

China Pacific Insurance (Group) Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Unaudited Interim Condensed Consolidated Financial Statements

30 June 2013

CONTENTS

	Pages
INDEPENDENT REVIEW REPORT	1
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Interim consolidated income statement	2
Interim consolidated statement of comprehensive income	3
Interim consolidated balance sheet	4 - 5
Interim consolidated statement of changes in equity	6 - 7
Interim consolidated cash flow statement	8
Notes to the interim condensed consolidated financial statements	9 - 41

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 41 which comprise the interim consolidated balance sheet of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") as at 30 June 2013 and the related interim consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



Certified Public Accountants

Hong Kong
23 August 2013

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2013

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

	Notes	Six months ended 30 June	
		2013 (unaudited)	2012 (unaudited)
Gross written premiums	6(a)	98,662	90,511
Less: Premiums ceded to reinsurers	6(b)	(6,864)	(6,625)
Net written premiums	6	91,798	83,886
Net change in unearned premium reserves		(4,053)	(2,983)
Net premiums earned		87,745	80,903
Investment income	7	15,348	8,419
Other operating income		737	590
Other income		16,085	9,009
Total income		103,830	89,912
Net policyholders’ benefits and claims:			
Life insurance death and other benefits paid	8	(14,214)	(10,485)
Claims incurred	8	(21,073)	(16,480)
Changes in long-term life insurance contract liabilities	8	(35,398)	(36,394)
Policyholder dividends	8	(1,812)	(1,783)
Finance costs		(1,271)	(1,072)
Interest credited to investment contracts		(895)	(969)
Other operating and administrative expenses		(22,239)	(19,248)
Total benefits, claims and expenses		(96,902)	(86,431)
Profit before tax	9	6,928	3,481
Income tax	10	(1,382)	(813)
Net profit for the period		5,546	2,668
Attributable to:			
Equity holders of the parent		5,464	2,638
Minority interests		82	30
		5,546	2,668
Basic earnings per share	11	RMB0.60	RMB0.31
Diluted earnings per share	11	RMB0.60	RMB0.31

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	<u>Note</u>	Six months ended 30 June	
		2013	2012
		(unaudited)	(unaudited)
Net profit for the period		<u>5,546</u>	<u>2,668</u>
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(5)	2
Available-for-sale financial assets		(2,917)	7,202
Income tax relating to available-for-sale financial assets		<u>724</u>	<u>(1,789)</u>
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		<u>(2,198)</u>	<u>5,415</u>
Other comprehensive (loss)/income for the period	12	<u>(2,198)</u>	<u>5,415</u>
Total comprehensive income for the period		<u><u>3,348</u></u>	<u><u>8,083</u></u>
Attributable to:			
Equity holders of the parent		3,301	7,962
Minority interests		<u>47</u>	<u>121</u>
		<u><u>3,348</u></u>	<u><u>8,083</u></u>

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED BALANCE SHEET
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	<u>Notes</u>	<u>30 June 2013</u> (unaudited)	<u>31 December 2012</u> (audited)
ASSETS			
Property and equipment		9,410	9,364
Investment properties		6,888	6,349
Goodwill		962	962
Other intangible assets		710	738
Prepaid land lease payments		60	60
Investment in a joint venture	13	11	-
Financial assets at fair value through profit or loss	14	1,954	1,714
Held-to-maturity financial assets	15	260,057	248,766
Available-for-sale financial assets	16	161,520	135,815
Investments classified as loans and receivables	17	38,532	36,097
Securities purchased under agreements to resell		1,574	1,115
Term deposits	18	153,992	164,297
Restricted statutory deposits		3,600	3,600
Policy loans		6,873	5,700
Interest receivables		15,478	13,659
Reinsurance assets	19	14,868	14,121
Deferred income tax assets	20	2,723	2,067
Insurance receivables		9,067	8,177
Other assets	21	5,990	5,026
Cash and short-term time deposits	22	26,938	23,875
Total assets		<u>721,207</u>	<u>681,502</u>

