

讨论稿

China Pacific Insurance (Group) Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2012

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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 36 which comprise the interim consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") as at 30 June 2012 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.

Certified Public Accountants

Hong Kong
17 August 2012

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED INCOME STATEMENT
 For the six months ended 30 June 2012

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

	Notes	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
Gross written premiums	6(a)	90,511	86,875
Less: Premiums ceded to reinsurers	6(b)	(6,625)	(7,306)
Net written premiums	6	83,886	79,569
Net change in unearned premium reserves		(2,983)	(4,447)
Net premiums earned		80,903	75,122
Investment income	7	8,419	10,187
Other operating income		590	496
Other income		9,009	10,683
Total income		89,912	85,805
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(10,485)	(10,618)
Claims incurred	8	(16,480)	(12,781)
Changes in long-term life insurance contract liabilities	8	(36,394)	(35,514)
Policyholder dividends	8	(1,783)	(1,743)
Finance costs		(1,072)	(311)
Interest credited to investment contracts		(969)	(1,185)
Other operating and administrative expenses		(19,248)	(16,629)
Total benefits, claims and expenses		(86,431)	(78,781)
Gain from disposal of a jointly-controlled entity		-	479
Share of profit of a jointly-controlled entity		-	16
Profit before tax	9	3,481	7,519
Income tax	10	(813)	(1,636)
Net profit for the period		2,668	5,883
Attributable to:			
Equity holders of the parent		2,638	5,816
Minority interests		30	67
		2,668	5,883
Basic earnings per share	11	RMB0.31	RMB0.68
Diluted earnings per share	11	RMB0.31	RMB0.68

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 For the six months ended 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note</u>	Six months ended 30 June	
		<u>2012</u>	<u>2011</u>
		(unaudited)	(unaudited)
Net profit for the period		<u>2,668</u>	<u>5,883</u>
Other comprehensive income			
Exchange differences on translation of foreign operations		2	(8)
Available-for-sale financial assets		7,202	(4,454)
Income tax relating to available-for-sale financial assets		<u>(1,789)</u>	<u>1,111</u>
Other comprehensive income/(loss) for the period	12	<u>5,415</u>	<u>(3,351)</u>
Total comprehensive income for the period		<u>8,083</u>	<u>2,532</u>
Attributable to:			
Equity holders of the parent		7,962	2,523
Minority interests		<u>121</u>	<u>9</u>
		<u>8,083</u>	<u>2,532</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED BALANCE SHEET
 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2012</u> (unaudited)	<u>31 December 2011</u> (audited)
ASSETS			
Property and equipment		7,987	7,833
Investment properties		6,451	6,573
Goodwill		962	962
Other intangible assets		502	533
Prepaid land lease payments		59	24
Financial assets at fair value through profit or loss	13	1,944	2,907
Held-to-maturity financial assets	14	214,730	202,536
Available-for-sale financial assets	15	126,119	117,592
Investments classified as loans and receivables	16	32,280	32,929
Securities purchased under agreements to resell		6,901	43
Term deposits	17	168,816	137,373
Restricted statutory deposits		3,580	3,580
Policy loans		4,783	4,094
Interest receivables		12,920	11,006
Reinsurance assets	18	14,247	14,118
Deferred income tax assets	19	3,330	4,980
Insurance receivables		9,716	6,252
Other assets	20	4,187	2,374
Cash and short-term time deposits	21	21,003	14,903
Total assets		<u>640,517</u>	<u>570,612</u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED BALANCE SHEET (continued)
 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2012</u> (unaudited)	<u>31 December 2011</u> (audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital	22	8,600	8,600
Reserves	23	55,527	50,203
Retained profits	23	17,621	17,993
Equity attributable to equity holders of the parent		81,748	76,796
Minority interests		1,309	1,259
Total equity		<u>83,057</u>	<u>78,055</u>
Liabilities			
Insurance contract liabilities	24	415,728	374,931
Investment contract liabilities	25	44,914	47,182
Policyholders' deposits		80	80
Subordinated debt	26	8,231	8,000
Securities sold under agreements to repurchase		52,010	32,105
Deferred income tax liabilities	19	966	960
Income tax payable		762	624
Premium received in advance		3,113	4,711
Policyholder dividend payable		10,203	9,132
Payables to reinsurers		5,128	3,235
Other liabilities		16,325	11,597
Total liabilities		<u>557,460</u>	<u>492,557</u>
Total equity and liabilities		<u>640,517</u>	<u>570,612</u>

