persistency ratio, respectively, in respect of individual life insurance over the same period of the previous year, which was primarily attributable to the Company's continued improvement of its management of new policy quality and of renewal premiums, as well as its continuous enhancement of customer service quality.

For 6 months ended 30 June	2011	2010
Individual life insurance customer 13-month persistency ratio (%)(1)	93.1	92.0
Individual life insurance customer 25-month persistency ratio (%)(2)	89.9	82.0

Notes:

(1) Individual life insurance customer 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) Individual life insurance customer 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. Analysis by channels

(1) Sales channel

For the first half of the year, the Company's gross written premiums underwritten through sales channel amounted to RMB23.212 billion, representing an increase of 24.7% over the same period of the previous year. Premiums from new participating regular premium policies business amounted to RMB6.030 billion, representing a significant increase of 33.7% over the same period of the previous year. Premiums from renewed policies amounted to RMB16.795 billion, representing an increase of 22.3% over the same period of the previous year. Such increases were primarily attributable to the implementation of the Company's development strategy of "focusing on the sales channel and regular premium business", the continued enhancement of the fundamental management of the sales channel, the consolidation of the sales force, the implementation of targeted product and regional strategies, and the continuous improvement of sales capability.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**23,212**	**18,615**
New policies	6,417	4,884
Regular premium	6,030	4,511
Single premium	387	373
Renewed policies	16,795	13,731

Note:
Premiums from new channels including telemarketing and online sales which used to be consolidated in the premiums through sales agents are stated separately under the "new channels".

By strengthening fundamental management and intensifying agent training, the Company effectively enhanced its sales capability and achieved healthy growth of its workforce. In the first half of the year, the Company had a total of approximately 282,000 sales agents, representing an increase of 11.9% over the same period of the previous year, and average monthly gross written premiums of new policies per agent amounted to RMB3,773 per month, representing a growth of 14.2% compared to the same period of the previous year.

For 6 months ended 30 June/30 June	2011	2010
Policy sales agents (in thousand)	282	252
Average monthly gross written premiums of new policies per agent (in RMB)	3,773	3,305

(2) Bancassurance

During the year, the general bancassurance business volume in the industry continued to decrease due to regulatory adjustment, a credit crunch and interest rate hikes. The Company actively tackled the challenges arising from market changes and worked hard to accelerate the transformation of its product portfolio, sales model and sales team. In the first half of the year, premiums through bancassurance amounted to RMB28.006 billion, representing a decrease of 1.3% compared to the same period of the previous year. Premiums from new policies amounted to RMB20.718 billion, representing a decrease of 18.3% compared to the same period of the previous year, and the premiums from renewed policies amounted to RMB7.288 billion, representing an increase of 139.7% compared to the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**28,006**	**28,385**
New policies	20,718	25,345
Regular premium	3,881	4,698
Single premium	16,837	20,647
Renewed policies	7,288	3,040

(3) Direct sales

In the first half of the year, the Company focused on the establishment of its urban direct sales team and promoted the continuous growth of accident insurance business, striving to transform its value growth model. The premiums of direct sales amounted to RMB3.178 billion, representing an increase of 70.8% compared to the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**3,178**	**1,861**
New policies	3,112	1,809
Regular premium	7	1
Single premium	3,105	1,808
Renewed policies	66	52

(4) New channels

In the first half of 2011, the Company realized premiums of RMB178 million as it accelerated the development of the new telemarketing and online sales channels, focused on developing businesses with high embedded value and concentrated on accumulating new customers. Going forward, the Company will continue to optimize the establishment of new channels and increase the proportion of the value attributable to such new channels.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**178**	**98**
New policies	106	53
Regular premium	104	53
Traditional	23	14
Participating	81	39
Single premium	2	—
Renewed policies	72	45

Note:

Premiums through new channels used to be consolidated in the premiums through the sales channel.

3. Analysis by geographical areas

In the first half of 2011, approximately 67.0% of the Company's gross written premiums of life insurance business was derived from more economically developed or more densely populated areas, such as Henan, Jiangsu, Guangdong, Shandong, Hebei, Zhejiang, Sichuan, Shanghai, Hubei, Beijing, etc.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**54,574**	**48,959**
Henan	5,509	4,884
Jiangsu	5,465	5,080
Guandong	4,288	3,675
Shandong	4,118	3,785
Hebei	3,345	3,069
Zhejiang	3,215	2,263
Sichuan	3,118	3,236
Shanghai	2,570	1,762
Hubei	2,527	2,483
Beijing	2,429	2,620
Sub-total	36,584	32,857
Other areas	17,990	16,102

(II) Property and casualty insurance business

Since the beginning of this year, the growth of the domestic insurance industry has slowed down. The Company actively responded to market challenges by optimizing the refinement management of the automobile insurance business and strengthening its non-automobile insurance market expansion capability. The overall business of the Company achieved steady and relatively quick growth, with business from new channels growing rapidly and the Company's maintaining its industry-leading position in terms of combined ratio. The insurance underwriting profit amounted to RMB1.959 billion, representing an increase of 119.8% over the same period of the previous year.

1. Analysis by insurance categories

In the first half of 2011, the property and casualty insurance business of the Company achieved steady and relatively quick growth and recorded gross written premiums of RMB 32.267 billion, representing an increase of 19.2% over the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**32,267**	**27,078**
Automobile insurance	23,812	20,242
Non-automobile insurance	8,455	6,836

(1) Automobile insurance

Since the beginning of this year, the Company overcame such unfavorable market conditions as the significant slowdown in the growth of automobile sales by further intensifying its efforts at market expansion, improving its multi-channel development strategy for automobile insurance, enhancing policy renewal management. The Company also improved the alignment of the sales, underwriting and claims settlement functions, thereby consolidating the profitability of the automobile insurance business. Gross written premiums from automobile insurance amounted to RMB23.812 billion in the first half of the year, representing an increase of 17.6% over the same period of the previous year.

(2) Non-automobile insurance

Since the beginning of this year, the Company has further improved the establishment of its sales accountability system for non-automobile insurance and intensified efforts at expanding its key customer base. The Company also implemented localized management measures for underwriting in different regions to consolidate the underwriting profitability of non-automobile insurance. Gross written premiums from non-automobile insurance in the first half of 2011 amounted to RMB8.455 billion, representing an increase of 23.7% over the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**8,455**	**6,836**
Commercial property insurance	2,864	2,564
Liability insurance	1,165	719
Accident insurance	826	724
Engineering insurance	766	718
Others	2,834	2,111

2. Analysis by channels

In the first half of the year, the Company achieved overall growth of its direct sales, insurance agent and insurance broker channels. As a part of its channel development strategy, the Company focused on accelerating the development of telemarketing and cross-selling. By increasing investment in telemarketing, the construction of call centers was accelerated and the productivity of the telemarketing channel continued to increase. Gross written premiums from telemarketing amounted to RMB1.955 billion in the first half of the year, representing an increase of 485.3% over the same period of the previous year. The Company further optimized its cross-selling management system and improved professional team building. Gross written premiums from cross-selling for the first half of the year amounted to RMB993 million, representing an increase of 89.5% over the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**32,267**	**27,078**
Direct sales	9,538	8,154
Telemarketing	1,955	334
Insurance agents	19,917	16,584
Cross-selling	993	524
Insurance brokers	2,812	2,340

3. Analysis by geographical areas

In the first half of 2011, approximately 66.9% of the Company's gross written premiums from property and casualty insurance business was derived from more economically developed or more densely populated areas, such as Guangdong, Jiangsu, Zhejiang, Shanghai, Shandong, Beijing, Liaoning, Hebei, Sichuan and Fujian, etc.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Gross written premiums	**32,267**	**27,078**
Guangdong	4,598	3,919
Jiangsu	3,645	2,992
Zhejiang	2,783	2,354
Shanghai	2,556	2,189
Shandong	2,410	2,239
Beijing	1,520	1,523
Liaoning	1,047	891
Hebei	1,038	939
Sichuan	1,012	849
Fujian	966	721
Sub-total	21,575	18,616
Other areas	10,692	8,462

(III) Asset management business

The Company has consistently adhered to asset-liability management principles and implemented stable and progressive investment strategies. The Company strives to achieve investment returns that consistently exceed the cost of liabilities, while practically mitigating various investment risks.

In the first half of the year, the Company capitalized on market opportunities arising from rising interest rates and increased its allocation of assets towards high yield fixed income assets to maintain a steady growth of net investment income. The Company strived to reduce the impact of the volatility in the equity investment market through stable dividend income from equity assets. In addition, CPIC continued to expand alternative investment businesses with the total size of the infrastructure investment plans amounting to RMB22.875 billion at the end of the period.

