

2012 Interim Report

(Stock Code: 02601)



Operational overview

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	90,511	86,875	4.2
Life insurance	55,229	54,574	1.2
Property and casualty insurance	35,246	32,267	9.2
Net Profit attributable to equity holders of the parent	2,638	5,816	(54.6)
Life insurance	1,059	2,793	(62.1)
Property and casualty insurance	1,568	2,342	(33.0)
New business value of life insurance for the first half of the year	4,061	3,830	6.0
Combined ratio of property and casualty insurance (%)	94.2	91.1	3.1pt

	As at 30 June 2012	As at 31 December 2011	YoY changes (%)
Market shares			
Life insurance (%) ^{note 1}	9.6	9.7	(0.1pt)
Property and casualty insurance (%)	12.5	12.9	(0.4pt)
Embedded value of the Group	121,833	113,564	7.3
Number of group customers (in thousand)^{note 2}	76,191	69,995	8.9
Average number of insurance policies per customer (in number)	1.42	1.41	0.7
Pension business			
Assets entrusted	29,438	27,258	8.0
Assets under investment management	20,915	18,104	15.5

Notes:

- Based on the total written premiums of life insurance companies published by CIRC.
- Number of group customers refers to the number of insurers and policyholders who hold at least one insurance policy issued by one or any of CPIC subsidiaries as at the end of the reporting period/year which remains valid and has an insurance coverage period of not less than 365 days. In the event that the insurer and policyholder is the same person, the person shall be deemed as one customer.

Unit: in RMB million

Key Accounting Data	January to June 2012	January to June 2011	Variance (%)
Total income	89,912	85,805	4.8
Profit before tax	3,481	7,519	(53.7)
Net profit ^{note}	2,638	5,816	(54.6)
Net cash flow from operating activities	33,896	35,137	(3.5)

	30 June 2012	31 December 2011	Variance (%)
Total assets	640,517	570,612	12.3
Equity ^{note}	81,748	76,796	6.4

Note: Attributable to equity holders of the parent.

Key Financial Indicators	January to June 2012	January to June 2011	Variance (%)
Basic earnings per share (RMB per share) ^{note}	0.31	0.68	(54.6)
Diluted earnings per share (RMB per share) ^{note}	0.31	0.68	(54.6)
Weighted average return on equity (%) ^{note}	3.3	7.2	Decreased by 3.9pt
Net cash inflow per share from operating activities (RMB per share)	3.94	4.09	(3.5)

	30 June 2012	31 December 2011	Variance (%)
Net assets per share (RMB per share) ^{note}	9.51	8.93	6.4

Note: Attributable to equity holders of the parent.

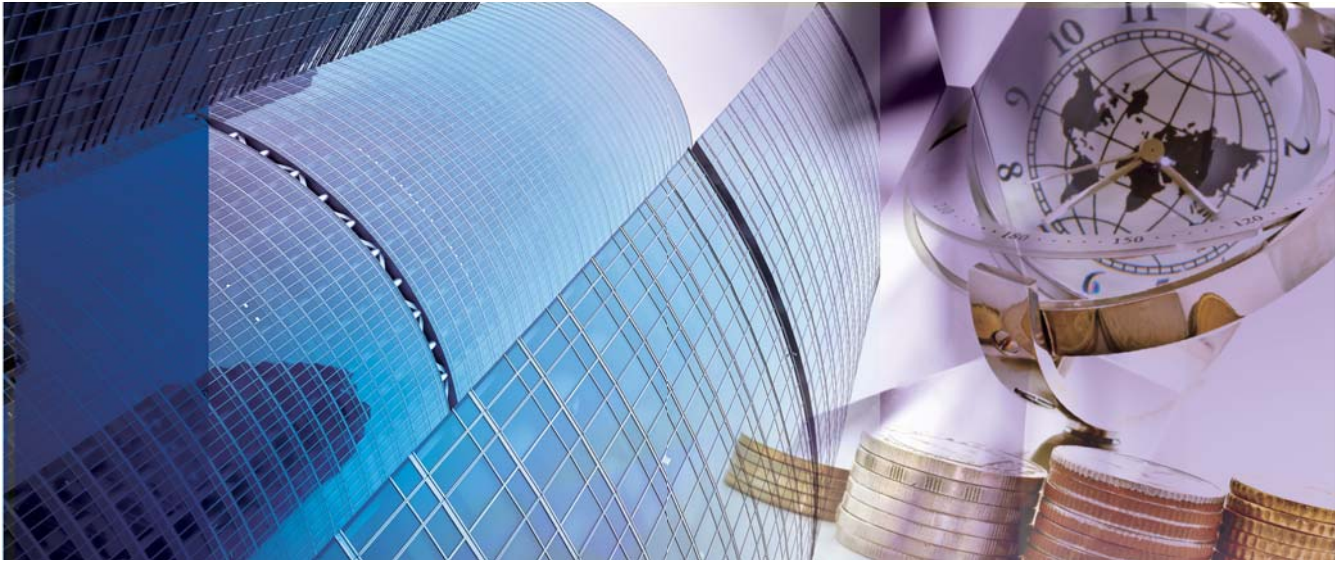
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Cautionary Statement:

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 and Definitions

1. The 2012 Interim Report of the Company was considered and approved at the 10th session of the 6th Board of Directors on 17 August 2012, which 15 Directors were required to attend and 12 of them attended in person and WU Jumin, a Director, appointed in writing GAO Guofu, Chairman of the Board of Directors, to attend the meeting and vote on his behalf; FENG Junyuan, Janine, a Director, appointed in writing YANG Xiangdong, a Director, to attend the meeting and vote on her behalf; CHANG Tso Tung Stephen, a Director, appointed in writing LI Ruoshan, a Director, to attend the meeting and vote on his behalf.
2. The 2012 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
"CPIC Online"	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of CPIC Group
"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
"Corporate Governance Code"	Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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: FANG Lin

Securities Representative: YANG Jihong

Contact for Shareholder Inquiries: Investor Relations Dept. of the Company

Tel: +86-21-58767282

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190 Central Yincheng Road, Pudong New District, Shanghai, PRC

Joint Company Secretary: MA Sau Kuen Gloria

Tel: +852-35898822

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Email: gloria.ma@kcs.com

Address:

8th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong

Registered Office:

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

Office Address:

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

Postal Code: 200120

Place of Business in Hong Kong:

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

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

Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):

China Securities, Shanghai Securities and Securities Times

Announcements for A Share Published at: <http://www.sse.com.cn>

Announcements for H Share Published at: <http://www.hkexnews.hk>

Interim Report Available at: Investor Relations Dept. of the Company

Stock Exchange for A Share Listing:

The Shanghai Stock Exchange

Stock Name for A Share: CPIC

Stock Code for A Share: 601601

Stock Exchange for H Share Listing:

The Stock Exchange of Hong Kong Limited

Stock Name for H Share: CPIC

Stock Code for H Share: 02601

H Share Registrar:

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre,

183 Queen’s Road East, Wanchai, Hong Kong

Date of Initial Registration: 13 May 1991

Place of Initial Registration:

The State Administration for Industry & Commerce of the PRC

Registration No. of Business Licence: 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:

22/F, CITIC Tower, 1 Tim Mei Avenue, 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 2012	January to June 2011	Variance (%)
Total income	89,912	85,805	4.8
Profit before tax	3,481	7,519	(53.7)
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Net assets per share (RMB per share) ^{note}	9.51	8.93	6.4

Note: Attributable to equity holders of the parent.

II. Other Key Financial and Regulatory Indicators

Unit: in RMB million

Indicators	30 June 2012/ January to June 2012	31 December 2011/ January to June 2011
The Group		
Investment assets ^{note 1}	586,607	522,530
Investment returns (%) ^{note 2}	3.9	4.4
Life insurance ^{note 3}		
Net premiums earned	53,959	53,080
Growth rate of net premiums earned (%)	1.7	13.1
Net policyholders' benefits and claims	49,063	48,185
Property and casualty insurance ^{note 3}		
Net premiums earned	26,792	21,921
Growth rate of net premiums earned (%)	22.2	35.5
Claims incurred	16,000	12,416
Unearned premium reserves	29,373	26,536
Claim reserves	21,114	20,501
Combined ratio (%) ^{note 4}	94.2	91.1
Comprehensive loss ratio (%) ^{note 5}	59.7	56.6

Notes:

- Investment assets include cash and short-term time deposits.
- Investment yield = (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 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.
- The life insurance and property and casualty insurance businesses stated above refer to those businesses of CPIC Life and CPIC Property respectively.
- Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.
- Comprehensive loss ratio = claim 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 2012 and 31 December 2011 and the net profit of the Group for the 6-month periods ended 30 June 2012 and 30 June 2011 as stated in accordance with PRC GAAP and HKFRS.