 Director

 Director

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 For the six months ended 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

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	For the six months ended 30 June 2012 (unaudited)								
	Attributable to equity holders of the parent								
	Reserves					Retained profits	Total	Minority interests	Total equity
Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve					
At 1 January 2012	8,600	58,907	2,234	(55)	(10,883)	17,993	76,796	1,259	78,055
Total comprehensive income	-	-	-	2	5,322	2,638	7,962	121	8,083
Dividends declared ¹	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(71)	(71)
At 30 June 2012	8,600	58,907	2,234	(55)	(5,561)	17,621	81,748	1,309	83,057

¹ Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2011, amounting to RMB3,010 million (RMB0.35 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2012

(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								
	Issued capital	Capital reserve	Surplus reserves	Reserves		Retained profits	Total	Minority interests	Total equity
Foreign currency translation reserve				Available-for-sale investment revaluation reserve					
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).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 INTERIM CONSOLIDATED CASH FLOW STATEMENT
 For the six months ended 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2012 (unaudited)	2011 (unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	27	34,704	37,309
Income tax paid		(808)	(2,172)
Net cash inflow from operating activities		33,896	35,137
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(986)	(525)
Proceeds from sale of items of property and equipment, intangible assets and other assets		39	625
Proceeds from disposal of a jointly-controlled entity		-	571
Purchases of investments, net		(47,682)	(55,037)
Acquisition of subsidiaries		-	(4,125)
Interest received		9,882	7,509
Dividends received from investments		534	1,730
Net cash outflow from investing activities		(38,213)	(49,252)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		20,955	16,603
Capital contribution from minority shareholders of subsidiaries		-	53
Interest paid		(691)	(154)
Dividends paid		(3,013)	(3,063)
Net cash inflow from financing activities		17,251	13,439
Effects of exchange rate changes on cash and cash equivalents		4	(56)
Net increase/(decrease) in cash and cash equivalents		12,938	(732)
Cash and cash equivalents at beginning of period		14,966	17,560
Cash and cash equivalents at end of period		27,904	16,828
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		9,755	10,791
Time deposits with original maturity of no more than three months		10,446	4,743
Other monetary assets		802	414
Investments with original maturity of no more than three months		6,901	880
Cash and cash equivalents at end of period		27,904	16,828

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

(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 2012 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 2011.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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 2011, except for the adoption of new and revised standards and interpretations as of 1 January 2012, as described below:

- **HKAS 12 Amendments: Deferred Tax: Recovery of Underlying Assets**
The amendments mainly concern the determination of deferred tax on investment properties measured using the fair value model in HKAS 40 Investment Property. The Group's investment properties are all measured using the cost model. Currently, the amendments ~~had no significant~~did not have any impact on the Group's financial statements.
- **HKFRS 1 Amendments: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters**
The HKICPA issued amendments to HKFRS 1 to introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. It also removes the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. Currently, the amendments ~~had no significant~~did not have any impact on the Group's financial statements.
- **HKFRS 7 Amendments: Transfers of Financial Assets**
The amendments require more disclosure information that enables users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Currently, ~~it was expected that~~ the amendments ~~had no significant~~did not have any impact on the Group's financial statements.

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

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 2012, 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 2012 by approximately RMB258 million and an increase in profit before tax for the six months ended 30 June 2012 by approximately RMB258 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 17 August 2012.

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; and
- Other businesses segment provides management services and usage of fund services.