1. Investment portfolio

As of 30 June 2011, CPIC's total investment assets were RMB490.513 billion, representing an increase of 12.6% over that at the end of the previous year. The increase was mainly attributable to the Group's cash inflow from insurance business and investment asset value appreciation. In the first half of the year, fixed income investments increased by RMB36.381 billion, with allocation focused towards negotiated deposits and long-term bonds. During the period, fixed income investments accounted for 77.6% of total investment assets. Equity investments increased by RMB11.863 billion and accounted for 12.9% of total investment asset. Investment in infrastructure projects increased by RMB2.950 billion and accounted for 4.7% of total investment assets in the first half of the year.

As of 30 June 2011, CPIC's investment assets were mainly classified as held-to-maturity financial assets, available-for-sale financial assets and loans and other assets. The amount of held-to-maturity financial assets increased by 10.1% compared to that at the end of the previous year. Available-for-sale financial assets increased by 8.9% over the end of the previous year, which was mainly due to the increase in investments in bonds and equity assets. Loans and other assets increased by 18.7%, which was mainly due to the increase in negotiated deposits. The financial assets at fair value through profit or loss decreased, which was mainly due to the sales of bonds.

Unit: in RMB million

	As at 30 June 2011	As at 31 December 2010
Investment assets (Total)	**490,513**	**435,751**
By investment category		
Fixed income investments	380,765	344,384
— Debt securities	246,698	232,533
— Term deposits	127,830	106,772
— Other fixed income investments(1)	6,237	5,079
Equity investment	63,379	51,516
— Investment Funds	25,371	24,857
— Equity securities	35,774	24,979
— Other equity investments(2)	2,234	1,680
Investments in infrastructure	22,875	19,925
Investment properties	6,666	2,366
Cash and cash equivalents	16,828	17,560
By investment purpose		
Financial assets at fair value through profit or loss	3,149	3,604
Available-for-sale financial assets	130,471	119,759
Held-to-maturity financial assets	173,320	157,360
Investment in a jointly-controlled entity	—	440
Loan and other investments(3)	183,573	154,588

Notes:

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

(2) Other equity investments include unlisted equity securities, etc.

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

2. Investment income

In the first half of 2011, CPIC recorded total investment income of RMB10.828 billion, representing an increase of 16.9% over that of the same period of the previous year. Annualized total investment yield was 4.4%, representing an increase of 0.1pt over that of the same period of the previous year.

Net investment income amounted to RMB10.762 billion, representing an increase of 20.0% over that of the same period of the previous year. This was mainly due to the significant increase in interest income from fixed interest assets. Annualized net investment yield was 4.4%, representing an increase of 0.2pt over that of the same period of the previous year.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Interest income from fixed interest assets	8,650	6,748
Dividend income from equity securities	2,025	2,218
Rental income from investment properties	87	—
Net investment income	**10,762**	**8,966**
Realized gains	547	150
Unrealized (losses)/gains	(87)	1
Charge of impairment losses on financial assets	(1,004)	—
Gain from disposal of a jointly-controlled entity	479	—
Other income[note]	131	142
Total investment income	**10,828**	**9,259**
Annualized net investment yield (%)	4.4	4.2
Annualized total investment yield (%)	4.4	4.3

Note:
Other income includes interest income from cash and short-term time deposits, interest income from securities purchased under agreements to resell and share of profit/(loss) of a jointly-controlled entity.

3. Alternative investments

Leveraging on the broadening of the channels used for the deployment of insurance funds and the opportunities arising from the changes in supply and demand of capital in the financial markets, CPIC Asset Management launched and promoted a number of debt investment plans.

In the first half of the year, the Company launched "Pacific — Debt Investment Plan for the Shanghai Public Rental Housing Project", which is the first debt investment plan for real estate after the promulgation of the Provisional Measures on the Investment of Insurance Capital in Real Estate by CIRC in September 2010. The total investment of the investment plan was RMB4 billion, of which RMB2.4 billion was invested by CPIC for a term of 10 years.

III. Segment information

(I) Life insurance

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

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Net premiums earned	53,080	46,918
Investment income[note]	8,414	7,484
Other operating income	344	282
Total income	**61,838**	**54,684**
Net policyholders' benefits and claims	(48,185)	(43,724)
Finance costs	(286)	(198)
Interest credited to investment contracts	(1,185)	(1,109)
Other operating and administrative expenses	(8,760)	(7,058)
Total benefits, claims and expenses	**(58,416)**	**(52,089)**
Profit before tax	3,422	2,595
Income tax	(629)	(421)
Net profit	**2,793**	**2,174**

Note:
Investment income includes investment income and share of loss of an associate as stated in the financial statements.

1. Net premiums earned amounted to RMB53.080 billion, representing an increase of 13.1% compared to the same period of the previous year. The growth was mainly due to the implementation of the development strategy of "focusing on the sales channel and regular premium business" and the active promotion of the strategic transformation to a customer-oriented business model, which contributed to continued business growth.

2. Investment income amounted to RMB8.414 billion, representing an increase of 12.4% compared to the same period of the previous year, which was mainly driven by the increase in fixed interest income.

3. Net policyholders' benefits and claims amounted to RMB48.185 billion, representing an increase of 10.2% over that of the same period of the previous year. Of these, life insurance death and other benefits paid increased 22.9% when compared with the same period of the previous year, which was mainly attributable to the increase in surrender charge. Policyholder dividends recorded an increase of 22.2% compared to the same period of the previous year, mainly attributable to the growth in participating business and increase in policyholder dividends.

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Net policyholders' benefits and claims	**48,185**	**43,724**
Life insurance death and other benefits paid	10,618	8,643
Claims incurred	310	316
Changes in long-term life insurance contract liabilities	35,514	33,339
Policyholder dividends	1,743	1,426

4. Other operating and administrative expenses for life insurance business amounted to RMB8.760 billion, representing an increase of 24.1% compared to the same period of the previous year, which was in line with the Company's business growth. The increase was mainly attributable to the growth in sales channel business and an increase in commission expenses.

5. As a result of the above reasons, life insurance business of the Company recorded net profits of RMB2.793 billion in the first half of 2011.

(II) Property and casualty insurance

The Company operates property and casualty insurance business primarily through CPIC Property, a 98.50% owned subsidiary. Detailed analysis of the results is as follows:

Unit: in RMB million

For 6 months ended 30 June	2011	2010
Net premiums earned	21,921	16,175
Investment income	1,138	1,035
Other operating income	75	56
Total income	**23,134**	**17,266**
Claims incurred	(12,416)	(8,823)
Finance costs	(22)	(2)
Other operating and administrative expenses	(7,600)	(6,507)
Total claims and expenses	**(20,038)**	**(15,332)**
Profit before tax	3,096	1,934
Income tax	(754)	(413)
Net profit	**2,342**	**1,521**

1. Net premiums earned by the Company amounted to RMB21.921 billion in the first half of 2011 as a result of business growth, representing an increase of 35.5% compared to that of the same period of the previous year.

2. The Company recorded investment income of RMB1.138 billion, representing an increase of 10.0% compared to the same period of the previous year, mainly attributable to the increase in fixed interest income.

3. Claims incurred amounted to RMB12.416 billion, representing an increase of 40.7% compared to the same period of the previous year, mainly attributable to business growth.

4. Other operating and administrative expenses amounted to RMB7.600 billion, representing an increase of 16.8% compared to the same period of the previous year, mainly attributable to business growth.

5. As a result of the above factors, property and casualty insurance business recorded a net profit of RMB2.342 billion in the first half of 2011.

(III) CPIC Asset Management

The Company manages and deploys insurance funds through CPIC Asset Management, a 99.67% owned subsidiary. As at 30 June 2011, the total assets of CPIC Asset Management amounted to RMB719 million and net assets amounted to RMB524 million. Net profit amounted to RMB19 million.

(IV) CPIC HK

The Company conducts overseas operations primarily through its wholly-owned subsidiary, CPIC HK. As at 30 June 2011, the total assets of CPIC HK amounted to RMB628 million, net assets amounted to RMB327 million while gross written premiums amounted to RMB168 million and net profit amounted to RMB29 million.

(V) Changjiang Pension

The Company acquired Changjiang Pension in 2009 and holds 51.00% of its interests. As at 30 June 2011, the total assets of Changjiang Pension amounted to RMB820 million, net assets amounted to RMB772 million, and total assets entrusted reached RMB25.758 billion. Net loss amounted to RMB34 million.

IV. Analysis of specific items

(I) 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 CIRC. According to the requirements of CIRC, the solvency margin ratio of domestic insurance companies in the PRC shall meet the required level.