Section IV Chairman's Statement

Chairman's Statement

In the first half of 2012, CPIC realized gross written premiums of RMB90.511 billion, representing an increase of 4.2% as compared to the same period of the previous year, among which, life insurance premiums amounted to RMB55.229 billion, representing an increase of 1.2% as compared to the same period of the previous year, and property and casualty insurance premiums amounted to RMB35.246 billion, representing an increase of 9.2% as compared to the same period of the previous year. The value of sales of life insurance amounted to RMB4.061 billion, representing an increase of 6.0% as compared to the same period of the previous year, and the combined ratio of property and casualty insurance was 94.2%, representing an increase of 3.1pt as compared to the same period of the previous year. Affected by factors such as reduced investment gains and slowdown of business growth, net profit attributable to equity holders of the parent company amounted to RMB2.638 billion in the first half of the year, representing a decrease of 54.6% as compared to the same period of the previous year. As at 30 June 2012, the Group's embedded value amounted to RMB121.833 billion, representing an increase of 7.3% as compared to the end of the previous year. The solvency margin rate of the Group, CPIC Life and CPIC Property maintained at a relatively satisfactory level of 271%, 183% and 194%, respectively.

In the face of the challenging market environment, CPIC continued its strategies of developing insurance as its core business and maximizing its value. It expanded its business in a prudent manner, facilitated business transformation into a customer demand-oriented approach, optimized process management and strengthened cost control through innovative ideas and mechanisms to maintain robust growth and enhance its value.

I. Persisted on the agency channel and regular premium business, and continued growth in the new business value of life insurance

In the first half of the year, CPIC Life realized gross written premiums of RMB55.229 billion, representing an increase of 1.2% as compared to the same period of the previous year, among which, gross written premiums of new insurance policies amounted to RMB24.942 billion, representing a decrease of 17.8% as compared to the same period of the previous year. New business value reached RMB4.061 billion, representing an increase of 6.0% as compared to the same period of the previous year. Profit margin of new business reached 15.4%, representing an increase of 3.5pt as compared to the same period of the previous year.

Focused on the sound development of manpower and enhancement of productivity, and maintained rapid growth of agency channel business. Gross written premiums from the agency channel for the first half of the year amounted to RMB28.210 billion, representing an increase of 21.5% as compared to the same period of the previous year, among which, gross written premiums of new insurance policies amounted to RMB7.288 billion, representing an increase of 13.6% as compared to the same period of the previous year, which continued to take the lead among the major counterparts in terms of growth rate. Average monthly agent productivity was RMB4,427, representing an increase of 17.3% as compared to the same period of the previous year. Average monthly workforce with good attendance and outstanding performances continued to increase and also showed an increased proportion to the total manpower. In addition, the regional strategy of "consolidating county business and expanding to urban areas" has achieved initial success and the growth of major urban area businesses was faster than that of the overall business on average. Gross written premiums from the agency channel accounted for 51.1%, representing an increase of 8.6pt as compared to the same period of the previous year and the contribution of the agency channel business continued to enhance.

Focused on the regular premium business and improved business structure and quality. In the first half of the year, premiums from new regular premium policies and renewed policies of CPIC Life reached RMB39.756 billion, which accounted for 72.0% of the current total life premiums, representing an increase of 9.2pt as compared to the same period of the previous year. Premiums from new regular premium policies amounted to RMB9.469 billion, accounted for 38.0% of premiums from new premium policies, representing an increase of 5.0pt as compared to the same period of the previous year. 10-year and above insurance businesses accounted for 47.7% of new regular premium policies, representing an increase of 5.9pt as compared to the same period of the previous year. From the perspective of distribution channels, premiums from new regular premium policies of existing agency channels amounted to RMB6.880 billion, representing an increase of 14.1% as compared to the same period of the previous year. With the promotion of the transformation and the development of regular premium businesses of bancassurance, the proportion of sales of 5-year and above insurance businesses increased by 21.4pt as compared to the same period of the previous year. New high value regular premium products for bancassurance business launched in the second half of 2011 maintained its growth momentum. Premiums amounted to RMB576 million in the first half of the year. Gross written premiums of new regular premium policies from such new channels as telemarketing reached RMB236 million, representing an increase of 126.9% as compared to the same period of the previous year. The persistency ratio of life insurance policies for the first half of the year was satisfactory, and the 13-month persistency ratio and 25-month persistency ratio were 91.6% and 90.6%, respectively.

II. Accelerated development of new channels, enhanced retention rate of target customers and maintained relatively high profitability of property and casualty insurance

In the first half of the year, income from property and casualty insurance of CPIC Property amounted to RMB35.246 billion, representing an increase of 9.2% as compared to the same period of the previous year. Affected by factors such as increase in claims, the combined ratio for the first half of the year reached 94.2%, representing an increase of 3.1pt as compared to the same period of the previous year.

Strengthened the establishment of professional channels and rapidly expanded new channels. In the first half of the year, premiums from new channels of property and casualty insurance amounted to RMB5.756 billion, representing an increase of 94.5% as compared to the same period of the previous year. Premiums from new channels accounted for 16.3% of income from property and casualty insurance, representing an increase of 7.1pt as compared to the same period of the previous year. Of which, premiums from telemarketing and internet-marketing amounted to RMB4.492 billion, representing an increase of 128.4% as compared to the same period of the previous year, and premiums from cross-selling amounted to RMB1.264 billion, representing an increase of 27.3% as compared to the same period of the previous year. In the first half of the year, traditional channels recorded stable growth. Premiums for car dealership and bancassurance increased by 22.3% and 32.4%, respectively, as compared to the same period of the previous year.

Enhanced policy renewal and customer service to improve retainment rate of target customers. In the first half of the year, the renewal rate of commercial vehicle insurance reached 59.1%, representing an increase of 3.5pt as compared to the same period of the previous year, and the growth of vehicle insurance renewal reached 26.7%. We have 384 major customers, representing an increase of 106 as compared to the same period of the previous year. Premiums from major customers amounted to RMB2.430 billion, representing an increase of 30.8% as compared to the same period of the previous year.

III. Increased allocation towards fixed-interest assets for continuous increase in net investment yield

As at 30 June 2012, the total investment assets were RMB586.607 billion, representing an increase of 12.3% over that of the end of the previous year. In the first half of the year, due to the fluctuation of the capital markets, the Company recorded total investment gains of RMB8.652 billion, representing a decrease of 20.1% as compared to the same period of the previous year. Total investment yield was 3.9%, representing a decrease of 0.5pt as compared to the same period of the previous year. Net investment income amounted to RMB13.146 billion, representing an increase of 22.2% as compared to the same period of the previous year. Net investment yield was 4.9%, representing an increase of 0.5pt as compared to the same period of the previous year. Net asset value growth rate of investment assets reached 5.3%, representing an increase of 2.1pt as compared to the same period of the previous year.

In the first half of the year, CPIC Property grasped the opportunity of the relatively high interest rate of fixed interest assets and increased the allocation of fixed-interest assets with high yields, focusing on negotiated deposit and subordinated debentures of commercial banks. Interest income from fixed interest assets reached RMB11.887 billion, representing an increase of 37.4% as compared to the same period of the previous year. Through significant adjustment to the structure of equity assets and increase of investments in blue chips with potential for long-term investment and dividends distribution, dividend income from equity investments increased by 56.0% as compared to the same period of the previous year. CPIC continued to promote several debt investment plans and enhanced its investments in debts, equities and real estate.

IV. Increased the scale of Changjiang Pension's assets through active market expansion and professional investment capability

In the first half of the year, Changjiang Pension maintained its leading market position in Shanghai. Through cooperation of the various channels, significant breakthrough was achieved in sales for major industries and enterprises. In addition, Changjiang Pension commenced the cooperation with CPIC Life and CPIC Property in enterprise annuity business by leveraging Group synergies. With the increasing sophistication of its professional and stable investment management concepts and methodology, Changjiang Pension recorded excellent performance in entrusted assets management and internal investments for enterprise annuity. As at 30 June 2012, assets entrusted under management of Changjiang Pension amounted to RMB29.438 billion, representing an increase of 8.0% as compared to that at the end of the previous year. Investment assets amounted to RMB20.915 billion, representing an increase of 15.5% as compared to that at the end of the previous year.