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

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

During the six months ended 30 June 2012, gross written premiums from transactions with the top five external customers amounted to 0.5% (during the six months ended 30 June 2011: 1.5%) of the Group's total gross written premiums.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2012

	Life insurance	Property and casualty insurance			Sub-total	Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations				
Gross written premiums	55,229	35,246	182	(146)	35,282	-	-	90,511
Less: Premiums ceded to reinsurers	(881)	(5,870)	(20)	146	(5,744)	-	-	(6,625)
Net written premiums	54,348	29,376	162	-	29,538	-	-	83,886
Net change in unearned premium reserves	(389)	(2,584)	(10)	-	(2,594)	-	-	(2,983)
Net premiums earned	53,959	26,792	152	-	26,944	-	-	80,903
Investment income	7,585	684	(10)	-	674	180	(20)	8,419
Other operating income	358	96	-	-	96	579	(443)	590
Other income	7,943	780	(10)	-	770	759	(463)	9,009
Segment income	61,902	27,572	142	-	27,714	759	(463)	89,912
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(10,485)	-	-	-	-	-	-	(10,485)
Claims incurred	(401)	(16,000)	(79)	-	(16,079)	-	-	(16,480)
Changes in long-term life insurance contract liabilities	(36,394)	-	-	-	-	-	-	(36,394)
Policyholder dividends	(1,783)	-	-	-	-	-	-	(1,783)
Finance costs	(978)	(83)	-	-	(83)	(11)	-	(1,072)
Interest credited to investment contracts	(969)	-	-	-	-	-	-	(969)
Other operating and administrative expenses	(9,697)	(9,294)	(63)	2	(9,355)	(684)	488	(19,248)
Segment benefits, claims and expenses	(60,707)	(25,377)	(142)	2	(25,517)	(695)	488	(86,431)
Segment results	1,195	2,195	-	2	2,197	64	25	3,481
Share of losses of associates	(10)	-	-	-	-	-	10	-
Profit before tax	1,185	2,195	-	2	2,197	64	35	3,481
Income tax	(126)	(627)	-	-	(627)	(45)	(15)	(813)
Net profit for the period	1,059	1,568	-	2	1,570	19	20	2,668

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2011

	Life insurance	Property and casualty insurance			Sub-total	Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations		ers		
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 profits/(losses) 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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

Particulars of the Company's incorporated subsidiaries as at 30 June 2012 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		Percentage of voting rights attributable to the Company
							Direct	Indirect	
China Pacific Property Insurance Co., Ltd.	Property and casualty insurance	Shanghai	The PRC	73337320-X	9,500,000	9,500,000	98.50	-	98.50
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.	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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

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		Percentage of voting rights attributable to the Company	
							Direct	Indirect		
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
Great Winwick Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US\$50,000	US\$100	-	98.29		100.00
Great Winwick (Hong Kong) Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK\$10,000	HK\$1	-	98.29		100.00
Newscott Investments Limited *	Investment holding	The British Virgin Islands	The British Virgin Islands	Not applicable	US\$50,000	US\$100	-	98.29		100.00
Newscott (Hong Kong) Investments Limited *	Investment holding	Hong Kong	Hong Kong	Not applicable	HK\$10,000	HK\$1	-	98.29		100.00
Shanghai Xinhui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60720379-5	US\$15,600 thousand	US\$15,600 thousand	-	98.29		100.00
Shanghai Hehui Real Estate Development Co., Ltd. *	Real estate	Shanghai	Shanghai	60732576-8	US\$46,330 thousand	US\$46,330 thousand	-	98.29		100.00
Pacific Insurance Online Services Technology Co., Ltd.	Consulting services	Shandong	Shandong	58877325-7	50,000	50,000	100.00	-		100.00

* Subsidiaries of City Island.