Unit: in RMB million

	As at 30 June 2011	As at 31 December 2010	Reasons of change
CPIC Group			
Actual solvency margin	71,161	76,673	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	23,841	21,486	Business development of property and life insurance
Solvency margin ratio (%)	298	357	
Life insurance			
Actual solvency margin	32,629	36,687	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	16,968	15,222	Growth of insurance business
Solvency margin ratio (%)	192	241	
Property and casualty insurance			
Actual solvency margin	11,975	10,266	Profit for the first half of the year, contribution from shareholders, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	6,847	6,132	Growth of insurance business
Solvency margin ratio (%)	175	167	

(II) Gearing Ratio

	As at 30 June 2011	As at 31 December 2010
Gearing ratio (%)	85.1	83.1

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	–	–	–	–	–	–	–	–	–
(2) State-owned enterprises shares	–	–	–	–	–	–	–	–	–
(3) Other domestic shares	78,412,727	0.91	–	–	–	–	–	78,412,727	0.91
held by									
legal entities	78,412,727	0.91	–	–	–	–	–	78,412,727	0.91
natural persons	–	–	–	–	–	–	–	–	–
(4) Foreign shares	–	–	–	–	–	–	–	–	–
held by									
legal entities	–	–	–	–	–	–	–	–	–
natural persons	–	–	–	–	–	–	–	–	–
Total	78,412,727	0.91	–	–	–	–	–	78,412,727	0.91
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	6,208,287,273	72.19	–	–	–	–	–	6,208,287,273	72.19
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
(3) Overseas listed foreign shares (H share)	2,313,300,000	26.90	–	–	–	–	–	2,313,300,000	26.90
(4) Others	–	–	–	–	–	–	–	–	–
Total	8,521,587,273	99.09	–	–	–	–	–	8,521,587,273	99.09
3. Total number of shares	8,600,000,000	100.00	–	–	–	–	–	8,600,000,000	100.00

II. Shareholders

(I) Number of shareholders and their shareholdings

unit: share

A total number of 192,892 Shareholders (including 185,003 A shareholders and 7,889 H shareholders) at the end of the reporting period

Shares held by top ten shareholders

Name of the shareholders	Class of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease (+ or -) of shareholding during the reporting period	Number of shares held with selling restriction	Number of shares subject to pledge or lock-up period	Type of shares
HKSCC Nominees Limited	Overseas legal person shares	18.79	1,616,000,800	+414,766,900	–	–	H Share
Fortune Investment Co., Ltd.	Stated-owned legal person shares	14.93	1,284,277,846	–	–	–	A Share
Shenergy Group Co., Ltd.	Stated-owned legal person shares	14.25	1,225,081,938	–	–	–	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	State-owned shares	4.93	424,099,214	–	–	–	A Share
Shanghai Haiyan Investment Management Company Limited	Social legal person shares	4.90	421,703,174	–	–	–	A Share
Parallel Investors Holdings Limited	Overseas legal person shares	4.80	412,864,102	-415,200,000	–	–	H Share
Carlyle Holdings Mauritius Limited	Overseas legal person shares	3.25	279,403,498	–	–	–	H Share
Shanghai Jiushi Corporation	Stated-owned legal person shares	2.92	250,949,460	–	–	–	A Share
Yunnan Hongta Group Co., Ltd.	Stated-owned legal person shares	2.03	174,339,390	–	–	–	A Share
Account No.1 of the NSSF	Social legal person shares	1.13	96,914,255	–	78,412,727	–	A Share

Shares held by top ten shareholders without selling restrictions

Name of the shareholders	Number of shares held without selling restrictions	Type of shares
HKSCC Nominees Limited	1,616,000,800	H Share
Fortune Investment Co., Ltd.	1,284,277,846	A Share
Shenergy Group Co., Ltd.	1,225,081,938	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	424,099,214	A Share
Shanghai Haiyan Investment Management Company Limited	421,703,174	A Share
Parallel Investors Holdings Limited	412,864,102	H Share
Carlyle Holdings Mauritius Limited	279,403,498	H Share
Shanghai Jiushi Corporation	250,949,460	A Share
Yunnan Hongta Group Co., Ltd.	174,339,390	A Share
Baosteel Group Corporation	68,818,407	A Share

Description of connected relations or concerted action among the aforesaid shareholders:

- Fortune Investment Co., Ltd. and Baosteel Group Corporation are connected as Fortune Investment Co., Ltd. is the wholly-owned subsidiary of Baosteel Group Corporation. 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 shares held by HKSCC 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, HKSCC Nominees Limited is unable to calculate, or make available such data as, the number of such shares subject to pledge or lock-up period.

(2) Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited sold 83,040,000 H Shares and 166,080,000 H Shares they hold in the Company, respectively, on 27 July 2011.

CPIC Group President HUO Lianhong and 20 employee volunteers launching the "20 Years of Trust and Reliance — Connecting with the Children Welfare Institute" public welfare activity at the Shanghai Children's Welfare Institute on 10 May 2011

(II) Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

unit: share

Name of shareholders	Number of shares held with selling restrictions	Date on which trading of shares with selling restrictions is permitted	Changes (+ or -) in number of shares with selling restrictions	Selling restrictions
Account No. 1 of the NSSF	78,412,727	see Note	–	see Note

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.

(III) 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

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

As at 30 June 2011, 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".

CPIC was the organizer of the annual conference of the Insurance Institute of China held in Shanghai on 19 May 2011 (CIRC Chairman WU Dingfu is pictured giving his speech)

(II) 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 2011, 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.[1]	Interest of controlled corporations	H shares	692,267,600 (L)	29.93 (L)	8.05
Allianz SE[2]	Interest of controlled corporations	H shares	241,638,600 (L)	10.45 (L)	2.81
Waddell & Reed Financial, Inc.[3]	Investment manager	H shares	192,088,800 (L)	8.30 (L)	2.23
Fairholme Funds, Inc	Beneficial owner	H shares	148,454,200 (L)	6.42 (L)	1.73
Berkowitz Bruce[4]	Interest of controlled corporations	H shares	144,000,000 (L)	6.22 (L)	1.67

(L) denotes long position

Notes:

(1) Pursuant to Part XV of the SFO, Carlyle Offshore Partners II, Ltd. is deemed or taken to be interested in 692,267,600 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 692,267,600, 692,267,600, 692,267,600, 412,864,102, 412,864,102, 279,403,498 and 279,403,498 H shares of the Company, respectively.

(2) Pursuant to Part XV of the SFO, Allianz SE is deemed or taken to be interested in 241,638,600 H shares of the Company. Among these shares, Allianz Deutschland AG, Jota Vermoegensverwaltungsgesellschaft mbH, Allianz Lebensversicherungs-AG, AZ Euro Investments S.a.r.l., Allianz Finance II Luxembourg S.A., Allianz Global Investors AG, Allianz Global Investors Asia Pacific GmbH, Allianz Global Investors Hong Kong Ltd., Allianz Global Investors Taiwan Ltd., Allianz Global Investors Europe Holdings GmbH and Allianz Global Investors Luxembourg S.A., the subsidiaries controlled, directly or indirectly, by Allianz SE, are interested in 198,482,200, 198,482,200, 198,482,200, 198,482,200, 41,517,800, 1,638,600, 1,301,600, 1,138,600, 163,000, 337,000 and 337,000 H shares of the Company, respectively.

(3) Pursuant to Part XV of the SFO, Waddell & Reed Financial, Inc. is deemed or taken to be interested in 192,088,800 H shares of the Company. Among these shares, Ivy Investment Management Company and Waddell & Reed Investment Management Company, the subsidiaries controlled directly by Waddell & Reed Financial, Inc. are interested in 166,647,200 and 25,441,600 H shares of the Company respectively.

(4) Pursuant to Part XV of the SFO, Berkowitz Bruce is deemed or taken to be interested in 144,000,000 H shares of the Company. Among these shares, Fairholme Capital Management, LLC, a subsidiary controlled directly by Berkowitz Bruce, is interested in 144,000,000 ordinary shares of the Company.

Save as disclosed above, as at 30 June 2011, 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) There is no change in Directors of the Company during the reporting period.

(2) There is no change in Supervisors of the Company during the reporting period.

(3) Changes in Senior Management

Name	Position	Change
GU Yue	Financial Officer	Mr. GU Yue was appointed as the Financial Officer of the Company on 26 August 2011, with effect from the date of the approval of qualification review by CIRC.
CHEN Wei	Chief Auditor & Auditing Officer	Mr. CHEN Wei was appointed as the Chief Auditor & Auditing Officer of the Company on 26 August 2011, with effect from the date of the approval of qualification review by CIRC.
CHEN Jihua[note]	Financial Officer	Mr. CHEN Jihua was appointed as the Financial Officer of the Company on 30 June 2011.
NGO Tai Chuan	Chief Financial Officer	Mr. NGO Tai Chuan ceased to be the Chief Financial Officer of the Company on 1 July 2011.

Note:
Mr. CHEN Jihua no longer serves as the Company's Vice President and Financial Officer since 27 August 2011.

II Changes in Shareholdings of Directors, Supervisors and Senior Management

unit: share

Name	Position	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	Type of shares	Reason for the change
GAO Guofu	Chairman and Executive Director	25,700	10,000	–	35,700	A Share	Secondary market purchase
HUO Lianhong	Executive Director and President	22,500	10,000	–	32,500	A Share	Secondary market purchase
SONG Junxiang	Employee Representative Supervisor	18,000	14,300	–	32,300	A Share	Secondary market purchase
XU Jinghui	Executive Vice-President	20,000	–	–	20,000	A Share	–
GU Yue	Vice-President	18,000	–	–	18,000	A Share	–
SUN Peijian	Vice-President	17,025	17,500	–	34,525	A Share	Secondary market purchase
CHEN Wei	Board Secretary and Joint Company Secretary	9,000	11,000	–	20,000	A Share	Secondary market purchase

Section VIII Corporate Governance Report

Corporate Governance Report

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 improved its corporate governance structure by constant optimization of its group management structure, full consolidation of its internal resources and increased interaction and communication with the capital market.