V. Carried out "customer demand-oriented" transformation through concept and mechanism innovation

CPIC proactively carried out "customer demand-oriented" innovative reform to focus on customers' needs, improve customers' communication and enhance customers' experience. The current precise marketing implemented by CPIC Life, the "Shen Xing Tai Bao" (神行太保) mobile sales and service system and new technologies developed by CPIC Property such as a "3G Claim Management System" were measures and initiatives implemented towards the goal of such transformation. For the next stage of transformation, the Company will implement a series of major projects including focuses on customer insight, cross-selling and online services providing diversified insurance solutions to its potential customers.

Awards of the Company

- CPIC continued to rank among the “Fortune Global 500” list in the U.S. and its ranking climbed by 17 to the 450th as compared to the previous year;
- CPIC was ranked 87th in the “China’s Top 500 Brands of 2012” by World Brand Laboratory, moving up by 6 ranks as compared to the previous year;
- CPIC Life was awarded four awards, namely “Customer Relationship Excellence — Outstanding Achievement”, “Contact Center of the Year”, “Innovative Technology of the Year (Insurance)” and “Best Use of Technology of the Year (Insurance)” by Asia Pacific Customer Service Consortium in 2011. Of which, “Customer Relationship Excellence — Outstanding Achievement” was the top award granted by such consortium; and
- The “Shenxing Auto Insurance” (“神行車保”) product under CPIC Property was graded as “2011 Best Motor Vehicle Insurance Product” in the insurance grading campaign in 2011.

At present, under the harsh and complex domestic and international economic conditions, the development of the insurance industry was greatly affected by the slower economic growth and depression in the capital markets. In addition, factors including the increase in operating cost and slowdown of business growth brought pressures to the operation of the Company. We will persevere with our focus on developing core insurance business, promoting and implementing operation strategies to achieve sustainable growth. By proactively responding to challenges, we will continue to promote customer demand-oriented transformation and maintained stable and healthy development of our businesses.

Section V Management Discussion and Analysis

Management Discussion and Analysis

The Company provides a comprehensive range of life insurance and property and casualty insurance products and services mainly through CPIC Life and CPIC Property, and manages and deploys insurance funds through CPIC Asset Management. The Company also engages in pension business through Changjiang Pension and engages in property and casualty insurance and asset management businesses in Hong Kong through CPIC HK and CPIC Investment (H.K.), respectively. It also sells life insurance and property and casualty insurance products via the e-commerce platform of its subsidiary, CPIC Online (www.epic.com.cn).

The following analysis of life insurance business, 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, CPIC Investment (H.K.) and CPIC Online only account for a relatively small portion in the Company.

I. Key operational indicators

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	90,511	86,875	4.2
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CPIC's "Shen Xing Tai Bao" (神行太保), a mobile sales channel and service system, improved customer experience and underwriting efficiency effectively.

II. Life insurance business

(I) Business analysis

Hindered by the changes in macroeconomic environment, the increased labor costs, the structural adjustments of bancassurance business and other factors, the growth of the life insurance market remained sluggish in the first half of 2012. During the first half of the year, gross written premiums of life insurance of the Company amounted to RMB55.229 billion, representing an increase of 1.2% as compared to the same period of the previous year. Premiums from new policies amounted to RMB24.942 billion, representing a decrease of 17.8% as compared to the same period of the previous year. Premiums from renewed policies amounted to RMB30.287 billion, representing an increase of 25.0% as compared to the same period of the previous year.

1. Analysis by channels

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Agency channel			
Gross written premiums	28,210	23,212	21.5
New policies	7,288	6,417	13.6
Regular premium	6,880	6,030	14.1
Single premium	408	387	5.4
Renewed policies	20,922	16,795	24.6
Bancassurance			
Gross written premiums	21,709	28,006	(22.5)
New policies	12,582	20,718	(39.3)
Regular premium	2,325	3,881	(40.1)
Single premium	10,257	16,837	(39.1)
Renewed policies	9,127	7,288	25.2
Direct sales			
Gross written premiums	4,906	3,178	54.4
New policies	4,836	3,112	55.4
Regular premium	28	7	300.0
Single premium	4,808	3,105	54.8
Renewed policies	70	66	6.1
New channels			
Gross written premiums	404	178	127.0
New policies	236	106	122.6
Regular premium	236	104	126.9
Single premium	—	2	(100.0)
Renewed policies	168	72	133.3
Total	55,229	54,574	1.2
For 6 months ended/as at 30 June			
Insurance sale agents (in thousand)	270	282	(4.3)
Average monthly first-year gross written premiums per agent (RMB)	4,427	3,773	17.3
Average number of new life insurance policies per agent per month (in number)	1.20	1.29	(7.0)

(1) Agency channel

In the first half of the year, the Company recorded premiums from new policies through the agency channel of RMB7.288 billion, representing an increase of 13.6% as compared to the same period of the previous year. Premiums from renewed policies amounted to RMB20.922 billion, representing an increase of 24.6% as compared to the same period of the previous year.

The Company put a great emphasis on the healthy development of manpower of the agency channel and adopted differentiated recruitment strategy to increase proportion of sales agents in urban areas and enhance quality of new sales agents. The Company enhanced the sales capability of the sales team and increased the proportion of agents with excellent performance through management measures, such as strict performance assessments, attendance management and effective trainings. The average monthly productivity per sales agent continued to improve, amounting to RMB4,427 in the first half of the year, representing an increase of 17.3% as compared to the same period of the previous year.

The Company continued to upgrade customer service level by enhancing the capability to attract new customers and the proportion of existing customers joining additional insurance plans through data analysis, studies on customer preferences and developing customized products. The Company promoted precise marketing and adopted customer service concept into traditional marketing to enhance the team performance, customer value and sales capabilities. “Shen Xing Tai Bao” (神行太保), a mobile sales channel, was rolled out officially, which improved customer experience and underwriting efficiency effectively.

(2) *Bancassurance*

In the first half of the year, the overall bancassurance of the industry was mired. The gross written premium from bancassurance of the Company was RMB21.709 billion, representing a decrease of 22.5% as compared to the same period of the previous year. Premiums from new policies amounted to RMB12.582 billion, representing a decrease of 39.3% as compared to the same period of the previous year.

In the face of serious challenges, the Company carried out business transformation with a focus on regular premium business. In the first half of the year, regular premiums from new policies amounted to RMB2.325 billion, of which premiums from 5-year and above insurance businesses amounted to RMB1.840 billion, representing an increase of 21.4% as compared to the previous year. Premiums from new high value regular premium business amounted to RMB576 million, which helped to maintain stable contribution from bancassurance business. Premiums from renewed policies amounted to RMB9.127 billion, representing an increase of 25.2% as compared to the same period of the previous year.

(3) *Direct sales*

In the first half of the year, the direct sales of the Company adhered to customer segmentation and integrated expansion to further enhance the market competitiveness of its major products including “An Dai Bao” (安貸寶) and passenger accident insurance. The Company also focused on project management to explore new source of growth by co-ordinating the deployment and management of 13 types of products including micro insurance and travelling insurance. The Company expanded the application of “Jiangyin Model” (江陰模式) to maintain its leading position in the new rural cooperative medical insurance market in terms of technology. In the first half of 2012, gross written premiums from direct sales amounted to RMB4.906 billion, representing an increase of 54.4% as compared to the same period of the previous year.

(4) *New channels*

During the first half of the year, the Company accelerated the development of new channels such as telemarketing, and focused on the development of high value regular premium business. The gross written premiums from new channels amounted to RMB404 million, representing an increase of 127.0% as compared to the same period of the previous year. Premiums from new policies amounted to RMB236 million, representing an increase of 122.6% as compared to the same period of the previous year, whereas premiums from renewed policies amounted to RMB168 million, representing an increase of 133.3% over the same period of the previous year.

2. *Analysis by insurance category*

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	55,229	54,574	1.2
Traditional	8,305	7,899	5.1
Participating	44,180	44,177	—
Universal	30	38	(21.1)
Short-term accident and health	2,714	2,460	10.3
Gross written premiums	55,229	54,574	1.2
Individual business	51,589	52,432	(1.6)
Group business	3,640	2,142	69.9

The Company continued to develop risk prevention and long-term savings insurance business. In the first half of the year, premiums from traditional insurance policies amounted to RMB8.305 billion, representing an increase of 5.1% as compared to the same period of the previous year, and its proportion increased by 0.5pt. Premiums from participating insurance policies amounted to RMB44.180 billion, which were similar to the same period of the previous year. The short-term accident and health insurance policies recorded premiums of RMB2.714 billion, representing an increase of 10.3% as compared to the same period of the previous year. From the perspective of customer types, premiums from individual business accounted for 93.4% of total premiums.