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

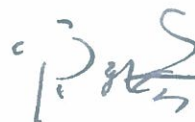
CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED BALANCE SHEET (continued)
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2013 (unaudited)	31 December 2012 (audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital	23	9,062	9,062
Reserves	24	65,356	67,519
Retained profits	24	21,888	19,596
Equity attributable to equity holders of the parent		96,306	96,177
Minority interests		1,382	1,392
Total equity		97,688	97,569
Liabilities			
Long-term borrowings		188	-
Insurance contract liabilities	25	480,626	438,887
Investment contract liabilities	26	36,116	41,754
Policyholders' deposits		79	79
Subordinated debt	27	15,500	15,500
Securities sold under agreements to repurchase		47,298	50,143
Deferred income tax liabilities	20	1,006	958
Income tax payable		853	487
Premium received in advance		3,219	4,376
Policyholder dividend payable		12,529	11,711
Payables to reinsurers		3,376	3,514
Other liabilities		22,729	16,524
Total liabilities		623,519	583,933
Total equity and liabilities		721,207	681,502



Director

Director



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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

For the six months ended 30 June 2013 (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 2013	9,062	66,742	2,698	(55)	(1,866)	19,596	96,177	1,392	97,569
Total comprehensive income	-	-	-	(5)	(2,158)	5,464	3,301	47	3,348
Dividends declared ¹	-	-	-	-	-	(3,172)	(3,172)	-	(3,172)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(57)	(57)
At 30 June 2013	9,062	66,742	2,698	(60)	(4,024)	21,888	96,306	1,382	97,688

¹ Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2012, amounting to RMB3,172 million (RMB0.35 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 June 2013

(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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
INTERIM CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

	Note	Six months ended 30 June	
		2013	2012
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	28	29,586	34,704
Income tax paid		(941)	(808)
Net cash inflow from operating activities		28,645	33,896
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(1,832)	(986)
Proceeds from sale of items of property and equipment, intangible assets and other assets		4	39
Purchases of investments, net		(33,267)	(47,682)
Acquisition of a subsidiary and interest in a joint venture		(382)	-
Interest received		11,730	9,882
Dividends received from investments		1,297	534
Net cash outflow from investing activities		(22,450)	(38,213)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(1,689)	20,955
Repayment of borrowings		(1)	-
Interest paid		(747)	(691)
Dividends paid		(24)	(3,013)
Net cash (outflow)/inflow from financing activities		(2,461)	17,251
Effects of exchange rate changes on cash and cash equivalents		(125)	4
Net increase in cash and cash equivalents		3,609	12,938
Cash and cash equivalents at beginning of period		24,990	14,966
Cash and cash equivalents at end of period		28,599	27,904
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		9,035	9,755
Time deposits with original maturity of no more than three months		16,463	10,446
Other monetary assets		1,440	802
Investments with original maturity of no more than three months		1,661	6,901
Cash and cash equivalents at end of period		28,599	27,904

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(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 the State Council of the PRC and Circular [2001] No. 239 issued by the 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.

In November 2012, the Company conducted a non-public offering of 462 million H shares. Upon completion of the H share offering, the issued capital was increased to RMB9,062 million, which was approved by the CIRC in December 2012.

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 2013 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 2012.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new and revised standards and interpretations as of 1 January 2013, as described below:

- **HKAS 1 Amendments: Presentation of Items of Other Comprehensive Income**
The amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). Currently, the amendment affected presentation only and had no impact on the Group's financial position or performance.
- **HKAS 19 (2011): Employee Benefits**
The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. Currently, the revised standard did not have any significant impact on the Group's financial statements.
- **HKFRS 1 Amendments: Government Loans**
The amendments require a first-time adopter to apply the requirements of HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to HKFRSs. Entities may choose to apply the requirements of HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement*, as applicable) and HKAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. Currently, the amendments did not have any impact on the Group's financial statements.
- **HKFRS 7 Amendments: Offsetting Financial Assets and Financial Liabilities**
Together with the amendments to HKAS 32, the HKICPA issued Amendments to HKFRS 7, which require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. Currently, the amendments did not have any significant impact on the Group's financial statements.