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

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 in the 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 the Strategic and Investment Decision-Making Committee (the 4th session of the 6th Board of Directors approved the renaming of the Strategic Committee of the Board to the "Strategic and Investment Decision-Making Committee"), the Audit Committee, the Nominations and Remuneration Committee and the Risk Management Committee. These committees conduct in-depth studies on specific issues and submit their recommendations to the Board for consideration.

In the first half of 2011, the Strategic and Investment Decision-Making Committee of the Board held 1 meeting and proposed recommendations and advice on such significant issues as the profit distribution of the Company and the revision of the Articles of Association.

In the first half of 2011, the Audit Committee of the Board held 7 meetings to review the annual report for 2010 and the first quarter report for 2011 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 2010 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 2011, the Nominations and Remuneration Committee of the Board held 3 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 2011, the Risk Management Committee of the Board held 2 meetings to review the risk assessment report, compliance report and solvency report of the Company and the execution of connected transactions.

Section IX Significant Events

Significant Events

I. Implementation of Profit Distribution Plan during the Reporting Period

The Company distributed a cash dividend of RMB0.35 per share (including tax) in accordance with the Resolution on Profit Distribution Plan for the year 2010 approved at the 2010 Annual General Meeting. The implementation of this distribution plan was completed in July 2011.

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 2011.

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.

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.

CPIC's Qinghai branch opening ceremony on 16 June 2011

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 2011 in the presence of internal and external auditors.

XV. Shareholding of the Company in Other Listed Companies and Financial Institutions

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

Unit: RMB million

No.	Stock type	Stock Code	Abbreviated stock name	Initial cost	Number of shares (million shares)	Carrying amount at the end of the period	Percentage to total investment at the end of the period (%)	Profit or loss in the reporting period
1	CB	113001	BOCCB	1,891.54	18.72	1,975.98	86.88	(86.53)
2	CB	110015	SINOPEC CB	237.68	2.38	256.22	11.27	18.55
3	CB	125709	Tangsteel CB	41.03	0.38	42.08	1.85	1.05
Profit or loss of disposed investment securities during the reporting period				N/A	N/A	N/A	N/A	46.59
Total				2,170.25	N/A	2,274.28	100.00	(20.34)

Notes:

(1) The table above reflects 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.

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

Unit: RMB million

No.	Stock Code	Abbreviated stock name	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	Change in shareholding during the reporting period	Source of shares
1	601006	Daqin Railway	2,277	1.76	2,143	88	92	Purchase from the market
2	601939 HK00939	CCB	1,989 85	0.17	1,981 76	89 3	65 (9)	Purchase from the market
3	601398 HK01398	ICBC	1,875 116	0.13	1,905 108	59 2	86 3	Purchase from the market
4	601288	ABC	1,647	0.19	1,707	36	62	Purchase from the market
5	600036 HK03968	CMB	1,571 54	0.52	1,436 46	38 1	28 (3)	Purchase from the market
6	601668	CSCEC	1,399	1.10	1,335	29	225	Purchase from the market
7	600598	Beidahuang	1,051	3.99	981	30	29	Purchase from the market
8	000402	Financial Street	841	3.98	871	30	47	Purchase from the market
9	600276	Hengrui Medicine	622	1.80	607	(1)	(15)	Purchase from the market
10	601628 HK02628	China Life	698 104	0.11	497 72	(7) –	139 (15)	Purchase from the market

Notes:

(1) The above table reflects 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.

(III) Shareholdings in Non-listed Financial Institutions

Unit: RMB million

Name of institution	Amount of initial investment	Number of shares held (million shares)	Percentage of shareholding in the company (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Change in shareholder's equity in the reporting period	Accounting item	Source of shares
Bank of Hangzhou	1,300	100	5.98	1,150	20	(88)	Available-for-sale financial assets	Private placement
Shanghai Rural Commercial Bank	1,296	200	4.00	1,082	1	(214)	Available-for-sale financial assets	Private placement

Note:

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

XVI Analysis on and Illustration of Other Major Events

(I) New provincial branch

To further extend market coverage of the insurance business, CPIC Life Qinghai Branch was established and commenced operation in June 2011 upon approval from the CIRC.

(II) Transfer of shares of Pacific-Antai

On 29 June 2011, the Company completed the settlement of the transfer of shares of Pacific-Antai with the joint transferee group led by China Construction Bank Corporation. Currently, the Company no longer holds any shares of Pacific-Antai.

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

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE

To The Directors China Pacific Insurance (Group) Company Limited

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 2011.

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 2011, 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 2011 respectively (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 2011 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 2011 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 the "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 2011 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 CPIC Group's 2011 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 2011 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

26 August 2011

2011 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 2011 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 2011 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 2011, and the value of one year's sales of CPIC Life in the 12 month to 30 June 2011 as well as the value of first half year's sales of CPIC Life in 2011 and 2010 respectively, at risk discount rate of 11.5%.

Unit: RMB Million

Valuation Date	30 June 2011	31 December 2010
Group Adjusted Net Worth	**71,261**	**75,905**
Adjusted Net Worth of CPIC Life	**31,592**	**35,836**
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,991)	(2,974)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	52,566	46,964
Cost of Solvency Margin Held for CPIC Life	(10,156)	(9,212)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	39,419	34,778
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	**38,746**	**34,184**
Group Embedded Value	**110,008**	**110,089**
Life Embedded Value	**71,011**	**70,613**
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	8,192	7,565
Cost of Solvency Margin	(1,500)	(1,465)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	**6,693**	**6,100**
Valuation Date	**30 June 2011**	**30 June 2010**
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	4,787	4,077
Cost of Solvency Margin	(957)	(839)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	**3,830**	**3,238**

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 2011, 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 2010.

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 2011 and the value of one year's sales of CPIC Life in the 12 months to 30 June 2011 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	**39,419**	**6,693**
Discount Rate "11%"	41,288	7,108
Discount Rate "12%"	37,661	6,305
Investment Return "+25 basis points"	43,287	7,091
Investment Return "-25 basis points"	35,582	6,301
Mortality "-10%"	39,550	6,713
Morbidity "-10%"	39,657	6,756
Lapse and Surrender Rates "-10%"	39,402	6,703
Expenses "-10%"	40,195	7,241
Participating "+5% Distribution"	37,957	6,284
Short Term Claim Ratio "-10 %"	39,493	6,784
150% Solvency Margin	34,342	5,943

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: 高国富

Board of Directors

China Pacific Insurance (Group) Co., Ltd.

26 August 2011

Section XIII Appendix

Appendix

The interim condensed financial report and review report of the Company for the year 2011

Interim Condensed Financial Report and Review Report of the Company for the Year 2011

Contents

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 32 which comprise the interim consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") as at 30 June 2011 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
26 August 2011

Interim Consolidated Income Statement
For the six months ended 30 June 2011

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

	Notes	Six months ended 30 June 2011 (unaudited)	2010 (unaudited)
Gross written premiums	6(a)	86,875	76,066
Less: Premiums ceded to reinsurers	6(b)	(7,306)	(7,500)
Net written premiums	6	79,569	68,566
Net change in unearned premium reserves		(4,447)	(5,379)
Net premiums earned		75,122	63,187
Investment income	7	10,187	9,131
Other operating income		496	460
Other income		10,683	9,591
Total income		85,805	72,778
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(10,618)	(8,643)
Claims incurred	8	(12,781)	(9,184)
Changes in long-term life insurance contract liabilities	8	(35,514)	(33,339)
Policyholder dividends	8	(1,743)	(1,426)
Finance costs		(311)	(205)
Interest credited to investment contracts		(1,185)	(1,109)
Other operating and administrative expenses		(16,629)	(13,813)
Total benefits, claims and expenses		(78,781)	(67,719)
Gain from disposal of a jointly-controlled entity	13	479	–
Share of profit/(loss) of a jointly-controlled entity		16	(22)
Profit before tax	9	7,519	5,037
Income tax	10	(1,636)	(967)
Net profit for the period		5,883	4,070
Attributable to:			
Equity holders of the parent		5,816	4,019
Minority interests		67	51
		5,883	4,070
Basic earnings per share	11	RMB0.68	RMB0.47
Diluted earnings per share	11	RMB0.68	RMB0.47

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

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June 2011 (unaudited)	2010 (unaudited)
Net profit for the period		5,883	4,070
Other comprehensive income			
Exchange differences on translation of foreign operations		(8)	(3)
Available-for-sale financial assets		(4,454)	(6,360)
Income tax relating to available-for-sale financial assets		1,111	1,588
Other comprehensive loss for the period	12	(3,351)	(4,775)
Total comprehensive income/(loss) for the period		2,532	(705)
Attributable to:			
Equity holders of the parent		2,523	(670)
Minority interests		9	(35)
		2,532	(705)