3. Persistency ratio of policies

For 6 months ended 30 June	2012	2011	YoY changes (%)
Individual life insurance customer 13-month persistency ratio (%) ^{Note 1}	91.6	93.1	(1.5pt)
Individual life insurance customer 25-month persistency ratio (%) ^{Note 2}	90.6	89.9	0.7pt

Notes:

- 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.
- 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.

In the first half of the year, the Company strived to enhance its customer service and management of policy renewal premium. The individual life insurance customer 13-month persistency ratio and 25-month persistency ratio maintained at favourable levels.

4. Gross written premiums from top ten geographical areas

In the first half of the year, the Company's gross written premiums from life insurance business were mainly derived from more economically developed or more densely populated provinces or cities. The Company will continue to optimize resources allocation and investment portfolios in line with the urban development to consolidate its competitive advantages in county areas. The Company will also seek to expand the business coverage in urban areas to increase the proportion of urban area businesses.

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	55,229	54,574	1.2
Jiangsu	5,488	5,465	0.4
Henan	4,803	5,509	(12.8)
Shandong	4,217	4,118	2.4
Guangdong	3,887	4,288	(9.4)
Shanghai	3,538	2,570	37.7
Hebei	3,460	3,345	3.4
Zhejiang	3,347	3,215	4.1
Beijing	2,635	2,429	8.5
Sichuan	2,594	3,118	(16.8)
Hubei	2,380	2,527	(5.8)
Sub-total	36,349	36,584	(0.6)
Other areas	18,880	17,990	4.9

(II) Financial Analysis

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Net premiums earned	53,959	53,080	1.7
Investment income ^{Note}	7,575	8,414	(10.0)
Other operating income	358	344	4.1
Total income	61,892	61,838	0.1
Net policyholders' benefits and claims	(49,063)	(48,185)	1.8
Finance costs	(978)	(286)	242.0
Interest credited to investment contracts	(969)	(1,185)	(18.2)
Other operating and administrative expenses	(9,697)	(8,760)	10.7
Total benefits, claims and expenses	(60,707)	(58,416)	3.9
Profit before tax	1,185	3,422	(65.4)
Income tax	(126)	(629)	(80.0)
Net profit	1,059	2,793	(62.1)

Note: Investment income includes investment income and shares of losses of associates in the financial statements.

Investment income. Investment income amounted to RMB7.575 billion in the first half of the year, representing a decrease of 10.0% as compared to the same period of the previous year. The decrease was mainly due to the combining effect of the trading losses of equity assets and the increase in provision for the impairment loss of financial assets as a result of the weak stock market.

Net policyholders' benefits and claims. Net policyholders' benefits and claims amounted to RMB49.063 billion in the first half of the year, representing an increase of 1.8% as compared to the same period of the previous year. Life insurance death and other benefits paid decreased by 1.3% as compared to the same period of the previous year. The decrease in benefits and claims was mainly due to an increase of 58.4% in surrendered policies and a decrease of 55.5% in maturity benefits.

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Net policyholders' benefits and claims	49,063	48,185	1.8
Life insurance death and other benefits paid	10,485	10,618	(1.3)
Claims incurred	401	310	29.4
Changes in long-term insurance contract liabilities	36,394	35,514	2.5
Policyholder dividends	1,783	1,743	2.3

Other operating and administrative expenses. Other operating and administrative expenses amounted to RMB9.697 billion in the first half of the year, representing an increase of 10.7% as compared to the same period of the previous year. The increase was mainly attributable to the increase in investment in agency channels and new channels as well as the increase in labor costs and office expenses due to inflation. As a result of the above reasons, the life insurance business of the Company recorded a net profit of RMB1.059 billion for the first half of the year.



CPIC created new technologies for handling claims, such as the “3G Claim Management System”, to improve customer experience with its unique competitive edges.

III. Property and Casualty Insurance Business

(I) Business Analysis

To cope with the challenges brought by the slowdown of macroeconomic growth and changes in market competition landscape, the Company exerted efforts in business development and transformation in the first half of 2012 and adjusted its strategies timely in response to the changes in the market. The gross written premiums from the property and casualty insurance business amounted to RMB35.246 billion, representing an increase of 9.2% over the same period of the previous year. The combined ratio increased by 3.1pt from the same period of the previous year to 94.2%.

1. Analysis by insurance category

	<i>Unit: RMB million</i>		
For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premium	35,246	32,267	9.2
Automobile insurance	26,226	23,812	10.1
Traffic insurance	6,371	5,782	10.2
Commercial automobile insurance	19,855	18,030	10.1
Non-automobile insurance	9,020	8,455	6.7
Commercial property insurance	3,051	2,864	6.5
Liability insurance	1,328	1,165	14.0
Accident insurance	970	826	17.4
Cargo insurance	951	891	6.7
Others	2,720	2,709	0.4

(1) Automobile insurance

The Company continued to consolidate the advantage of its traditional channels and enhanced the renewal management and new channel development of the automobile insurance business. The Company created new technologies for handling claims, such as the "3G Claim Management System", to improve customer experience with its unique competitive edges so as to realize steady growth of its automobile insurance business. Gross written premiums from automobile insurance amounted to RMB26.226 billion in the first half of the year, representing an increase of 10.1% over the same period of the previous year.

(2) Non-automobile insurance

The Company strengthened the integration of resources and continued to enhance the speciality of its channels. In addition, the Company improved the categorization management of customers and established a management system for major customers. The Company carried out differentiated development strategies for different types of insurance and exerted efforts in developing traditional insurance. Agricultural insurance, credit insurance and guarantee insurance were launched effectively and specialized and centralized operation was adopted for shipping insurance. In the first half of 2012, the Company recorded gross written premiums from non-automobile insurance of RMB9.020 billion, representing an increase of 6.7% over the same period of the previous year.

2. Analysis by channels

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	35,246	32,267	9.2
Direct sales	6,849	7,571	(9.5)
Insurance agents	19,540	18,924	3.3
Insurance brokers	3,101	2,812	10.3
New channels	5,756	2,960	94.5

Note: New channels include cross-selling, telemarketing and internet sales.

In the first half of the year, the Company developed its business through multiple channels and aimed to enhance the speciality of all channels. For new channels, the Company established and improved the production capacity of the telemarketing channel, which recorded premiums of RMB4.477 billion, representing an increase of 129.0% over the same period of the previous year. By optimizing cross-selling system and strengthening the selling activities and capacity of insurance agents, premiums from cross-selling increased by 27.3% from the same period of the previous year to RMB1.264 billion. Premiums from telemarketing, internet sales and cross-selling accounted for 16.3% of the gross premiums from the property and casualty insurance business, representing an increase of 7.1pt over the same period of the previous year. As for traditional channels, the Company consolidated its leading position in insurance agency business for, among others, car dealership and bancassurance and explored new cooperation model. Premiums from the agency business for car dealership and bancassurance increased by 22.3% and 32.4%, respectively, from the same period of the previous year.

3. Gross written premiums from top ten geographical areas

In the first half of the year, the Company's gross written premiums from property and casualty insurance business were mainly derived from coastal areas in eastern China and more economically developed areas in inland provinces. The Company will leverage on its nationwide distribution network and implement differentiated regional development strategies by taking into account the relevant factors including market potential and operational efficiency.

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Gross written premiums	35,246	32,267	9.2
Guangdong	4,780	4,598	4.0
Jiangsu	4,050	3,645	11.1
Zhejiang	3,124	2,783	12.3
Shanghai	2,889	2,556	13.0
Shandong	2,630	2,410	9.1
Beijing	1,888	1,520	24.2
Liaoning	1,096	1,047	4.7
Hebei	1,092	1,038	5.2
Sichuan	1,088	1,012	7.5
Fujian	1,064	966	10.1
Sub-total	23,701	21,575	9.9
Other areas	11,545	10,692	8.0

(II) Financial analysis

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Net premiums earned	26,792	21,921	22.2
Investment income	684	1,138	(39.9)
Other operating income	96	75	28.0
Total income	27,572	23,134	19.2
Claims incurred	(16,000)	(12,416)	28.9
Finance costs	(83)	(22)	277.3
Other operating and administrative expenses	(9,294)	(7,600)	22.3
Total claims and expenses	(25,377)	(20,038)	26.6
Profit before tax	2,195	3,096	(29.1)
Income tax	(627)	(754)	(16.8)
Net profit	1,568	2,342	(33.0)

Investment income. Investment income amounted to RMB684 million in the first half of the year, representing a decrease of 39.9% as compared to the same period of the previous year. The decrease was mainly attributable to the combining effect of the trading losses of equity assets and the increase in provision for the impairment loss of financial assets as a result of the weak stock market.