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6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2012	2011
Long-term life insurance premiums	52,515	52,114
Short-term life insurance premiums	2,714	2,460
Property and casualty insurance premiums	35,282	32,301
	<u>90,511</u>	<u>86,875</u>

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2012	2011
Long-term life insurance premiums ceded to reinsurers	(734)	(721)
Short-term life insurance premiums ceded to reinsurers	(147)	(555)
Property and casualty insurance premiums ceded to reinsurers	(5,744)	(6,030)
	<u>(6,625)</u>	<u>(7,306)</u>

(c) Net written premiums

	Six months ended 30 June	
	2012	2011
Net written premiums	<u>83,886</u>	<u>79,569</u>

7. INVESTMENT INCOME

	Six months ended 30 June	
	2012	2011
Interest and dividend income (a)	13,013	10,731
Realized (losses)/gains (b)	(2,239)	547
Unrealized gains/(losses) (c)	77	(87)
Charge of impairment losses on financial assets	(2,432)	(1,004)
	<u>8,419</u>	<u>10,187</u>

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7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	Six months ended 30 June	
	2012	2011
Financial assets at fair value through profit or loss		
- Fixed maturity investments	9	16
- Investment funds	3	1
- Equity securities	1	-
	13	17
Held-to-maturity financial assets		
- Fixed maturity investments	4,882	3,600
Loans and receivables		
- Fixed maturity investments	5,483	3,612
Available-for-sale financial assets		
- Fixed maturity investments	1,563	1,478
- Investment funds	157	1,437
- Equity securities	915	587
	2,635	3,502
	13,013	10,731

(b) Realized (losses)/gains

	Six months ended 30 June	
	2012	2011
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(15)	65
- Investment funds	28	-
- Equity securities	-	1
	13	66
Available-for-sale financial assets		
- Fixed maturity investments	(55)	4
- Investment funds	(813)	(92)
- Equity securities	(1,384)	569
	(2,252)	481
	(2,239)	547

(c) Unrealized gains/(losses)

	Six months ended 30 June	
	2012	2011
Financial assets at fair value through profit or loss		
- Fixed maturity investments	92	(85)
- Investment funds	(17)	(2)
- Equity securities	2	-
	77	(87)

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8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Six months ended 30 June 2012		
	Gross	Ceded	Net
Life insurance death and other benefits paid	10,597	(112)	10,485
Claims incurred			
- Short-term life insurance	744	(343)	401
- Property and casualty insurance	18,676	(2,597)	16,079
Changes in long-term life insurance contract liabilities	36,678	(284)	36,394
Policyholder dividends	1,783	-	1,783
	<u>68,478</u>	<u>(3,336)</u>	<u>65,142</u>
	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
	<u>63,972</u>	<u>(3,316)</u>	<u>60,656</u>

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
Employee benefits expense (including directors' and supervisors' emoluments)	5,233	4,544
Auditors' remuneration	8	9
Operating lease payments in respect of land and buildings	364	249
Depreciation of investment properties	101	70
Depreciation of property and equipment	438	377
Amortization of other intangible assets	96	90
Amortization of prepaid land lease payments	1	2
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(15)	(3)
Charge of impairment loss on insurance receivables	146	151
Charge of impairment loss on financial assets (note 7)	2,432	1,004
Foreign exchange (gain)/loss, net	(2)	40

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10. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2012	2011
Current income tax	946	2,078
Deferred income tax (note 19)	(133)	(442)
	<u>813</u>	<u>1,636</u>

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2012	2011
Deferred income tax (note 19)	<u>(1,789)</u>	<u>1,111</u>

(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	
	2012	2011
Profit before tax	<u>3,481</u>	<u>7,519</u>
Tax computed at the statutory tax rate	870	1,880
Adjustments to income tax in respect of previous periods	12	80
Income not subject to tax	(291)	(424)
Expenses not deductible for tax	172	76
Attributable to a jointly-controlled entity	-	(4)
Others	<u>50</u>	<u>28</u>
Income tax at the Group's effective rate	<u>813</u>	<u>1,636</u>

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

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11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
Consolidated net profit for the period attributable to equity holders of the parent	2,638	5,816
Weighted average number of ordinary shares in issue (million)	8,600	8,600
Basic earnings per share	RMB0.31	RMB0.68
Diluted earnings per share	RMB0.31	RMB0.68

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2012 and 30 June 2011.