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

Interim Consolidated Balance Sheet
30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2011 (unaudited)	31 December 2010 (audited)
ASSETS			
Property and equipment		6,741	6,831
Investment properties		6,666	2,366
Goodwill		935	149
Other intangible assets		384	404
Prepaid land lease payments		201	203
Investment in a jointly-controlled entity	13	–	440
Financial assets at fair value through profit or loss	14	3,149	3,604
Held-to-maturity financial assets	15	173,320	157,360
Available-for-sale financial assets	16	130,471	119,759
Investments classified as loans and receivables	17	26,012	22,811
Securities purchased under agreements to resell		880	2,600
Term deposits	18	127,830	106,772
Restricted statutory deposits		3,140	2,772
Policy loans		3,097	2,307
Interest receivable		10,115	9,207
Reinsurance assets	19	13,849	12,347
Deferred income tax assets	20	3,130	1,586
Insurance receivables		7,338	5,409
Other assets	21	4,017	3,824
Cash and short-term time deposits	22	15,948	14,960
Total assets		537,223	475,711
EQUITY AND LIABILITIES			
Equity			
Issued capital	23	8,600	8,600
Reserves	24	55,182	58,476
Retained profits	24	16,027	13,221
Equity attributable to equity holders of the parent		79,809	80,297
Minority interests		1,251	1,254
Total equity		81,060	81,551
Liabilities			
Insurance contract liabilities	25	351,138	307,186
Investment contract liabilities	26	48,126	51,272
Policyholders' deposits		81	82
Subordinated debt	27	2,375	2,338
Securities sold under agreements to repurchase		24,805	8,150
Deferred income tax liabilities	20	920	2
Income tax payable		1,074	1,165
Premium received in advance		2,824	3,549
Policyholder dividend payable		7,930	7,110
Payables to reinsurers		5,000	3,510
Other liabilities		11,890	9,796
Total liabilities		456,163	394,160
Total equity and liabilities		537,223	475,711

GAO Guofu
Director

HUO 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 2011

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2011 (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 2011	8,600	58,908	1,703	(37)	(2,098)	13,221	80,297	1,254	81,551
Total comprehensive income	–	–	–	(8)	(3,285)	5,816	2,523	9	2,532
Dividends declared[1]	–	–	–	–	–	(3,010)	(3,010)	–	(3,010)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(65)	(65)
Capital injection into subsidiaries	–	(1)	–	–	–	–	(1)	53	52
At 30 June 2011	8,600	58,907	1,703	(45)	(5,383)	16,027	79,809	1,251	81,060

1 *Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2010, amounting to RMB3,010 million (RMB0.35 per share).*

	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).*

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

Interim Consolidated Cash Flow Statement
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June 2011 (unaudited)	Six months ended 30 June 2010 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	28	37,309	38,054
Income tax paid		(2,172)	(450)
Net cash inflow from operating activities		35,137	37,604
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(525)	(797)
Proceeds from sale of items of property and equipment, intangible assets and other assets		625	24
Proceeds from disposal of a jointly-controlled entity		571	–
Purchases of investments, net		(55,037)	(46,812)
Acquisition of subsidiaries		(4,125)	–
Interest received		7,509	4,748
Dividends received from investments		1,730	2,130
Net cash outflow from investing activities		(49,252)	(40,707)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		16,603	(5,390)
Capital contribution from minority shareholders of subsidiaries		53	225
Proceeds from issuance of shares		–	2,796
Interest paid		(154)	(79)
Dividends paid		(3,063)	(125)
Others		–	(1,939)
Net cash inflow/(outflow) from financing activities		13,439	(4,512)
Effects of exchange rate changes on cash and cash equivalents		(56)	(116)
Net decrease in cash and cash equivalents		(732)	(7,731)
Cash and cash equivalents at beginning of period		17,560	30,238
Cash and cash equivalents at end of period		16,828	22,507
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		10,791	9,185
Time deposits with original maturity of no more than three months		4,743	12,686
Other monetary assets		414	569
Securities purchased under agreements to resell with original maturity of no more than three months		880	67
Cash and cash equivalents at end of period		16,828	22,507

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

Notes to the Interim Condensed Consolidated Financial Statements 30 June 2011

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

1. Corporate Information

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of 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"). Upon the completion of the H share offering, the issued capital was increased to RMB8,600 million. The Company's H shares are listed on the Hong Kong Stock Exchange and trading of its H shares commenced on 23 December 2009.

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

2. Basis of Preparation and Accounting Policies

2.1 Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

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 2010.

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 2010, except for the adoption of new and revised standards and interpretations as of 1 January 2011, as described below:

- HKAS 24 (Revised): *Related Party Transactions*
  The revised HKAS 24 clarifies and simplifies the definition of a related party. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). Currently, the revision did not have significant impact on the Group's financial statements.

- HKAS 32 Amendment: *Classification of Rights Issues*

  The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Currently, the amendment did not have significant impact on the Group's financial statements.

- HKFRS 1 Amendment: *Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*

  HKFRS 1 Amendment relieves first-time adopters of HKFRSs from providing the additional disclosures introduced in March 2009 by Improving Disclosures about Financial Instruments (Amendments to HKFRS 7). It thereby ensures that first-time adopters benefit from the same transition provisions that Amendments to HKFRS 7 provide to current HKFRS preparers. The amendment did not have significant impact on the Group's financial statements.

- HK(IFRIC)-Int 14 Amendment: *Prepayments of a Minimum Funding Requirement*

  The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in the future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. Currently, the amendments did not have significant financial impact on the Group's financial statements.

- HK(IFRIC)-Int 19: *Extinguishing Financial Liabilities with Equity Instruments*

  HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 Financial Instruments: Recognition and Measurement and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognized in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. Currently, the interpretation did not have significant financial impact on the Group's financial statements.

- *Improvements to HKFRSs (issued May 2010)*

  In May 2010, HKICPA issued its third 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 certain changes to accounting policies, but did not have significant impact on the financial position or performance of the Group.

  (a) HKFRS 3 Business Combinations: The amendments limit the measurement choice of minority interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of minority interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of minority interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  (b) HKAS 34 Interim Financial Statements: Requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.

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.

(a) HKFRS 3 Business Combinations: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

The amendments also add explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 27 Consolidated and Separate Financial Statements: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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

3. Change in Accounting Estimates

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

As at 30 June 2011, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in a decrease in long-term life insurance contract liabilities as at 30 June 2011 by RMB230 million and an increase in profit before tax for the six months ended 30 June 2011 by RMB230 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 26 August 2011.

4. Segment Information

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

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

The Group's operating segments are listed as follows:

- The life insurance segment offers a wide range of RMB life insurance;
- The property and casualty insurance segment provides a wide range of RMB and foreign-currency property and casualty insurance;
- Other businesses segment provides management services and usage of fund services.

Intersegment sales and transfers are measured based on 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 2011, gross written premiums from transactions with the top five external customers amounted to 1.5% (during the six months ended 30 June 2010: 0.5%) of the Group's total gross written premiums.

Segment income statement for the six months ended 30 June 2011

	Life insurance	Property and casualty insurance Mainland China	Hong Kong	Eliminations	Sub-total	Corporate and others	Eliminations	Total
Gross written premiums	54,574	32,267	168	(134)	32,301	–	–	86,875
Less: Premiums ceded to reinsurers	(1,276)	(6,145)	(19)	134	(6,030)	–	–	(7,306)
Net written premiums	53,298	26,122	149	–	26,271	–	–	79,569
Net change in unearned premium reserves	(218)	(4,201)	(28)	–	(4,229)	–	–	(4,447)
Net premiums earned	53,080	21,921	121	–	22,042	–	–	75,122
Investment income	8,416	1,138	13	–	1,151	620	–	10,187
Other operating income	344	75	3	–	78	372	(298)	496
Other income	8,760	1,213	16	–	1,229	992	(298)	10,683
Segment income	61,840	23,134	137	–	23,271	992	(298)	85,805
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(10,618)	–	–	–	–	–	–	(10,618)
Claims incurred	(310)	(12,416)	(55)	–	(12,471)	–	–	(12,781)
Changes in long-term life insurance contract liabilities	(35,514)	–	–	–	–	–	–	(35,514)
Policyholder dividends	(1,743)	–	–	–	–	–	–	(1,743)
Finance costs	(286)	(22)	–	–	(22)	(3)	–	(311)
Interest credited to investment contracts	(1,185)	–	–	–	–	–	–	(1,185)
Other operating and administrative expenses	(8,760)	(7,600)	(53)	–	(7,653)	(580)	364	(16,629)
Segment benefits, claims and expenses	(58,416)	(20,038)	(108)	–	(20,146)	(583)	364	(78,781)
Segment results	3,424	3,096	29	–	3,125	409	66	7,024
Gain from disposal of a jointly-controlled entity	–	–	–	–	–	479	–	479
Share of profit/(loss) of								
– a jointly-controlled entity	–	–	–	–	–	16	–	16
– associates	(2)	–	–	–	–	–	2	–
Profit before tax	3,422	3,096	29	–	3,125	904	68	7,519
Income tax	(629)	(754)	–	–	(754)	(236)	(17)	(1,636)
Net profit for the period	2,793	2,342	29	–	2,371	668	51	5,883