Claims incurred. Claims incurred amounted to RMB16,000 billion in the first half of the year, representing an increase of 28.9% as compared to the same period of the previous year. The increase was mainly due to the increases in claims and claim costs as a result of the growth of business as well as the rapid growth in premium in the previous year.

Other operating and administrative expenses. Other operating and administrative expenses amounted to RMB9,294 billion in the first half of the year, representing an increase of 22.3% as compared to the same period of previous year. The increase was mainly attributable to the increase of expenses for the application of new technology and promotion of new channels, and the increase in the cost of social security for staff.

As a result of the above reasons, property and casualty insurance business recorded a net profit of RMB1,568 billion for the first half of the year.

IV. Asset Management Business

In terms of asset management business, the Company strived to maintain stability and sustainability of investment income by adopting prudent investment strategies, enhancing asset allocation and strengthening investment management capabilities.

In the first half of 2012, the capital market performance was sluggish, and the market interest rate continued to decrease after People's Bank of China lowered the mandatory reserve ratio on RMB deposits and the benchmark RMB deposit and lending rates of deposit-taking financial institutions. The Company conducted research and study on the market trends, and invested in fixed income assets with higher yield rate in advance at the beginning of the year. It also closely monitored the fluctuations in the equity market in order to maintain prudent operation.

(I) Investment portfolio

Unit: RMB million

	30 June 2012	31 December 2011	YoY changes (%)
Investment assets (Total)	586,607	522,530	12.3
By investment category			
Fixed income investments	489,898	447,418	9.5
— Debt securities	287,666	276,688	4.0
— Term deposits	168,816	137,373	22.9
— Debt investment plans	24,963	25,563	(2.3)
— Other fixed income investments ^{note 1}	8,453	7,794	8.5
Equity investment	62,354	53,573	16.4
— Investment Funds	28,661	20,547	39.5
— Equity securities	27,589	26,862	2.7
— Other equity investments ^{note 2}	6,104	6,164	(1.0)
Investment properties	6,451	6,573	(1.9)
Cash and cash equivalents	27,904	14,966	86.4
By investment purpose			
Financial assets at fair value through profit or loss of the period	1,944	2,907	(33.1)
Available-for-sale financial assets	126,119	117,592	7.3
Held-to-maturity financial assets	214,730	202,536	6.0
Loan and other investments ^{note 3}	243,814	199,495	22.2

Notes:

1. Other fixed income investments include restricted statutory deposits, policy loans and wealth management products, etc.
2. Other equity investments include unlisted equities, 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, and investments classified as loans and receivables, and investment properties, etc.

In the first half of the year, the Company's total investment assets were RMB586.607 billion, representing an increase of 12.3% over the end of the previous year. The Company's fixed income investments accounted for 83.5% of the total investment assets, representing a decrease of 2.1pt over the end of the previous year. An additional RMB42.480 billion was invested in fixed income assets, with allocation focused towards negotiated deposits, and the total term deposits increased by 22.9% over the end of the previous year. The Company's equity investments accounted for 10.6% of the total investment assets, representing an increase of 0.3pt over the end of the previous year, mainly due to the allocation of over RMB7 billion of bond funds and money market funds by the Company in accordance with its judgement towards bond market trend and on the basis of liquidity management demand.

From the prospective of investment purpose, the Company's investment assets were mainly allocated to three categories, namely available-for-sale financial assets, held-to-maturity investments as well as loans and other investments. Loans and other investments increased by 22.2% as compared to the same period of previous year, mainly attributable to the increase in negotiated deposits.

(II) Investment income

In the first half of the year, the Company recorded total investment income of RMB8.652 billion, representing a decrease of 20.1% as compared to the same period of previous year. Total investment yield was 3.9%, representing a decrease of 0.5pt as compared to the same period of previous year. This was mainly due to the trading loss of equity investments and the provisions for impairment loss of financial assets. Net investment income amounted to RMB13.146 billion, representing an increase of 22.2% as compared to the same period of previous year. This was mainly due to the increase of total investment in fixed income assets and the increase in investment yield. Interest income from fixed income investments increased by 37.4% as compared to the same period of previous year. Net investment yield reached 4.9%, representing an increase of 0.5pt as compared to the same period of previous year.

Unit: RMB million

For 6 months ended 30 June	2012	2011	YoY changes (%)
Interest income from fixed income investments	11,887	8,650	37.4
Dividend income from equity securities	1,076	2,025	(46.9)
Rental income from investment properties	183	87	110.3
Net investment income	13,146	10,762	22.2
Realized (losses)/gains	(2,239)	547	(509.3)
Unrealized gains/ (losses)	77	(87)	(188.5)
Provisions for impairment losses on financial assets	(2,432)	(1,004)	142.2
Net gain on disposal of a jointly-controlled entity	—	479	(100.0)
Other income ^{note}	100	131	(23.7)
Total investment income	8,652	10,828	(20.1)
Net investment yield (annualized) (%)	4.9	4.4	0.5pt
Total investment yield (annualized) (%)	3.9	4.4	(0.5pt)

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

V. Others

CPIC Asset Management. The Company manages and deploys insurance funds through CPIC Asset Management, a 99.67% owned subsidiary. As at 30 June 2012, the total assets of CPIC Asset Management amounted to RMB750 million and net assets amounted to RMB572 million. Net profit for the first half of 2012 amounted to RMB23 million.

Changjiang Pension. The Company holds 51.00% of the equity interest in Changjiang Pension. As at 30 June 2012, the total assets of Changjiang Pension amounted to RMB810 million, net assets amounted to RMB726 million, and total assets entrusted reached RMB29.438 billion. Net loss for the first half of 2012 amounted to RMB25 million.

CPIC HK. The Company conducts overseas operations primarily through its wholly-owned subsidiary, CPIC HK. As at 30 June 2012, the total assets of CPIC HK amounted to RMB674 million and net assets amounted to RMB228 million. Gross written premiums for the first half of 2012 amounted to RMB183 million and net profit amounted to RMB237,800.

CPIC Investment (H.K.). The Company conducts overseas asset management operations primarily through CPIC Investment (H.K.), a 99.83% owned subsidiary. As at 30 June 2012, the total assets of CPIC Investment (H.K.) amounted to RMB48 million and net assets amounted to RMB45 million. Net profit for the first half of 2012 amounted to RMB2 million.

CPIC Online. The Company conducts e-commerce platform sales through its wholly-owned subsidiary, CPIC Online. As at 30 June 2012, the total assets of CPIC Online amounted to RMB99 million and net assets amounted to RMB50 million. Net profit for the first half of 2012 amounted to RMB51,100.

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

Unit: RMB million

	30 June 2012	31 December 2011	Reasons for changes
CPIC Group			
Actual solvency margin	75,348	73,556	Profit for the period, dividend distribution to shareholders and changes of the fair value of investment assets
Minimum solvency margin	27,823	25,884	Development of property and casualty insurance and life insurance businesses
Solvency margin ratio (%)	271	284	
Life insurance			
Actual solvency margin	36,144	34,213	Profit for the period, dividend distribution to shareholders and changes of the fair value of investment assets
Minimum solvency margin	19,709	18,267	Growth of insurance business
Solvency margin ratio (%)	183	187	
Property and casualty insurance			
Actual solvency margin	15,638	17,644	Profit for the period, dividend distribution to shareholders and changes of the fair value of investment assets
Minimum solvency margin	8,063	7,568	Growth of insurance business
Solvency margin ratio (%)	194	233	

(II) Gearing Ratio

	30 June 2012	31 December 2011	YoY changes
Gearing ratio (%)	87.2	86.5	0.7pt

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 158,339 shareholders (including 150,718 A shareholders and 7,621 H shareholders) at the end of the reporting period						
Shares held by top ten shareholders						
Name of the shareholders	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	21.89	1,882,958,599	+17,835,600	—	—	H Share
Fortune Investment Co., Ltd.	14.93	1,284,277,846	—	—	—	A Share
Shenergy Group Co., Ltd.	14.36	1,235,291,781	—	—	—	A Share
Shanghai Haiyan Investment Management Company Limited	5.45	468,828,104	+47,124,930	—	—	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	4.93	424,099,214	—	—	—	A Share
Parallel Investors Holdings Limited	3.63	311,824,102	-18,000,000	—	—	H Share
Shanghai Jiushi Corporation	2.92	250,949,460	+936,000	—	—	A Share
Yunnan Hongta Group Co., Ltd.	2.03	174,339,390	—	—	—	A Share
Carlyle Holdings Mauritius Limited	1.32	113,323,498	—	—	—	H Share
Account No.1 of the NSSF	0.91	78,412,727	-18,501,528	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	1,882,958,599	H Share
Fortune Investment Co., Ltd.	1,284,277,846	A Share
Shenergy Group Co., Ltd.	1,235,291,781	A Share
Shanghai Haiyan Investment Management Company Limited	468,828,104	A Share
Shanghai State-Owned Assets Operation Co., Ltd.	424,099,214	A Share
Parallel Investors Holdings Limited	311,824,102	H Share
Shanghai Jiushi Corporation	250,949,460	A Share
Yunnan Hongta Group Co., Ltd.	174,339,390	A Share
Carlyle Holdings Mauritius Limited	113,323,498	H 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:

- 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.
- Parallel Investors Holdings Limited sold 221,440,000 H Shares it hold in the Company on 20 July 2012.