12. OTHER COMPREHENSIVE INCOME/(LOSS)

	Six months ended 30 June	
	2012	2011
Exchange differences on translation of foreign operations	2	(8)
Available-for-sale financial assets		
Gain/(loss) arising during the period	2,550	(5,477)
Reclassification adjustments for loss/(gain) included in profit or loss	2,252	(481)
Fair value change on available-for-sale financial assets attributable to policyholders	(32)	500
Impairment charges reclassified to the income statement	2,432	1,004
	7,202	(4,454)
Income tax relating to available-for-sale financial assets	(1,789)	1,111
	5,413	(3,343)
Other comprehensive income/(loss)	5,415	(3,351)

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13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Listed		
Equity securities	68	-
Investment funds	73	11
Debt securities		
- Government bonds	32	32
- Finance bonds	1,506	1,698
- Corporate bonds	88	525
	<u>1,767</u>	<u>2,266</u>
Unlisted		
Investment funds	177	641
	<u>1,944</u>	<u>2,907</u>

14. HELD-TO-MATURITY FINANCIAL ASSETS

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Listed		
Debt securities		
- Government bonds	2,182	2,522
- Finance bonds	59	47
- Corporate bonds	9,049	9,095
	<u>11,290</u>	<u>11,664</u>
Unlisted		
Debt securities		
- Government bonds	46,076	41,239
- Finance bonds	92,982	86,674
- Corporate bonds	64,382	62,959
	<u>203,440</u>	<u>190,872</u>
	<u>214,730</u>	<u>202,536</u>

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15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Listed		
Equity securities	27,521	26,862
Investment funds	8,783	7,568
Debt securities		
- Government bonds	46	1,089
- Finance bonds	1,011	958
- Corporate bonds	17,777	16,206
	<u>55,138</u>	<u>52,683</u>
Unlisted		
Other equity investments	6,104	6,164
Investment funds	19,628	12,327
Debt securities		
- Government bonds	3	306
- Finance bonds	19,471	20,499
- Corporate bonds	25,775	25,613
	<u>70,981</u>	<u>64,909</u>
	<u>126,119</u>	<u>117,592</u>

16. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>30 June 2012</u>	<u>31 December 2011</u>
Debt securities		
-Finance	7,227	7,226
-Debt investment scheme	24,963	25,563
Others	90	140
	<u>32,280</u>	<u>32,929</u>

17. TERM DEPOSITS

	<u>30 June 2012</u>	<u>31 December 2011</u>
Within 1 year (including 1 year)	33,666	20,278
1 to 3 years (including 3 years)	25,700	42,940
3 to 5 years (including 5 years)	108,560	73,240
More than 5 years	890	915
	<u>168,816</u>	<u>137,373</u>

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18. REINSURANCE ASSETS

	<u>30 June 2012</u>	<u>31 December 2011</u>
Reinsurers' share of insurance contract liabilities (note 24)	14,247	14,118

19. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	<u>30 June 2012</u>	<u>31 December 2011</u>
Net deferred income tax assets, at beginning of period/year	4,020	1,584
Acquisition of subsidiaries	-	(941)
Recognized in profit or loss (note 10(a))	133	411
Recognized in other comprehensive income (note 10(b))	(1,789)	2,966
Net deferred income tax assets, at end of period/year	<u>2,364</u>	<u>4,020</u>
<u>Represented by:</u>		
Deferred tax assets	<u>3,330</u>	<u>4,980</u>
Deferred tax liabilities	<u>(966)</u>	<u>(960)</u>

20. OTHER ASSETS

	<u>30 June 2012</u>	<u>31 December 2011</u>
Tax receivable other than income tax	2,145	1,123
Dividends receivables	543	2
Due from agents	287	62
Receivable from securities clearance	117	145
Co-insurance receivable	51	52
Investment refund	-	78
Others	1,044	912
	<u>4,187</u>	<u>2,374</u>