Segment income statement for the six months ended 30 June 2010

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	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	–	–	–	–	–	(22)	–	(22)
– associates	(10)	–	–	–	–	–	10	–
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

5. Scope of Consolidation

Particulars of the Company's incorporated subsidiaries as at 30 June 2011 are as follows:

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Organization code	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Percentage of voting rights attributable to the Company	Notes
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Property and casualty insurance	Shanghai	The PRC	73337320-X	7,300,000	7,300,000	98.50	–	98.50	(1)
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Life insurance	Shanghai	The PRC	73337090-6	7,600,000	7,600,000	98.29	–	98.29	
Pacific Asset Management Co., Ltd. ("CPIC Asset Management")	Investment management	Shanghai	Shanghai	78954956-9	500,000	500,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Property and casualty insurance	Hong Kong	Hong Kong	Not applicable	HK$250,000 thousand	HK$250,000 thousand	100.00	–	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Management of properties	Shanghai	Shanghai	13370078-0	115,000	115,000	100.00	–	100.00	
Fenghua Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	72639899-4	8,000	8,000	–	98.39	100.00	
Changjiang Pension Insurance Co., Ltd	Pension fund management business	Shanghai	Shanghai	66246731-2	787,610	787,610	–	51.00	51.75	
CPIC Investment Management (H.K.) Company Limited	Investment management	Hong Kong	Hong Kong	Not applicable	HK$50,000 thousand	HK$50,000 thousand	49.00	50.83	100.00	
City Island Development Limited ("City Island")	Investment Holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$1,000	–	98.29	100.00	(2)
Great Winwick Limited *	Investment Holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$100	–	98.29	100.00	(2)
Great Winwick (Hong Kong) Limited *	Investment Holding	Hong Kong	Hong Kong	Not applicable	HK$10,000	HK$1	–	98.29	100.00	(2)
Newscott Investments Limited *	Investment Holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US$50,000	US$100	–	98.29	100.00	(2)
Newscott (Hong Kong) Investments Limited *	Investment Holding	Hong Kong	Hong Kong	Not applicable	HK$10,000	HK$1	–	98.29	100.00	(2)
Shanghai Xinhui Real Estate Development Co., Ltd. *	Real Estate	Shanghai	Shanghai	607203795	US$15,600 thousand	US$15,600 thousand	–	98.29	100.00	(2)
Shanghai Hehui Real Estate Development Co., Ltd. *	Real Estate	Shanghai	Shanghai	607325768	US$46,330 thousand	US$46,330 thousand	–	98.29	100.00	(2)

* *Subsidiaries of City Island.*

(1) Capital injection in CPIC Property

On 19 November 2010, CPIC Property's 2nd extraordinary shareholders' meeting resolved to further increase CPIC Property's registered capital through issuance of 1,839,000,000 new ordinary shares with par value of RMB1 per share to its then existing shareholders at a price of RMB2.3 per share, of which the Company subscribed for 1,809,847,303 shares. In January 2011, the Company subscribed for additional 6,322,311 shares voluntarily forfeited by other shareholders. The Company's subscription was paid in cash and verified by Shanghai Certified Public Accountants in January 2011. Upon the completion of this capital injection, CPIC Property's issued capital was increased to RMB7,300 million, of which the Company holds 7,190,599,260 shares. The Company's equity interest in CPIC Property was increased from 98.41% to 98.50%. The increase of registered capital was approved by CIRC (Baojianfagai [2011]424) on 30 March 2011.

Pursuant to the resolution of the Company's 6th term of board of directors' 6th meeting on 26 August 2011, the Company and other shareholders of CPIC Property will further increase CPIC Property's issued capital through issuance of 2,200,000,000 new ordinary shares at a price of RMB2.57 per share. Upon the completion of this capital injection, CPIC Property's issued capital will be increased to RMB9,500 million.

(2) Acquisition of City Island

Pursuant to the resolution of CPIC Life's 3rd term of board of directors' 6th extraordinary meeting in 2010 and approval from CIRC (Baojianzijin[2010]1520), CPIC Life resolved to purchase the entire 100% equity interest in and receivables from City Island held by Hawkwind Investment Limited, at a consideration amounting to approximately RMB4.3 billion (the "Acquisition of City Island"). City Island, through its subsidiaries, owns the Centre, a property located in Shanghai. CPIC Life completed the acquisition on 17 March 2011. All considerations were paid in cash.

The fair values of the identifiable assets and liabilities acquired as at the acquisition date were set out below:

Assets:	
Investment properties	4,370
Cash and short-term time deposits	144
Other assets	38
	4,552
Liabilities:	
Amount due to parent company	(1,704)
Deferred income tax liabilities	(927)
Other liabilities	(142)
	(2,773)
Total identifiable net assets at fair value	1,779
Receivable from City Island	1,704
Goodwill arising on acquisition	786
Total consideration transferred	4,269

An analysis of the net cash flows in respect of the acquisition is as follows:

Cash and bank balances acquired	144
Cash paid	(4,269)
Net cash outflow	(4,125)

From the date of acquisition, City Island has contributed RMB75 million, RMB22 million and RMB17 million to Group's the total income, net profit and net cash flows for the six months ended 30 June 2011, respectively.

The goodwill arises primarily from the difference between how deferred tax is calculated for accounting purposes and the value ascribed to it in negotiations.

From the date of acquisition to 30 June 2011, the Group did not dispose of and did not intend to dispose of any assets or liabilities of City Island.

(3) Dissolution of Jiaxing Taibao Insurance Agency Co., Ltd. ("Taibao")

In December 2010, the 12th meeting of CPIC Life's 3rd term of board of directors resolved to dissolve its subsidiary Taibao. The dissolution was approved by CIRC Zhejiang Bureau in March 2011.

6. Net Written Premiums

(a) Gross written premiums

	Six months ended 30 June	
	2011	**2010**
Long-term life insurance premiums	52,114	46,786
Short-term life insurance premiums	2,460	2,173
Property and casualty insurance premiums	32,301	27,107
	86,875	76,066

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2011	**2010**
Long-term life insurance premiums ceded to reinsurers	(721)	(1,280)
Short-term life insurance premiums ceded to reinsurers	(555)	(559)
Property and casualty insurance premiums ceded to reinsurers	(6,030)	(5,661)
	(7,306)	(7,500)

(c) Net written premiums

	Six months ended 30 June	
	2011	**2010**
Net written premiums	79,569	68,566

7. Investment Income

	Six months ended 30 June	
	2011	2010
Interest and dividend income (a)	10,731	8,984
Realized gains (b)	547	150
Unrealized (losses)/gains (c)	(87)	1
Charge of impairment losses on financial assets	(1,004)	–
Others	–	(4)
	10,187	9,131

(a) Interest and dividend income

	Six months ended 30 June	
	2011	2010
Financial assets at fair value through profit or loss		
– Fixed maturity investments	16	3
– Investment funds	1	–
	17	3
Held-to-maturity financial assets		
– Fixed maturity investments	3,600	2,732
Loans and receivables		
– Fixed maturity investments	3,612	2,490
Available-for-sale financial assets		
– Fixed maturity investments	1,478	1,541
– Investment funds	1,437	1,989
– Equity securities	587	229
	3,502	3,759
	10,731	8,984

(b) Realized gains

	Six months ended 30 June	
	2011	2010
Financial assets at fair value through profit or loss		
– Fixed maturity investments	65	–
– Equity securities	1	–
	66	–
Available-for-sale financial assets		
– Fixed maturity investments	4	80
– Investment funds	(92)	(107)
– Equity securities	569	177
	481	150
	547	150

(c) Unrealized (losses)/gains

	Six months ended 30 June	
	2011	2010
Financial assets at fair value through profit or loss		
– Fixed maturity investments	(85)	18
– Investment funds	(2)	(17)
	(87)	1

8. Net Policyholders' Benefits and Claims

	Six months ended 30 June 2011		
	Gross	Ceded	Net
Life insurance death and other benefits paid	10,738	(120)	10,618
Claims incurred			
– Short-term life insurance	647	(337)	310
– Property and casualty insurance	15,100	(2,629)	12,471
Changes in long-term life insurance contract liabilities	35,744	(230)	35,514
Policyholder dividends	1,743	–	1,743
	63,972	(3,316)	60,656