(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 2012, 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".

(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 2012, 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:

Names of substantial shareholders	Capacity	Types of shares	Number of shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Carlyle Offshore Partners II, Ltd. ^{note 1}	Interest of corporation controlled by Carlyle Offshore Partners II, Ltd.	H shares	425,147,600(L)	18.38(L)	4.94(L)
Allianz SE ^{note 2}	Interest of corporation controlled by Allianz SE	H shares	241,638,600(L)	10.45(L)	2.81(L)
Waddell & Reed Financial, Inc. ^{note 3}	Investment manager	H shares	192,088,800(L)	8.30(L)	2.23(L)
Blackrock, Inc. ^{note 4}	Interest of corporation controlled by Blackrock, Inc.	H shares	137,492,133(L) 18,325,674(S)	5.94(L) 0.79(S)	1.60(L) 0.21(S)
JPMorgan Chase & Co. ^{note 5}	Beneficial owner, investment manager and custodian — corporation/ approved lending agent	H shares	137,488,704(L) 683,350(S) 117,195,495(P)	5.94(L) 0.03(S) 5.07(P)	1.60(L) 0.00(S) 1.36(P)

(L) denotes long position (S) denotes a short position (P) denotes interest in a lending pool

Notes:

1. Pursuant to Part XV of the SFO, Carlyle Offshore Partners II, Ltd. is deemed or taken to be interested in a total of 425,147,600 H shares of the Company. Of these shares, TCG Holdings Cayman II, L.P., TC Group Cayman Investment Holdings, LP, Carlyle Asia Ltd., Carlyle CPL Partners I, L.P., Parallel Investors Holdings Limited, Carlyle Asia Partners, L.P. and Carlyle Holdings Mauritius Limited are interested in 425,147,600 H shares, 425,147,600 H shares, 425,147,600 H shares, 311,824,102 H shares, 311,824,102 H shares, 113,323,498 H shares and 113,323,498 H shares of the Company, respectively. All of these entities are either controlled or indirectly controlled subsidiaries of Carlyle Offshore Partners II, Ltd. In July 2012, Parallel Investors Holdings Limited sold 221,440,000 H shares, following which Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited held 203, 707,600 H shares in aggregate, representing 2.37% of the Company's total issued share capital.
2. Pursuant to Part XV of the SFO, Allianz SE is deemed or taken to be interested in a total of 241,638,600 H shares of the Company. Of 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. are interested in 198,482,200 H shares, 198,482,200 H shares, 198,482,200 H shares, 41,517,800 H shares, 1,638,600 H shares, 1,301,600 H shares, 1,138,600 H shares, 163,000 H shares, 337,000 H shares and 337,000 H shares of the Company, respectively. All of these entities are either controlled or indirectly controlled subsidiaries of Allianz SE.
3. Pursuant to Part XV of the SFO, Waddell & Reed Financial, Inc. is deemed or taken to be interested in a total of 192,088,800 H shares of the Company. Of these shares, Ivy Investment Management Company and Waddell & Reed Investment Management Company are interested in 166,647,200 H shares and 25,441,600 H shares of the Company, respectively. Both of the two entities are controlled subsidiaries of Waddell & Reed Financial, Inc.
4. Pursuant to Part XV of the SFO, Blackrock, Inc. is deemed or taken to be interested in a total of 137,492,133 H shares (long position) and 18,325,674 H shares (short position) of the Company. Of these shares, Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2 Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Advisors Holdings Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock Cayco Ltd., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Asset Management Japan Limited, BlackRock (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty Ltd, BlackRock Asset Management Australia Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B.V., BlackRock Advisors (UK) Limited, BlackRock Luxembourg Holdco S.a.r.l., BlackRock (Luxembourg) S.A., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Limited, BlackRock Investment Management (UK) Limited, BlackRock Holdings Deutschland GmbH, BlackRock Asset Management Deutschland AG, BlackRock Fund Managers Limited, BlackRock International Limited and BlackRock Life Limited are interested in 4,714,337 H shares, 4,714,337 H shares, 132,777,796 H shares, 132,777,796 H shares, 86,083,800 H shares, 86,083,800 H shares, 86,083,800 H shares, 86,083,800 H shares, 68,572,200 H shares, 46,693,996 H shares, 863,400 H shares, 863,400 H shares, 45,830,596 H shares, 45,830,596 H shares, 24,400 H shares, 24,400 H shares, 24,400 H shares, 24,400 H shares, 149,200 H shares, 149,200 H shares, 149,200 H shares, 45,600 H shares, 45,600 H share, 13,235,560 H shares, 13,235,560 H shares, 32,375,836 H shares, 406,400 H shares, 5,298,536 H shares, 23,548,000 H shares, 11,585,800 H shares, 11,962,200 H shares, 11,962,200 H shares, 1,598,400 H shares, 194,000 H shares, 194,000 H shares, 1,131,600 H shares, 1,524,500 H shares and 444,400 H shares (long position) of the Company, respectively, while BlackRock Holdco 2 Inc, BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Advisors Holdings Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited and BlackRock Advisors (UK) Limited are interested in 18,325,674 H shares, 18,325,674 H shares, 1,810,200 H shares, 1,810,200 H shares, 1,810,200 H shares, 16,515,474 H shares, 45,200 H shares, 45,200 H shares, 16,470,274 H shares, 16,470,274 H shares, 12,412,938 H shares, 12,412,938 H shares, 4,057,336 H shares and 4,057,336 H shares (short position) of the Company, respectively. All of these entities are either controlled or indirectly controlled subsidiaries of Blackrock, Inc.
5. Pursuant to Part XV of the SFO, JPMorgan Chase & Co. is deemed or taken to be interested in a total of 137,488,704 H shares (long position) and 683,350 H shares (short position) of the Company. Of these shares, JPMorgan Chase Bank, N.A., J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, N.A., JF Asset Management Limited, JPMorgan Asset Management (Asia) Inc., JPMorgan Asset Management Holdings Inc., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited and JPMorgan Asset Management (Taiwan) Limited, are interested in 117,195,495 H shares, 8,580,131 H shares, 8,580,131 H shares, 10,005,209 H shares, 10,005,209 H shares, 10,005,209 H shares, 10,005,209 H shares, 9,476,200 H shares, 10,288,000 H shares, 10,288,000 H shares, 1,425,078 H shares, 1,425,078 H shares, 1,425,078 H shares and 811,800 H Shares (long position) of the Company, respectively, while J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation, J.P. Morgan International Finance Limited, Bank One International Holdings Corporation, J.P. Morgan International Inc., JPMorgan Chase Bank, N.A., J.P. Morgan Securities Ltd., J.P. Morgan Chase International Holdings, J.P. Morgan Chase (UK) Holdings Limited and J.P. Morgan Capital Holdings Limited are interested in 40,200 H shares, 40,200 H shares, 683,350 H shares, 683,350 H shares, 683,350 H shares, 683,350 H shares, 643,150 H shares, 643,150 H shares, 643,150 H shares and 643,150 H shares (short position) of the Company. All of these entities are either controlled or indirectly controlled subsidiaries of JPMorgan Chase & Co. Included in the 137,488,704 H shares are 117,195,495 H shares which are held in the "lending pool", as defined under Section 5(4) of the Securities and Futures (Disclosure of Interests — Securities Borrowing and Lending) Rules.