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21. CASH AND SHORT-TERM TIME DEPOSITS

	<u>30 June 2012</u>	<u>31 December 2011</u>
Cash at banks and on hand	9,755	7,001
Time deposits with original maturity of no more than three months	10,446	7,628
Other monetary assets	802	274
	<u>21,003</u>	<u>14,903</u>

The Group's balances denominated in RMB amounted to RMB20,184 million as at 30 June 2012 (31 December 2011: RMB13,860 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 one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

22. ISSUED CAPITAL

	<u>30 June 2012</u>	<u>31 December 2011</u>
Number of shares issued and fully paid at RMB1 each (million)	8,600	8,600

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23. 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 (the "SSR")

According to the PRC Company Law and the articles of association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under 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, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

Of the Group's retained profits, RMB3,181 million as at 30 June 2012 (31 December 2011: RMB3,181 million) represents the Company's share of its subsidiaries' surplus reserve fund.

(ii) Discretionary surplus reserve (the "DSR")

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

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

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23. RESERVES AND RETAINED PROFITS (continued)

(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 net profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

Of the Group's retained profits, RMB3,168 million as at 30 June 2012 (31 December 2011: RMB3,168 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 8th meeting of the Company's 6th term of board of directors held on 23 March 2012, 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 11 May 2012.

24. INSURANCE CONTRACT LIABILITIES

	As at 30 June 2012		Net
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 18)	
Long-term life insurance contracts	362,584	(5,464)	357,120
Short-term life insurance contracts			
- Unearned premiums	1,852	(126)	1,726
- Claim reserves	712	(138)	574
	2,564	(264)	2,300
Property and casualty insurance contracts			
- Unearned premiums	29,394	(4,161)	25,233
- Claim reserves	21,186	(4,358)	16,828
	50,580	(8,519)	42,061
	415,728	(14,247)	401,481
Incurred but not reported claim reserves	3,386	(726)	2,660

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24. INSURANCE CONTRACT LIABILITIES (continued)

	As at 31 December 2011		Net
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 18)	
Long-term life insurance contracts	325,558	(5,180)	320,378
Short-term life insurance contracts			
- Unearned premiums	1,621	(285)	1,336
- Claim reserves	631	(144)	487
	2,252	(429)	1,823
Property and casualty insurance contracts			
- Unearned premiums	26,556	(3,916)	22,640
- Claim reserves	20,565	(4,593)	15,972
	47,121	(8,509)	38,612
	374,931	(14,118)	360,813
Incurred but not reported claim reserves	3,237	(746)	2,491

25. INVESTMENT CONTRACT LIABILITIES

	30 June 2012	31 December 2011
At beginning of period/year	47,182	51,272
Deposits received	1,904	3,366
Deposits withdrawn	(4,991)	(9,335)
Fees deducted	(104)	(295)
Interest credited	969	2,257
Others	(46)	(83)
At end of period/year	44,914	47,182

26. SUBORDINATED DEBT

On 21 December 2011, CPIC Life issued a 10-year subordinated debt with a total face value of RMB8,000 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 5.5% per annum, payable annually in arrears. If CPIC Life does not exercise the early redemption option, the annual coupon rate for the next five years would increase to 7.5% and would remain unchanged for the remaining term.

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27. NOTE TO INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

	<u>Six months ended 30 June</u>	
	<u>2012</u>	<u>2011</u>
Profit before tax	3,481	7,519
Investment income	(8,419)	(10,187)
Gain from disposal of a jointly-controlled entity	-	(479)
Foreign currency (gains)/losses, net	(2)	40
Finance costs	934	220
Charge of impairment losses on insurance receivables and other assets, net	144	164
Depreciation of investment properties	101	70
Depreciation of property and equipment	438	377
Amortization of other intangible assets	96	90
Amortization of prepaid land lease payments	1	2
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(15)	(3)
Reversal of provision for lawsuits	(5)	-
Share of profit of a jointly-controlled entity	-	(16)
	(3,236)	(2,193)
Increase in reinsurance assets	(129)	(1,502)
Increase in insurance receivables	(3,609)	(2,079)
Increase in other assets	(1,354)	(1,215)
Increase in insurance contract liabilities	40,449	44,000
Increase in other operating liabilities	2,583	298
Cash generated from operating activities	<u>34,704</u>	<u>37,309</u>

28. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

(a) Sale of insurance contracts

	<u>Six months ended 30 June</u>	
	<u>2012</u>	<u>2011</u>
Equity holders who individually own more than 5% of equity interests of the Company	<u>9</u>	<u>3</u>

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

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28. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012	2011
Salaries, allowances and other short-term benefits	10	11
Long-term incentive paid (1)	4	3
Total compensation of key management personnel	<u>14</u>	<u>14</u>

(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.

During the six months ended 30 June 2011, the Group completed the transaction to sell its entire 50% equity interest in Pacific-Antai Life Insurance Co., Ltd. ("Pacific Antai"), a then jointly controlled entity of the Company, to joint purchasers led by China Construction Bank Corporation for a consideration of RMB950 million. The Group recognized a net gain of RMB479 million as a result of this transaction.

Apart from the disposal of equity interest in Pacific Antai, during the six-month periods ended 30 June 2011 and 2012, 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, and the sale, purchase, issuance and redemption of bonds or equity instruments).

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

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29. COMMITMENTS

(a) Capital commitments

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

		<u>30 June 2012</u>	<u>31 December 2011</u>
Contracted, but not provided for	(1)	1,493	1,712
Authorized, but not contracted for	(1)	1,000	1,000
		<u>2,493</u>	<u>2,712</u>

(1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone. The expected total investment amounts to RMB2,000 million. As at 30 June 2012, the cumulative amount paid by the Company was RMB61 million. Of the unpaid amount, RMB939 million was disclosed as capital commitments contracted but not provided for and RMB1,000 million was disclosed as capital commitments authorized but not contracted for.

(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:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Within 1 year (including 1 year)	445	436
1 to 2 years (including 2 years)	312	316
2 to 3 years (including 3 years)	211	206
3 to 5 years (including 5 years)	223	228
More than 5 years	121	343
	<u>1,312</u>	<u>1,529</u>

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29. COMMITMENTS (continued)

(c) Operating lease rental receivables

The Group leases its investment properties under various rental agreements. Future minimum lease receivables under non-cancellable operating leases are as follows:

	<u>30 June 2012</u>	<u>31 December 2011</u>
Within 1 year (including 1 year)	389	367
1 to 2 years (including 2 years)	311	313
2 to 3 years (including 3 years)	155	180
3 to 5 years (including 5 years)	67	86
More than 5 years	-	1
	<u>922</u>	<u>947</u>

30. 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 2012, the Group was the defendant in certain pending litigation and disputes. Provisions have been made for the possible loss based on best estimate by the directors and the Group would only be contingently liable for any claim that is in excess of what had been provided.