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

- **HKFRS 10: Consolidated Financial Statements and HKAS 27: Separate Financial Statements**
It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 *Consolidated and Separate Financial Statements* and HK (SIC)-Int 12 *Consolidation - Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Currently, the new standard did not have any significant impact on the Group's financial position and performance.
- **HKFRS 11: Joint Arrangements and HKAS 28: Investment in Associates and Joint Ventures**
This new standard replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities-Non-Monetary Contributions by Ventures*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation. Currently, the new standard did not have any significant impact on the Group's financial statements.
- **HKFRS 12: Disclosure of Interests in Other Entities**
This new standard includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. Accordingly, the Group has not made such disclosures.
- **HKFRS 13: Fair Value Measurement**
The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. Currently, the new standard did not have any significant impact on the Group's financial statements.
- **HK(IFRIC)-Int 20: Stripping Costs in the Production Phase of a Surface Mine**
HK (IFRIC)-Int 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. Currently this new interpretation did not have any impact on the Group's financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies(continued)

- Annual Improvements 2009-2011 Cycle: Amendments to a number of HKFRSs issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 set out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments resulted in changes in accounting policies, none of these amendments had a significant financial impact on the Group currently.

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 and other policy-related 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 2013, 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 an increase in net insurance contract liabilities and other policy-related liabilities as at 30 June 2013 by approximately RMB1,934 million and a decrease in profit before tax for the six months ended 30 June 2013 by approximately RMB1,934 million.

The above change in accounting estimates has been approved by the board of directors of the Company on 23 August 2013.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

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 2013, gross written premiums from transactions with the top five external customers amounted to 0.6% (during the six months ended 30 June 2012: 0.5%) of the Group's total gross written premiums.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2013

	Life insurance		Property and casualty insurance			Others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums	56,270	42,354	205	(167)	42,392	-	-	98,662
Less: Premiums ceded to reinsurers	(812)	(6,196)	(23)	167	(6,052)	-	-	(6,864)
Net written premiums	55,458	36,158	182	-	36,340	-	-	91,798
Net change in unearned premium reserves	(337)	(3,705)	(11)	-	(3,716)	-	-	(4,053)
Net premiums earned	55,121	32,453	171	-	32,624	-	-	87,745
Investment income	13,152	1,648	12	-	1,660	542	(6)	15,348
Other operating income	417	117	-	-	117	969	(766)	737
Other income	13,569	1,765	12	-	1,777	1,511	(772)	16,085
Segment income	68,690	34,218	183	-	34,401	1,511	(772)	103,830
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(14,214)	-	-	-	-	-	-	(14,214)
Claims incurred	(776)	(20,193)	(104)	-	(20,297)	-	-	(21,073)
Changes in long-term life insurance contract liabilities	(35,398)	-	-	-	-	-	-	(35,398)
Policyholder dividends	(1,812)	-	-	-	-	-	-	(1,812)
Finance costs	(1,234)	(27)	-	-	(27)	(10)	-	(1,271)
Interest credited to investment contracts	(895)	-	-	-	-	-	-	(895)
Other operating and administrative expenses	(10,289)	(11,604)	(62)	-	(11,666)	(1,119)	835	(22,239)
Segment benefits, claims and expenses	(64,618)	(31,824)	(166)	-	(31,990)	(1,129)	835	(96,902)
Segment results	4,072	2,394	17	-	2,411	382	63	6,928
Share of losses of associates	(3)	-	-	-	-	-	3	-
Profit before tax	4,069	2,394	17	-	2,411	382	66	6,928
Income tax	(607)	(654)	-	-	(654)	(92)	(29)	(1,382)
Net profit for the period	3,462	1,740	17	-	1,757	290	37	5,546

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the six months ended 30 June 2012

	Life insurance		Property and casualty insurance			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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION

Particulars of the Company's incorporated subsidiaries as at 30 June 2013 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		Percentage of voting rights attributable	Note
							to the Company	to the Company		
							Direct	Indirect		
China Pacific Property Insurance Co., Ltd. ("CPIC Property")	Property and casualty insurance	Shanghai	The PRC	73337320-X	9,500,000	9,500,000	98.50	-	98.50	
China Pacific Life Insurance Co., Ltd. ("CPIC Life")	Life insurance	Shanghai	The PRC	73337090-6	7,600,000	7,600,000	98.29	-	98.29	
Pacific Asset Management Co., Ltd.	Investment management	Shanghai	Shanghai	78954956-9	500,000	500,000	80.00	19.67	100.00	
China Pacific Insurance Co., (H.K.) Ltd.	Property and casualty insurance	Hong Kong	Hong Kong	Not applicable	HK\$250,000 thousand	HK\$250,000 thousand	100.00	-	100.00	
Shanghai Pacific Real Estate Co., Ltd.	Management of properties	Shanghai	Shanghai	13370078-0	115,000	115,000	100.00	-	100.00	
Fenghua Xikou Garden Hotel	Hotel operations	Zhejiang	Zhejiang	72639899-4	8,000	8,000	-	98.39	100.00	
Changjiang Pension Insurance Co., Ltd.	Pension fund management business	Shanghai	Shanghai	66246731-2	787,610	787,610	-	51.00	51.75	
CPIC Investment Management (H.K.) Company Limited	Investment management	Hong Kong	Hong Kong	Not applicable	HK\$50,000 thousand	HK\$50,000 thousand	49.00	50.83	100.00	

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

Name	Business scope and principal activities	Place of incorporation/ registration	Place of operations	Organization code	Registered capital (RMB thousand, unless otherwise stated)	Paid-up capital (RMB thousand, unless otherwise stated)	Percentage of equity attributable		Percentage of voting rights attributable	Note
							to the Company	to the Company		
							Direct	Indirect		
City Island Developments 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	The PRC	58877325-7	50,000	50,000	100.00	-	100.00	
Tianjin Trophy Real Estate Co., Ltd. ("Tianjin Trophy")	Real estate	Tianjin	Tianjin	66306432-0	353,690	353,690	-	98.29	100.00	(1)

* Subsidiaries of City Island

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(1) Acquisition of Tianjin Trophy

In May 2013, CPIC Life acquired the entire 100% equity interest of Tianjin Trophy with a total consideration of approximately RMB414 million in cash. The Group gained control of Tianjin Trophy on 31 May 2013, which was regarded as the acquisition date.

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

Assets:	
Investment properties	623
Cash and cash equivalents	27
Other assets	20
	<hr/>
	670
	<hr/>
Liabilities:	
Long-term borrowings	(188)
Deferred income tax liabilities	(42)
Other liabilities	(16)
	<hr/>
	(246)
	<hr/>
Total identifiable net assets at fair value	424
Gain on bargain purchase recognised in other operating income in the consolidated income statement	(10)
	<hr/>
Total consideration in cash	414
	<hr/>

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

Cash and bank balances acquired	10
Cash equivalents acquired	17
Consideration to be paid	16
Total consideration in cash	(414)
	<hr/>
Net cash outflow	(371)
	<hr/>

From the date of acquisition, Tianjin Trophy has contributed approximately total income of RMB3 million, net loss of RMB1 million and net cash inflow of RMB189 thousand to the Group's consolidated financial statement for the six months ended 30 June 2013.

From the date of acquisition to 30 June 2013, the Group did not dispose of nor has it any intention to dispose of any significant assets or liabilities of Tianjin Trophy.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	Six months ended 30 June	
	2013	2012
Long-term life insurance premiums	53,309	52,515
Short-term life insurance premiums	2,961	2,714
Property and casualty insurance premiums	42,392	35,282
	<u>98,662</u>	<u>90,511</u>

(b) Premiums ceded to reinsurers

	Six months ended 30 June	
	2013	2012
Long-term life insurance premiums ceded to reinsurers	(713)	(734)
Short-term life insurance premiums ceded to reinsurers	(99)	(147)
Property and casualty insurance premiums ceded to reinsurers	(6,052)	(5,744)
	<u>(6,864)</u>	<u>(6,625)</u>

(c) Net written premiums

	Six months ended 30 June	
	2013	2012
Net written premiums	<u>91,798</u>	<u>83,886</u>