Save as disclosed above, as at 30 June 2012, 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

(I) Changes in Directors

Name	Position held	Change
ZHOU Ciming	Director of the 6th Board of Directors	Resigned on 11 May 2012 due to retirement.
WU Junhao	Director of the 6th Board of Directors	Mr. WU Junhao was elected as a director of the 6th Board of Directors of the Company at the 2011 general meeting on 11 May 2012, with effect from the date of the approval of qualification review by CIRC.

The biography of Mr. WU Junhao is as follows:

Mr. WU Junhao currently serves as the manager of the Financial Management Department of Shenergy Group Co., Ltd., non-executive Director of the Company, director of CPIC Life and director of CPIC Property. Mr. WU formerly worked as the head of the Teaching & Research Center of the Business Management Department of Changzhou University, executive deputy general manager of Shanghai New Resources Investment Consulting Company, deputy general manager of Shanghai Bailitong Investment Company, deputy chief of Shanghai Shenergy Assets Management Co., Ltd., deputy chief, chief and senior chief of the Assets Management Department and deputy manager of the Financial Management Department of Shenergy Group Co., Ltd. Currently, Mr. WU also serves as the supervisor of China Everbright Bank Co., Ltd., a listed company of the SSE, and the supervisor of Shanghai Pharmaceuticals Holding Co., Ltd., a listed company of the SSE and Hong Kong Stock Exchange. Mr. WU is an economist with a postgraduate degree and a master's degree.

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

(III) Changes in Senior Management

Name	Appointment	Change
GU Yue	Executive Vice President	Mr. GU Yue was appointed as the Executive Vice President of the Company on 23 March 2012.
YU Bin	Assistant President	Mr. YU Bin was appointed as the Assistant President of the Company on 23 March 2012.
CAO Zenghe	Vice President	Mr. CAO Zenghe was appointed as the Vice President of the Company on 27 April 2012, with effect from the date of the approval of qualification review by CIRC.
LI Jieqing	Chief Risk & Compliance Officer and compliance officer	Mr. LI Jieqing was appointed as the Chief Risk & Compliance Officer and compliance officer of the Company on 27 April 2012, with effect from the date of the approval of qualification review by CIRC.
FANG Lin	Board Secretary	Mr. FANG Lin was appointed as the Board Secretary of the Company on 27 April 2012, with effect from the date of the approval of qualification review by CIRC.

Name	Termination of office	Change
SUN Peijian	Compliance Officer	Mr. SUN Peijian no longer serves as the Company's Compliance Officer with effect from 11 June 2012.
CHEN Wei	Board Secretary	Mr. CHEN Wei no longer serves as the Company's Board Secretary with effect from 21 June 2012.

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	35,700	—	—	35,700	A Share	—
HUO Lianhong	Executive Director and President	44,500	—	—	44,500	A Share	—
SONG Junxiang	Employee Representative Supervisor	34,000	—	—	34,000	A Share	—
XU Jinghui	Executive Vice President	38,000	—	—	38,000	A Share	—
GU Yue	Vice President and the Financial Officer	38,000	—	—	38,000	A Share	—
SUN Peijian	Vice President	37,525	—	—	37,525	A Share	—
YU Bin	Assistant President	3,800	—	—	3,800	A Share	—
CHEN Wei	Chief Internal Auditor	20,000	—	—	20,000	A Share	—

Section VIII Corporate Governance Report

Corporate Governance Report

I. Corporate Governance

The Company has established a corporate governance system comprising the general meeting, the Board of Directors, the Board of Supervisors and the senior management in accordance with the provisions of 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 in compliance with all code provisions and substantially all of the recommended best practices of the Corporate Governance Code throughout the six months ended 30 June 2012, except a deviation with the code provision A.6.7 with the reasons below:

All non-executive Directors (including independent non-executive Directors) attended the annual general meeting of the Company held on 11 May 2012 other than seven non-executive Directors (including two independent non-executive Directors) who were not able to attend the annual general meeting as they were not in Shenzhen.

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 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 2012, the Strategic and Investment Decision-Making Committee of the Board held 2 meetings and proposed recommendations and advice on such significant issues as the profit distribution of the Company and the revision of the Articles of Association.

The Audit Committee of the Board held 5 meetings to review the annual report for 2011 and the first quarter report for 2012 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 2011 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.

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.

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.

II. Establishment and Implementation of Cash Dividend Policy

As set out in the Articles of Association, "After the shareholders' general meeting adopts a profit distribution plan by way of resolution, the Board of the Company shall complete the distribution of dividends (or shares) within two months from the convening of the shareholders' general meeting. The Company may distribute dividend in the following ways: (1) cash; (2) Shares. In distributing the profits of the Company, the Company shall focus on giving investors a reasonable return on their investment. The profit distribution policy of the Company shall maintain a certain level of continuity and stability. The Company may make an interim distribution of profits."

The Company convened the Annual General Meeting of 2011 on 11 May 2012. The Profit Distribution Plan of China Pacific Insurance (Group) Co., Ltd. for the year 2011 has been considered and approved, in which cash dividends of RMB0.35 per share (including tax) was distributed. Certain independent Directors participated in the shareholders' general meeting. The management offered enthusiastic responses to the questions of the minority shareholders. The implementation of the distribution plan thereof has been completed recently. The procedures in considering the profit distribution are in line with the Articles of Association and the requirements for the resolution of the shareholders' general meeting.

III. Progress of the Implementation of Internal Control

In 2012, pursuant to the Basic Standards for Enterprise Internal Control (企業內部控制基本規範) and the supplementary guidelines jointly promulgated by the Ministry of Finance CSRC, the National Audit Office, the China Banking Regulatory Commission and CIRC, and the requirements of Notice on Preparation of Implementation of Rules of Internal Control in Listed Companies in Shanghai (關於做好上海轄區上市公司實施內控規範有關工作的通知) (Hu Zheng Jian Gong Si Zi [2012] No. 41) issued by the CSRC Shanghai Bureau, the Company formulated the measures for the implementation of internal control in 2012 in accordance with the actual condition of internal control system and the requirements for the future development of the Company. The measures were disclosed on the website of the Shanghai Stock Exchange upon approval by the Board of Directors.

In the first half of 2012, the Company implemented the measures with satisfactory progress. Firstly, the continuous implementation and enhancement of internal control measures ensured efficiency of the internal control management system in the long run. Secondly, the Company carried out self-evaluation of internal control to optimize work schedule and assessment standards. Thirdly, in order to prepare for the auditing of internal control, the procedures for the engagement of internal control auditing firm were adopted in accordance with statutory requirements.

In the second half of the year, the Company will formulate self-evaluation initiatives to identify its shortcomings and prepare and disclose the self-evaluation report for internal control and conduct internal control auditing based on its internal control measures.

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 2011 approved at the 2011 Annual General Meeting. The implementation of this distribution plan was completed recently.

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 2012.

III. Material Litigations and Arbitrations

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

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.

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 2012 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 pieces/ 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	1,568.32	15.51	1,505.80	90.99	56.62
2	CB	110013	SDICCB	67.05	0.61	65.03	3.93	40.63
3	CB	125709	Tang Steel CB	16.28	0.15	16.50	1.00	0.38
4	Share	600309	Yantai Wanhua	6.90	0.49	6.54	0.40	(0.36)
5	Share	002262	Nhwa Pharma	4.96	0.24	5.63	0.34	0.68
6	Share	601888	CITS	5.41	0.20	5.62	0.34	0.23
7	Share	600276	Heng Rui Medicine	5.00	0.19	5.54	0.32	0.56
8	Share	600104	SAIC Group	4.99	0.33	4.72	0.29	(0.27)
9	Share	002051	China CAMC	3.60	0.15	3.96	0.24	0.40
10	Share	600795	GD Power	3.46	1.35	3.65	0.22	0.32
Other security investment held at the end of the period				31.73	/	31.99	1.93	0.63
Profit or loss of disposed investment securities during the reporting period				/	/	/	/	(20.96)
Total				1,717.70	/	1,654.98	100.00	78.86

Notes:

1. The table above reflects the shares, warrants and convertible bonds (top ten) included in the financial assets at fair value through profit or loss of the Company.
2. Other security investment refers to the investment in securities other than the top ten securities mentioned in the above table.
3. 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	600000	SPD Bank	4,242	2.71	4,109	147	(51)	Purchase from the market
2	601006	Daqin Railway	3,044	2.48	2,448	120	(271)	Purchase from the market
3	601398	ICBC	2,081	0.14	1,888	97	(136)	Purchase from the market
	HK01398		132		89	5	(9)	
4	600036	CMB	2,095	0.76	1,727	43	(104)	Purchase from the market
	HK03968		76		59	(6)	—	
5	601939	CCB	1,841	0.15	1,578	80	(103)	Purchase from the market
	HK00939		64		50	(12)	9	
6	601288	ABC	1,591	0.18	1,526	77	(15)	Purchase from the market
	HK01288		5		4	1	—	
7	000402	Financial Street	841	3.98	788	12	58	Purchase from the market
8	601668	CSCEC	806	0.74	739	51	95	Purchase from the market
9	600900	Yangtze Power	668	0.51	552	21	20	Purchase from the market
10	000729	Yanjing Beer	664	2.97	547	(5)	68	Purchase from the market