	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

9. Profit Before Tax

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

	Six months ended 30 June	
	2011	**2010**
Employee benefits expense (including directors' and supervisors' emoluments)	4,544	3,490
Auditors' remuneration	9	9
Operating lease payments in respect of land and buildings	249	222
Depreciation of investment properties	70	–
Depreciation of property and equipment	377	396
Amortization of other intangible assets	90	82
Amortization of prepaid land lease payments	2	3
Amortization of other assets	10	5
(Gain)/loss on disposal of items of property and equipment, intangible assets and other long-term assets	(3)	21
Charge of impairment loss on insurance receivables	151	63
Charge of impairment loss on financial assets (note 7)	1,004	–
Foreign exchange loss, net	40	99

10. Income Tax

(a) Income tax

	Six months ended 30 June	
	2011	**2010**
Current income tax	2,078	948
Deferred income tax (note 20)	(442)	19
	1,636	967

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2011	**2010**
Deferred income tax (note 20)	1,111	1,588

(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	
	2011	**2010**
Profit before tax	7,519	5,037
Tax computed at the statutory tax rate	1,880	1,259
Adjustments to income tax in respect of previous periods	80	15
Income not subject to tax	(424)	(372)
Expenses not deductible for tax	76	53
Attributable to a jointly-controlled entity	(4)	6
Unrecognized deferred income tax	10	6
Others	18	–
Income tax at the Group's effective rate	1,636	967

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

11. Earnings per Share

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

	Six months ended 30 June	
	2011	**2010**
Consolidated net profit for the period attributable to equity holders of the parent	5,816	4,019
Weighted average number of ordinary shares in issue (million)	8,600	8,581
Basic earnings per share	RMB0.68	RMB0.47
Diluted earnings per share	RMB0.68	RMB0.47

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2011.

12. Other Comprehensive Loss

	Six months ended 30 June	
	2011	2010
Exchange differences on translation of foreign operations	(8)	(3)
Available-for-sale financial assets		
Loss arising during the period	(5,477)	(9,094)
Reclassification adjustments for gains included in profit or loss	(481)	(150)
Fair value change on available-for-sale financial assets attributable to policyholders	500	2,884
Impairment charges reclassified to the income statement	1,004	–
	(4,454)	(6,360)
Income tax relating to available-for-sale financial assets	1,111	1,588
	(3,343)	(4,772)
Other comprehensive loss	(3,351)	(4,775)

13. Investment in a Jointly-Controlled Entity

	30 June 2011	31 December 2010
Share of net assets	–	440

Pursuant to a resolution made at the 2nd meeting of the Company's 5th term of board of directors held on 17 August 2007, the Company intended to sell its entire 50% equity interest in Pacific-Antai Life Insurance Co., Ltd. ("Pacific Antai"). On 27 December 2010, the Company entered into a share transfer agreement with joint purchasers led by China Construction Bank Corporation to sell its entire 50% equity interest in Pacific Antai for a consideration of RMB950 million. The share transfer was approved by CIRC (Baojianfagai [2011] 425) on 31 March 2011. As of 30 June 2011, the risks and rewards associated with the ownership of the equity interest in Pacific Antai have been transferred and the Company has recognized a net gain of RMB479 million.

14. 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 2011	31 December 2010
Listed		
Investment funds	5	14
Debt securities		
– Government bonds	31	32
– Finance bonds	1,976	2,247
– Corporate bonds	332	17
	2,344	2,310
Unlisted		
Investment funds	336	238
Debt securities		
– Corporate bonds	469	1,056
	805	1,294
	3,149	3,604

15. Held-to-Maturity Financial Assets

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

	30 June 2011	31 December 2010
Listed		
Debt securities		
– Government bonds	3,033	3,027
– Finance bonds	57	62
– Corporate bonds	9,953	9,698
	13,043	12,787
Unlisted		
Debt securities		
– Government bonds	36,806	31,610
– Finance bonds	62,701	52,290
– Corporate bonds	60,770	60,673
	160,277	144,573
	173,320	157,360

16. Available-for-Sale Financial Assets

	30 June 2011	31 December 2010
Listed		
Equity securities	35,774	24,979
Investment funds	9,493	9,174
Debt securities		
– Government bonds	1,338	1,447
– Finance bonds	981	767
– Corporate bonds	14,328	14,095
	61,914	50,462
Unlisted		
Other equity investments	6,234	5,240
Investment funds	15,537	15,431
Debt securities		
– Government bonds	322	522
– Finance bonds	22,155	23,469
– Corporate bonds	24,309	24,635
	68,557	69,297
	130,471	119,759

17. Investments Classified as Loans and Receivables

	30 June 2011	31 December 2010
Debt securities		
– Finance	7,137	6,886
– Debt investment scheme	18,875	15,925
	26,012	22,811

18. Term Deposits

	30 June 2011	31 December 2010
Within 1 year (including 1 year)	16,184	15,536
1 to 3 years (including 3 years)	53,040	62,260
3 to 5 years (including 5 years)	57,690	25,060
More than 5 years	916	3,916
	127,830	106,772

19. Reinsurance Assets

	30 June 2011	31 December 2010
Reinsurers' share of insurance contract liabilities (note 25)	13,849	12,347

20. 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 2011	31 December 2010
Net deferred income tax assets, at beginning of period/year	1,584	644
Acquisition of subsidiaries	(927)	–
Recognized in profit or loss (note 10(a))	442	(120)
Recognized in other comprehensive income (note 10(b))	1,111	1,060
Net deferred income tax assets, at end of period/year	2,210	1,584

21. Other Assets

	30 June 2011	31 December 2010
Foreclosed assets *	875	874
Tax receivable other than income tax	782	320
Receivable from disposal of a jointly-controlled entity	379	–
Receivable from securities clearance	350	1,820
Dividends receivable	344	50
Co-insurance receivable	141	56
Due from agents	94	58
Others	1,052	646
	4,017	3,824

* *In June 2007, the Company entered into a debt restructuring agreement with Fudan Pacific Institute of Finance (the "Institute"), pursuant to which the Company agreed to take possession of the buildings, related facilities and other assets of the Institute to settle the receivables due from the Institute.*

According to relevant regulations, in 2010, the Company entered into an assets transfer agreement with Shanghai Pudong New Area Land Reserve Centre ("上海市浦東新區土地資源儲備中心") to transfer to it the related land use right, buildings and facilities of the Institute. As at 30 June 2011, the aforementioned transaction was not yet completed. Subsequently in July 2011, the Company completed the transaction and recognised a net gain of approximately RMB659 million.

22. Cash and Short-Term Time Deposits

	30 June 2011	31 December 2010
Cash at banks and on hand	10,791	5,713
Time deposits with original maturity of no more than three months	4,743	8,358
Other monetary assets	414	889
	15,948	14,960

The Group's balances denominated in RMB amounted to RMB15,199 million as at 30 June 2011 (31 December 2010: RMB11,038 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.

23. Issued Capital

	30 June 2011	31 December 2010
Number of shares issued and fully paid at RMB1 each (million)	8,600	8,600

24. 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 CPIC Life, 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, RMB2,493 million as at 30 June 2011 (31 December 2010: RMB2,493 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, RMB2,484 million as at 30 June 2011 (31 December 2010: RMB2,484 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 resolution of the 4th meeting of the Company's 6th term of board of directors held on 25 March 2011, a final dividend of approximately RMB3,010 million (equivalent to RMB0.35 per share (including tax)) was proposed after the appropriation of statutory surplus reserve. The dividend distribution was approved by the annual general meeting held on 18 May 2011.

25. Insurance Contract Liabilities

	As at 30 June 2011		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	Net
Long-term life insurance contracts	303,654	(5,051)	298,603
Short-term life insurance contracts			
– Unearned premiums	1,694	(300)	1,394
– Claim reserves	601	(141)	460
	2,295	(441)	1,854
Property and casualty insurance contracts			
– Unearned premiums	26,950	(4,255)	22,695
– Claim reserves	18,239	(4,102)	14,137
	45,189	(8,357)	36,832
	351,138	(13,849)	337,289
Incurred but not reported claim reserves	2,889	(669)	2,220

	As at 31 December 2010		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	Net
Long-term life insurance contracts	267,953	(4,821)	263,132
Short-term life insurance contracts			
– Unearned premiums	1,456	(280)	1,176
– Claim reserves	546	(131)	415
	2,002	(411)	1,591
Property and casualty insurance contracts			
– Unearned premiums	21,951	(3,483)	18,468
– Claim reserves	15,280	(3,632)	11,648
	37,231	(7,115)	30,116
	307,186	(12,347)	294,839
Incurred but not reported claim reserves	2,445	(593)	1,852

26. Investment Contract Liabilities

	30 June 2011	31 December 2010
At beginning of period/year	51,272	52,090
Deposits received	2,291	4,943
Deposits withdrawn	(6,317)	(7,069)
Fees deducted	(154)	(300)
Interest credited	1,185	1,722
Others	(151)	(114)
At end of period/year	48,126	51,272

27. Subordinated Debt

Pursuant to the "Approval of issuance of subordinated debt by China Pacific Life Insurance Company Limited" (Baojiancaikuai [2006] No.527) from CIRC, on 29 June 2006, CPIC Life issued a 10-year fixed rate subordinated debt to Agricultural Bank of China, with a face value of RMB2,000 million.