7. INVESTMENT INCOME

	Six months ended 30 June	
	2013	2012
Interest and dividend income (a)	15,701	13,013
Realized gains/(losses) (b)	207	(2,239)
Unrealized (losses)/gains (c)	(72)	77
Charge of impairment losses on financial assets	(488)	(2,432)
	<u>15,348</u>	<u>8,419</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	6	9
- Investment funds	13	3
- Equity securities	22	1
	41	13
Held-to-maturity financial assets		
- Fixed maturity investments	6,048	4,882
Loans and receivables		
- Fixed maturity investments	5,606	5,483
Available-for-sale financial assets		
- Fixed maturity investments	2,026	1,563
- Investment funds	761	157
- Equity securities	1,219	915
	4,006	2,635
	15,701	13,013

(b) Realized gains/ (losses)

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	31	(15)
- Investment funds	2	28
- Equity securities	18	-
	51	13
Available-for-sale financial assets		
- Fixed maturity investments	5	(55)
- Investment funds	388	(813)
- Equity securities	(237)	(1,384)
	156	(2,252)
	207	(2,239)

(c) Unrealized (losses)/gains

	Six months ended 30 June	
	2013	2012
Financial assets at fair value through profit or loss		
- Fixed maturity investments	46	92
- Investment funds	(4)	(17)
- Equity securities	(114)	2
	(72)	77

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Six months ended 30 June 2013		
	Gross	Ceded	Net
Life insurance death and other benefits paid	14,439	(225)	14,214
Claims incurred			
- Short-term life insurance	775	1	776
- Property and casualty insurance	22,977	(2,680)	20,297
Changes in long-term life insurance contract liabilities	35,771	(373)	35,398
Policyholder dividends	1,812	-	1,812
	<u>75,774</u>	<u>(3,277)</u>	<u>72,497</u>
	Six months ended 30 June 2012		
	Gross	Ceded	Net
Life insurance death and other benefits paid	10,597	(112)	10,485
Claims incurred			
- Short-term life insurance	744	(343)	401
- Property and casualty insurance	18,676	(2,597)	16,079
Changes in long-term life insurance contract liabilities	36,678	(284)	36,394
Policyholder dividends	1,783	-	1,783
	<u>68,478</u>	<u>(3,336)</u>	<u>65,142</u>

9. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
Employee benefit expense (including directors' and supervisors' emoluments)	5,743	5,233
Auditors' remuneration	8	8
Operating lease payments in respect of land and buildings	399	364
Depreciation of investment properties	105	101
Depreciation of property and equipment	506	438
Amortization of other intangible assets	132	96
Amortization of prepaid land lease payments	-	1
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(1)	(15)
Charge of impairment loss on insurance receivables	137	146
Charge of impairment loss on financial assets (note 7)	488	2,432
Foreign exchange loss/(gain), net	<u>190</u>	<u>(2)</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

10. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2013	2012
Current income tax	1,308	946
Deferred income tax (note 20)	74	(133)
	<u>1,382</u>	<u>813</u>

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2013	2012
Deferred income tax (note 20)	<u>724</u>	<u>(1,789)</u>

(c) Reconciliation of income tax

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

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

	Six months ended 30 June	
	2013	2012
Profit before tax	<u>6,928</u>	<u>3,481</u>
Tax computed at the statutory tax rate	1,732	870
Adjustments to income tax in respect of previous periods	(38)	12
Income not subject to tax	(640)	(291)
Expenses not deductible for tax	302	172
Others	<u>26</u>	<u>50</u>
Income tax at the Group's effective rate	<u>1,382</u>	<u>813</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
Consolidated net profit for the period attributable to equity holders of the parent	5,464	2,638
Weighted average number of ordinary shares in issue (million)	9,062	8,600
Basic earnings per share	RMB0.60	RMB0.31
Diluted earnings per share	RMB0.60	RMB0.31

The Company had no dilutive potential ordinary shares for the six months ended 30 June 2013 and 30 June 2012.