Notes:

- The above table reflects the shareholding of the Company in other listed companies (top ten), which is included in available-for-sale financial assets.
- Profit or loss in the reporting period represents the dividend payment and trading gains of the investment during the reporting period.
- 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 at the beginning of the period (million shares)	Percentage of shareholding in the company at the beginning of the period (%)	Number of shares held at the end of the period (million shares)	Percentage of shareholding in the company at the end of the period (%)	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholders' equity in the reporting period	Accounting item	Source of shares
Bank of Hangzhou	1,300	100	5.98	100	5.98	1,114	20	32	Available-for-sale financial assets	Private placement
Shanghai Rural Commercial Bank	1,296	200	4.00	200	4.00	988	24	(92)	Available-for-sale financial assets	Private placement

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

Section X Financial Report

Financial Report



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

Section XI Embedded Value

Embedded Value

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE

To The Directors China Pacific Insurance (Group) Company Limited

Towers Watson Management (Shenzhen) Consulting Co. Ltd Beijing Branch, 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 2012.

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 2012, 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 2012 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 2012 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 2012 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 2012 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 2012 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 2012 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

17 August 2012

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 2012 in accordance with the disclosure rules set by the China Securities Regulatory Commission (“CSRC”) for publicly listed insurer and 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 2012 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 and the value of one year and half year’s sales of CPIC Life 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 one year’s 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 value of in force business and the value of one year’s sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate. This methodology is consistent with the embedded value guidelines issued by the CIRC and is also a common methodology used by life insurance companies in China at the current time.

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 the Value 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 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 2012, and the value of one year’s sales of CPIC Life in the 12 month to 30 June 2012 as well as the value of first half year’s sales of CPIC Life in 2012 and 2011 respectively, at risk discount rate of 11.5%.

Unit: RMB Million

Valuation Date	30 June 2012	31 December 2011
Group Adjusted Net Worth	76,824	72,664
Adjusted Net Worth of CPIC Life	34,992	31,381
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(3,050)	(3,085)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	60,435	55,755
Cost of Solvency Margin Held for CPIC Life	(11,595)	(11,059)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	45,790	41,611
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	45,008	40,900
Group Embedded Value	121,833	113,564
Life Embedded Value	80,782	72,992
Value of One Year’s Sales of CPIC Life Before Cost of Solvency Margin Held	8,119	8,184
Cost of Solvency Margin	(1,348)	(1,470)
Value of One Year’s Sales of CPIC Life After Cost of Solvency Margin Held	6,771	6,714

Valuation Date	30 June 2012	30 June 2011
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	4,933	4,787
Cost of Solvency Margin	(872)	(957)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	4,061	3,830

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 2012, 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 at the valuation date.

The key assumptions used as at 30 June 2012 in determining the Group Embedded Value are consistent with those used as at 31 December 2011.

IV. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 30 December 2012 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.

(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	45,790	6,771
Risk Discount Rate "11%"	48,016	7,198
Risk Discount Rate "12%"	43,699	6,374
Investment Return "+25 basis points"	50,132	7,147
Investment Return "-25 basis points"	41,396	6,392
Mortality "-10%"	45,930	6,791
Morbidity "-10%"	46,092	6,842
Lapse and Surrender Rates "-10%"	45,617	6,781
Expenses "-10%"	46,662	7,189
Participating "+5% Distribution"	43,927	6,413
Short Term Claim Ratio "-10 %"	45,873	6,877
150% Solvency Margin	39,993	6,097

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: 

GAO Guofu
Board of Directors
China Pacific Insurance (Group) Co., Ltd.
17 August 2012

Section XIII Appendix

Appendix



The interim condensed financial report and review report of the Company for the year 2012

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 30 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.

Ernst & Young
Certified Public Accountants

Hong Kong
17 August 2012

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.

Interim Consolidated Statement of Comprehensive Income

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)
Net profit for the period		2,668	5,883
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		(1,789)	1,111
Other comprehensive income/(loss) for the period	12	5,415	(3,351)
Total comprehensive income for the period		8,083	2,532
Attributable to:			
Equity holders of the parent		7,962	2,523
Minority interests		121	9
		8,083	2,532

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

Interim Consolidated Balance Sheet

30 June 2012

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2012 (unaudited)	31 December 2011 (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		640,517	570,612

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

	Notes	30 June 2012 (unaudited)	31 December 2011 (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		83,057	78,055
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		557,460	492,557
Total equity and liabilities		640,517	570,612

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 2012

(All amounts expressed in RMB million unless otherwise specified)

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	(53)	(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.

For the six months ended 30 June 2011 (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 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.

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.

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.

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 did not have any impact on the Group's financial statements.

2. Basis of Preparation and Accounting Policies (continued)

2.2 Significant accounting policies (continued)

- **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 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, the amendments 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.

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.

4. Segment Information (continued)

Segment income statement for the six months ended 30 June 2012

	Life insurance	Property and casualty insurance					Others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total				
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	

4. Segment Information (continued)

Segment income statement for the six months ended 30 June 2011

	Property and casualty insurance							Total
	Life insurance	Mainland China	Hong Kong	Eliminations	Sub-total	Others	Eliminations	
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

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
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

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
	90,511	86,875

(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)
	(6,625)	(7,306)

(c) Net written premiums

	Six months ended 30 June	
	2012	2011
Net written premiums	83,886	79,569

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)
	8,419	10,187

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)

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
	68,478	(3,336)	65,142

	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

9. Profit Before Tax

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

	Six months ended 30 June	
	2012	2011
Employee benefit 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

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)
	813	1,636

(b) Tax recorded in other comprehensive income

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

(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	3,481	7,519
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	50	28
Income tax at the Group's effective rate	813	1,636

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.

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)

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:

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

14. Held-to-maturity Financial Assets

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

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

15. Available-for-sale Financial Assets

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

	30 June 2012	31 December 2011
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
	55,138	52,683
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
	70,981	64,909
	126,119	117,592

16. Investments Classified as Loans and Receivables

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

17. Term Deposits

	30 June 2012	31 December 2011
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
	168,816	137,373

18. Reinsurance Assets

	30 June 2012	31 December 2011
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.

	30 June 2012	31 December 2011
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	2,364	4,020
Represented by:		
Deferred tax assets	3,330	4,980
Deferred tax liabilities	(966)	(960)

20. Other Assets

	30 June 2012	31 December 2011
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
	4,187	2,374

21. Cash and Short-term Time Deposits

	30 June 2012	31 December 2011
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
	21,003	14,903

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

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

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.

23. Reserves and Retained Profits (continued)

(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.

(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			
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 18)	Net
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

As at 31 December 2011			
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 18)	Net
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.

27. Note to Interim Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2012	2011
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	(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	34,704	37,309

28. Related Party Transactions

The Group had the following material transactions with related parties:

(a) Sale of insurance contracts

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

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	
	2012	2011
Salaries, allowances and other short-term benefits	10	11
Long-term incentive paid ⁽¹⁾	4	3
Total compensation of key management personnel	14	14

⁽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.

29. Commitments

(a) Capital commitments

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

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

⁽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:

	30 June 2012	31 December 2011
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
	1,312	1,529

(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:

	30 June 2012	31 December 2011
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
	922	947

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.

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

31. Maturity Profile of Financial Instruments (continued)

	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

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.

32. Fair Value of Financial Assets and Liabilities (continued)

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

The following table summarizes the carrying values and 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
Financial liabilities:		
Subordinated debt	8,231	8,672
	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
Financial liabilities:		
Subordinated debt	8,000	8,043

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").

32. Fair Value of Financial Assets and Liabilities (continued)

Determination of fair value and fair value hierarchy (continued)

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

As at 31 December 2011				
	Level 1	Level 2	Level 3	Total fair value
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.

32. Fair Value of Financial Assets and Liabilities (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

Six months ended 30 June 2012					
	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	6,164	—	—	(60)	6,104

2011					
	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	5,240	1,296	—	(372)	6,164

33. Post Balance Sheet Event

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 is in progress.

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.



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