On the condition that CIRC regulations are complied with and there is regulatory approval, with at least one month advance notice, CPIC Life has the option to redeem all or part of the debt at face value before the interest payment date in the fifth year.

The simple coupon rate of the subordinated debt is fixed at 3.75% per annum, with interest payable every 5 years. If CPIC Life does not exercise the redemption option, the annual coupon rate for the last 5 years will increase by 2 percentage points to 5.75% and remain fixed. CPIC Life exercised the option to redeem the debt in full on 29 June 2011 and settled in cash in July 2011.

28. Note to Interim Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2011	2010
Profit before tax	7,519	5,037
Investment income	(10,187)	(9,131)
Gain from disposal of a jointly-controlled entity	(479)	–
Foreign currency losses, net	40	99
Finance costs	220	123
Charge of impairment losses on insurance receivables and other assets, net	164	65
Depreciation of investment properties	70	–
Depreciation of property and equipment	377	396
Amortization of other intangible assets	90	82
Amortization of prepaid land lease payments	2	3
Amortization of other assets	10	5
(Gain)/loss on disposal of items of property and equipment, intangible assets and other long-term assets, net	(3)	21
Share of (profit)/loss of a jointly-controlled entity	(16)	22
	(2,193)	(3,278)
Increase in reinsurance assets	(1,502)	(2,492)
Increase in insurance receivables	(2,079)	(1,464)
Increase in other assets	(1,215)	(862)
Increase in insurance contract liabilities	44,000	42,571
Increase in other operating liabilities	298	3,579
Cash generated from operating activities	37,309	38,054

29. Related Party Transactions

The Group had the following material transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2011	**2010**
Equity holders who individually own more than 5% of equity interests of the Company	3	61

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	
	2011	**2010**
Salaries, allowances and other short-term benefits	11	10
Long-term incentive paid (1)	3	2
Total compensation of key management personnel	14	12

(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.

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

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

Apart from the disposal of equity interest in Pacific Antai in the six-month period ended 30 June 2011, as disclosed in note 13, during the six-month periods ended 30 June 2010 and 2011, the Group had other transactions with other government-related entities primarily related to insurance, investment and other activities (including, but not limited to, issuing insurance policies, provision of asset management or other services, the sale, purchase, and redemption of bonds or equity instruments).

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

30. Commitments

(a) Capital commitments

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

		30 June 2011	31 December 2010
Contracted, but not provided for	(1), (2), (3)	2,527	2,436
Authorized, but not contracted for	(1)	1,000	4,300
		3,527	6,736

(1) In March 2008, the Company's shareholders' general meeting approved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone. The expected total investment amounts to RMB1,000 million. As at 30 June 2011, the cumulative amount paid by the Company was RMB2 million, and RMB998 million was disclosed as capital commitments contracted but not provided for.

In March 2011, the 4th meeting of the Company's 6th term of board of directors resolved to increase the total investment of the above project by RMB1,000 million. As at 30 June 2011, the additional investment was disclosed as capital commitments authorized but not contracted for.

(2) In November 2010, CPIC Life entered into a share subscription agreement with Bank of Tianjin Co. Ltd. to subscribe for 100 million RMB ordinary shares. The total investment amounts to RMB520 million. As at 30 June 2011, the cumulative amount paid by CPIC Life was RMB78 million, and RMB442 million was disclosed as capital commitments. The completion of the transaction is subject to regulatory approval.

(3) In February 2011, CPIC Life and CPIC Property entered into "Subscription Agreement regarding Pacific – Taizhou Yangtze River Bridge Debt Investment Scheme" with CPIC Asset Management. The total investments of CPIC Life and CPIC Property amount to RMB500 million and RMB300 million, respectively. As at 30 June 2011, the cumulative amounts paid by CPIC Life and CPIC Property were RMB250 million and RMB150 million, respectively, and the remaining unpaid amount of RMB400 million was disclosed as capital commitments.

(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 2011	31 December 2010
Within 1 year (including 1 year)	395	352
1 to 2 years (including 2 years)	282	249
2 to 3 years (including 3 years)	166	163
More than 3 years	538	529
	1,381	1,293

31. 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. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 30 June 2011, 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.

32. Maturity Profile of Financial Instruments

The table below summarizes the maturity profiles of major financial assets and financial liabilities of the Group based on remaining undiscounted contractual cash flows.

						As at 30 June 2011
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	–	501	2,090	253	341	3,185
Held-to-maturity financial assets	–	11,729	52,242	241,617	–	305,588
Available-for-sale financial assets	–	6,474	40,774	36,115	67,038	150,401
Investments classified as loans and receivables	–	1,514	11,296	23,253	–	36,063
Securities purchased under agreements to resell	–	881	–	–	–	881
Term deposits	–	21,449	124,536	1,098	–	147,083
Restricted statutory deposits	–	377	3,017	–	–	3,394
Insurance receivables	1,349	5,804	524	12	–	7,689
Cash and short-term time deposits	11,205	4,743	–	–	–	15,948
Others	385	5,822	12	–	–	6,219
Liabilities:						
Investment contract liabilities	–	1,269	1,165	45,692	–	48,126
Policyholders' deposits	81	–	–	–	–	81
Subordinated debt	2,375	–	–	–	–	2,375
Securities sold under agreements to repurchase	–	24,877	–	–	–	24,877
Others	11,998	10,233	498	18	–	22,747

						As at 31 December 2010
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	–	1,016	155	2,165	252	3,588
Held-to-maturity financial assets	–	9,987	49,111	213,163	–	272,261
Available-for-sale financial assets	–	6,672	42,147	34,680	54,824	138,323
Investments classified as loans and receivables	–	1,292	9,773	20,099	–	31,164
Securities purchased under agreements to resell	–	2,609	–	–	–	2,609
Term deposits	–	20,155	98,245	4,075	–	122,475
Restricted statutory deposits	–	108	2,312	614	–	3,034
Insurance receivables	480	4,676	434	20	–	5,610
Cash and short-term time deposits	6,602	8,358	–	–	–	14,960
Others	277	4,980	8	–	–	5,265
Liabilities:						
Investment contract liabilities	–	1,474	1,187	48,611	–	51,272
Policyholders' deposits	71	11	–	–	–	82
Subordinated debt	–	2,375	–	–	–	2,375
Securities sold under agreements to repurchase	–	8,168	–	–	–	8,168
Others	9,829	8,249	523	35	–	18,636

33. 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, investments classified as loans and receivables and subordinated debt whose fair values are not presented in the consolidated balance sheet.

	As at 30 June 2011	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	173,320	165,199
Investments classified as loans and receivables	26,012	25,671
Financial liabilities:		
Subordinated debt	2,375	2,375

	As at 31 December 2010	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	157,360	154,812
Investments classified as loans and receivables	22,811	22,434
Financial liabilities:		
Subordinated debt	2,338	2,329

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.

Determination of fair value and fair value hierarchy

The Group establishes a framework that includes a hierarchy used to classify the inputs used in measuring fair value for financial assets. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

(a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");

(b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2"); and

(c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

				As at 30 June 2011
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Financial assets at fair value through profit or loss				
– Investment funds	341	–	–	341
– Debt securities	2,339	469	–	2,808
	2,680	469	–	3,149
Available-for-sale financial assets				
– Equity securities	35,774	–	–	35,774
– Investment funds	25,030	–	–	25,030
– Other equity investments	–	–	6,234	6,234
– Debt securities	16,647	46,786	–	63,433
	77,451	46,786	6,234	130,471
Total	80,131	47,255	6,234	133,620

				As at 31 December 2010
	Level 1	**Level 2**	**Level 3**	**Total fair value**
Financial assets at fair value through profit or loss				
– Investment funds	252	–	–	252
– Debt securities	2,295	1,057	–	3,352
	2,547	1,057	–	3,604
Available-for-sale financial assets				
– Equity securities	24,979	–	–	24,979
– Investment funds	24,605	–	–	24,605
– Other equity investments	–	–	5,240	5,240
– Debt securities	16,308	48,627	–	64,935
	65,892	48,627	5,240	119,759
Total	68,439	49,684	5,240	123,363

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy in 2010 and the six months ended 30 June 2011.

Reconciliation of movements in Level 3 financial instruments:

					Six months ended 30 June 2011
	Beginning of period	**Purchases**	**Transfer from cost model to Level 3**	**Changes in fair value**	**End of period**
Available-for-sale financial assets					
– Other equity investments	5,240	1,296	–	(302)	6,234

					2010
	Beginning of year	**Purchases**	**Transfer from cost model to Level 3**	**Changes in fair value**	**End of year**
Available-for-sale financial assets					
– Other equity investments	–	148	5,154	(62)	5,240

34. Post Balance Sheet Events

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

35. Comparative Figures

Certain comparative figures have been reclassified to conform to current period's presentation.

36. 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 26 August 2011.

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