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31. 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 2012						
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	-	36	1,724	10	318	2,088
Held-to-maturity financial assets	-	17,179	63,143	304,790	-	385,112
Available-for-sale financial assets	-	9,104	38,942	31,604	62,036	141,686
Investments classified as loans and receivables	-	3,780	13,386	25,356	-	42,522
Securities purchased under agreements to resell	-	6,913	-	-	-	6,913
Term deposits	-	42,306	160,352	964	-	203,622
Restricted statutory deposits	-	1,437	2,807	-	-	4,244
Insurance receivables	394	8,796	876	18	-	10,084
Cash and short-term time deposits	10,557	10,446	-	-	-	21,003
Others	277	8,767	18	-	-	9,062
Liabilities:						
Investment contract liabilities	-	2,204	3,162	39,548	-	44,914
Policyholders' deposits	69	11	-	-	-	80
Subordinated debt	-	440	9,760	-	-	10,200
Securities sold under agreements to repurchase	-	52,160	-	-	-	52,160
Others	16,734	11,597	790	26	-	29,147
As at 31 December 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	-	61	1,959	500	652	3,172
Held-to-maturity financial assets	-	13,266	59,627	286,468	-	359,361
Available-for-sale financial assets	-	6,799	40,495	35,765	52,921	135,980
Investments classified as loans and receivables	-	1,959	15,249	27,882	-	45,090
Securities purchased under agreements to resell	-	43	-	-	-	43
Term deposits	-	27,379	137,419	1,077	-	165,875
Restricted statutory deposits	-	1,155	2,907	-	-	4,062
Insurance receivables	707	5,358	406	4	-	6,475
Cash and short-term time deposits	7,275	7,628	-	-	-	14,903
Others	257	6,264	19	-	-	6,540
Liabilities:						
Investment contract liabilities	-	1,163	1,147	44,872	-	47,182
Policyholders' deposits	69	11	-	-	-	80
Subordinated debt	-	440	9,760	-	-	10,200
Securities sold under agreements to repurchase	-	32,191	-	-	-	32,191
Others	13,630	7,829	489	14	-	21,962

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32. 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 2012	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	214,730	216,605
Investments classified as loans and receivables	32,280	32,055
	<u>247,010</u>	<u>248,660</u>
Financial liabilities:		
Subordinated debt	8,231	8,672
	<u>8,231</u>	<u>8,672</u>
	As at 31 December 2011	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	202,536	201,656
Investments classified as loans and receivables	32,929	32,524
	<u>235,465</u>	<u>234,180</u>
Financial liabilities:		
Subordinated debt	8,000	8,043
	<u>8,000</u>	<u>8,043</u>

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

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

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

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 2012			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Equity securities	68	-	-	68
- Investment funds	250	-	-	250
- Debt securities	1,626	-	-	1,626
	1,944	-	-	1,944
Available-for-sale financial assets				
- Equity securities	27,521	-	-	27,521
- Investment funds	28,411	-	-	28,411
- Other equity investments	-	-	6,104	6,104
- Debt securities	17,125	46,958	-	64,083
	73,057	46,958	6,104	126,119
Total	75,001	46,958	6,104	128,063

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

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2011			Total fair value
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
- Investment funds	652	-	-	652
- Debt securities	2,255	-	-	2,255
	2,907	-	-	2,907
Available-for-sale financial assets				
- Equity securities	26,862	-	-	26,862
- Investment funds	19,895	-	-	19,895
- Other equity investments	-	-	6,164	6,164
- Debt securities	16,906	47,765	-	64,671
	63,663	47,765	6,164	117,592
Total	66,570	47,765	6,164	120,499

During the six months ended 30 June 2012, the Group transferred certain debt securities from Level 1 to Level 2 as there were no available quoted prices (unadjusted) in active markets. As at 30 June 2012, the carrying amount of these debt securities approximated RMB305 million.

Reconciliation of movements in Level 3 financial instruments:

	Six months ended 30 June 2012				End of period
	Beginning of period	Purchases	Transfer from cost model to Level 3	Changes in fair value	
Available-for-sale financial assets					
- Other equity investments	6,164	-	-	(60)	6,104
	2011				End of year
	Beginning of year	Purchases	Transfer from cost model to Level 3	Changes in fair value	
Available-for-sale financial assets					
- Other equity investments	5,240	1,296	-	(372)	6,164

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33. POST BALANCE SHEET EVENTS

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

In May 2012, pursuant to the resolution of CPIC Life's fourth term of board of directors' first extraordinary meeting in 2012, CPIC Life resolved to issue a 10-year fixed rate subordinated debt with a face value of no more than RMB7.5 billion. The issuance of subordinated debt was approved by CIRC (Baojiancaikuai [2012]913) on 3 August 2012. As of the date of approval of these financial statements, the issuance of subordinated debt was yet to be completed.

34. 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 17 August 2012.