12. OTHER COMPREHENSIVE (LOSS)/INCOME

	Six months ended 30 June	
	2013	2012
Exchange differences on translation of foreign operations	(5)	2
Available-for-sale financial assets		
(Loss)/gain arising during the period	(3,263)	2,550
Reclassification adjustments for (gain)/loss included in profit or loss	(156)	2,252
Fair value change on available-for-sale financial assets attributable to policyholders	14	(32)
Impairment charges reclassified to the income statement	488	2,432
	(2,917)	7,202
Income tax relating to available-for-sale financial assets	724	(1,789)
	(2,193)	5,413
Other comprehensive (loss)/income	(2,198)	5,415

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

13. INVESTMENT IN A JOINT VENTURE

30 June 2013

Share of net assets

11

In November 2012, the joint purchasers which comprised of CPIC Property and a third party won the bid for the land use right to a parcel of land located in Huangpu District, Shanghai. In February 2013, the aforementioned two parties set up a project company named Shanghai Binjiang-Xiangrui Investment and Construction Co, Ltd (“Binjiang-Xiangrui”) as the owner of the land use right as well as the developer for this parcel of land. Binjiang-Xiangrui obtained its business license in March 2013.

Particulars of the joint venture as at 30 June 2013 are as follow:

Name	Place of incorporation	Percentage of ownership interest		Percentage of voting power	Registered and paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect			
Binjiang-Xiangrui	Shanghai	-	35.16%	35.70%	30,000	Real estate

The following table illustrates the financial information of the Group’s joint venture:

30 June 2013

Share of the joint venture’s assets and liabilities:

Current assets	1,020
Current liabilities	(1,009)
Net assets	11

During the six months ended 30 June 2013, Binjiang-Xiangrui was engaged in property development and did not generate any income. The share of the net loss attributable to Binjiang-Xiangrui by the Group for the six months ended 30 June 2013 is approximately RMB6 thousand.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2013	31 December 2012
Listed		
Equity securities	741	194
Investment funds	111	97
Debt securities		
- Government bonds	32	32
- Finance bonds	813	1,098
- Corporate bonds	140	44
	1,837	1,465
Unlisted		
Investment funds	117	249
	1,954	1,714

15. HELD-TO-MATURITY FINANCIAL ASSETS

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

	30 June 2013	31 December 2012
Listed		
Debt securities		
- Government bonds	2,190	2,187
- Finance bonds	4,599	60
- Corporate bonds	10,231	9,234
	17,020	11,481
Unlisted		
Debt securities		
- Government bonds	50,220	50,220
- Finance bonds	108,817	112,053
- Corporate bonds	84,000	75,012
	243,037	237,285
	260,057	248,766

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	<u>30 June 2013</u>	<u>31 December 2012</u>
Listed		
Equity securities	27,733	26,864
Investment funds	8,166	9,073
Debt securities		
- Government bonds	17	46
- Finance bonds	993	992
- Corporate bonds	21,262	20,804
	<u>58,171</u>	<u>57,779</u>
Unlisted		
Other equity investments	8,488	7,141
Wealth management products	2,100	-
Investment funds	21,000	19,097
Debt securities		
- Government bonds	200	2
- Finance bonds	16,110	19,160
- Corporate bonds	55,451	32,636
	<u>103,349</u>	<u>78,036</u>
	<u>161,520</u>	<u>135,815</u>

17. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	<u>30 June 2013</u>	<u>31 December 2012</u>
Debt securities		
-Finance	5,580	7,426
-Debt investment scheme	32,315	28,341
Wealth management products	637	330
	<u>38,532</u>	<u>36,097</u>

18. TERM DEPOSITS

	<u>30 June 2013</u>	<u>31 December 2012</u>
1 month to 3 months (including 3 months)	5,803	1,564
3 months to 1 year (including 1 year)	14,709	41,923
1 to 2 years (including 2 years)	5,880	1,030
2 to 3 years (including 3 years)	52,460	25,910
3 to 4 years (including 4 years)	56,050	47,980
4 to 5 years (including 5 years)	18,950	45,000
More than 5 years	140	890
	<u>153,992</u>	<u>164,297</u>

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

19. REINSURANCE ASSETS

	30 June 2013	31 December 2012
Reinsurers' share of insurance contract liabilities (note 25)	14,868	14,121

20. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	30 June 2013	31 December 2012
Net deferred income tax assets, at beginning of period/year	1,109	4,020
Acquisition of a subsidiary	(42)	-
Recognized in profit or loss (note 10(a))	(74)	123
Recognized in other comprehensive income (note 10(b))	724	(3,034)
Net deferred income tax assets, at end of period/year	1,717	1,109
Represented by:		
Deferred tax assets	2,723	2,067
Deferred tax liabilities	(1,006)	(958)

21. OTHER ASSETS

	30 June 2013	31 December 2012
Tax receivable other than income tax	1,908	2,830
Due from a related-party (1)	1,024	-
Dividend receivable	718	-
Due from agents	523	136
Receivable from securities clearance	510	767
Co-insurance receivable	90	69
Others	1,217	1,224
	5,990	5,026

(1) As at 30 June 2013, the payments made by the Group on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses amounted to approximately RMB1,024 million.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

22. CASH AND SHORT-TERM TIME DEPOSITS

	30 June 2013	31 December 2012
Cash at banks and on hand	9,035	6,817
Time deposits with original maturity of no more than three months	16,463	16,794
Other monetary assets	1,440	264
	<u>26,938</u>	<u>23,875</u>

The Group's bank balances denominated in RMB amounted to RMB20,470 million as at 30 June 2013 (31 December 2012: RMB16,349 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.

23. ISSUED CAPITAL

	30 June 2013	31 December 2012
Number of shares issued and fully paid at RMB1 each (million)	<u>9,062</u>	<u>9,062</u>

24. RESERVES AND RETAINED PROFITS

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

(a) Capital reserve

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

24. 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, RMB3,707 million as at 30 June 2013 (31 December 2012: RMB3,707 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, RMB3,675 million as at 30 June 2013 (31 December 2012: RMB3,675 million) represents the Company’s share of its subsidiaries’ general reserve.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

24. RESERVES AND RETAINED PROFITS (continued)

(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 12th meeting of the Company's 6th term of board of directors held on 22 March 2013, a final dividend of approximately RMB3,172 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 31 May 2013.

25. INSURANCE CONTRACT LIABILITIES

	30 June 2013		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	Net
Long-term life insurance contracts	421,525	(6,079)	415,446
Short-term life insurance contracts	-	-	-
- Unearned premiums	1,988	(54)	1,934
- Claim reserves	798	(54)	744
	2,786	(108)	2,678
Property and casualty insurance contracts			
- Unearned premiums	33,906	(4,220)	29,686
- Claim reserves	22,409	(4,461)	17,948
	56,315	(8,681)	47,634
	480,626	(14,868)	465,758
Incurred but not reported claim reserves	3,647	(673)	2,974

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

25. INSURANCE CONTRACT LIABILITIES (continued)

	31 December 2012		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 19)	Net
Long-term life insurance contracts	385,283	(5,706)	379,577
Short-term life insurance contracts			
- Unearned premiums	1,654	(57)	1,597
- Claim reserves	737	(96)	641
	2,391	(153)	2,238
Property and casualty insurance contracts			
- Unearned premiums	29,610	(3,637)	25,973
- Claim reserves	21,603	(4,625)	16,978
	51,213	(8,262)	42,951
	438,887	(14,121)	424,766
Incurred but not reported claim reserves	3,479	(736)	2,743

26. INVESTMENT CONTRACT LIABILITIES

	30 June 2013	31 December 2012
At beginning of period/year	41,754	47,182
Deposits received	2,316	3,259
Deposits withdrawn	(8,840)	(10,288)
Fees deducted	(115)	(186)
Interest credited	895	1,715
Others	106	72
At end of period/year	36,116	41,754

27. 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.

On 20 August 2012, CPIC Life issued a 10-year subordinated debt with a total face value of RMB7,500 million. CPIC Life has the option to redeem the debt at the end of the fifth year. The coupon rate of the debt is 4.58% 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 6.58% and would remain unchanged for the remaining term.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

28. NOTE TO INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

	Six months ended 30 June	
	2013	2012
Profit before tax	6,928	3,481
Investment income	(15,348)	(8,419)
Foreign currency losses/(gains), net	190	(2)
Finance costs	1,083	934
Charge of impairment losses on insurance receivables and other assets, net	140	144
Depreciation of investment properties	105	101
Depreciation of property and equipment	506	438
Amortization of other intangible assets	132	96
Amortization of prepaid land lease payments	-	1
Amortization of other assets	10	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(1)	(15)
Reversal of provision for lawsuits	(4)	(5)
	(6,259)	(3,236)
Increase in reinsurance assets	(747)	(129)
Increase in insurance receivables	(1,027)	(3,609)
Decrease/(increase) in other assets	356	(1,354)
Increase in insurance contract liabilities	41,266	40,449
(Decrease)/Increase in other operating liabilities	(4,003)	2,583
Cash generated from operating activities	29,586	34,704

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

29. RELATED PARTY TRANSACTIONS

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2013	2012
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	26	9

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

(b) Claims paid

	Six months ended 30 June	
	2013	2012
Equity holders who individually own more than 5% of equity interests of the Company and the equity holders' parent company	1	-

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2013	2012
Salaries, allowances and other short-term benefits	12	10
Long-term incentive paid (1)	5	4
Total compensation of key management personnel	17	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.

(d) The Company had the following major transactions with the joint venture:

	Six months ended 30 June	
	2013	2012
Payments made on behalf of Binjiang-Xiangrui for the purchase of land and related taxes and expenses	1,024	-

The receivable due from Binjiang-Xiangrui is interest free with no determined maturity date.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

29. RELATED PARTY TRANSACTIONS (continued)

(e) 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-month periods ended 30 June 2012 and 2013, the Group had certain transactions with some 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.

30. COMMITMENTS

(a) Capital commitments

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

		<u>30 June 2013</u>	<u>31 December 2012</u>
Contracted, but not provided for	(1)	1,833	3,139
Authorized, but not contracted for	(1)	804	1,425
		<u>2,637</u>	<u>4,564</u>

- (1) The Company resolved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone and the expected total capital expenditure is approximately RMB2,000 million. As at 30 June 2013, the cumulative amount incurred by the Company amounted to RMB201 million. Of the balance, RMB995 million was disclosed as a capital commitment contracted but not provided for and RMB804 million was disclosed as a capital commitment authorized but not contracted for.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

30. COMMITMENTS (continued)

(b) Operating lease commitments

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

	30 June 2013	31 December 2012
Within 1 year (including 1 year)	530	536
1 to 2 years (including 2 years)	392	376
2 to 3 years (including 3 years)	270	274
3 to 5 years (including 5 years)	233	297
More than 5 years	445	369
	<u>1,870</u>	<u>1,852</u>

(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 2013	31 December 2012
Within 1 year (including 1 year)	430	411
1 to 2 years (including 2 years)	242	287
2 to 3 years (including 3 years)	117	145
3 to 5 years (including 5 years)	29	40
More than 5 years	1	1
	<u>819</u>	<u>884</u>

31. CONTINGENT LIABILITIES

Owing to the nature of insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance policies. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above legal proceedings, as at 30 June 2013, 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.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

32. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

	As at 30 June 2013					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Assets:						
Financial assets at fair value through profit or loss	-	117	847	59	969	1,992
Held-to-maturity financial assets	-	20,345	79,808	367,244	-	467,397
Available-for-sale financial assets	-	24,625	56,079	36,603	67,487	184,794
Investments classified as loans and receivables	-	3,691	19,956	26,636	-	50,283
Securities purchased under agreements to resell	-	1,576	-	-	-	1,576
Term deposits	-	32,123	153,150	164	-	185,437
Restricted statutory deposits	-	683	3,822	-	-	4,505
Insurance receivables	1,940	7,028	481	27	-	9,476
Cash and short-term time deposits	10,475	16,463	-	-	-	26,938
Others	376	11,572	1,040	-	-	12,988
Liabilities:						
Long-term borrowings	-	14	207	-	-	221
Insurance contract liabilities	-	52,718	80,434	347,474	-	480,626
Investment contract liabilities	-	2,753	2,784	30,579	-	36,116
Policyholders' deposits	68	11	-	-	-	79
Subordinated debt	-	784	18,194	-	-	18,978
Securities sold under agreements to repurchase	-	47,465	-	-	-	47,465
Others	22,498	13,012	455	29	-	35,994

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

32. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2012					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Financial assets at fair value through profit or loss	-	58	1,230	2	540	1,830
Held-to-maturity financial assets	-	23,150	74,816	354,141	-	452,107
Available-for-sale financial assets	-	17,110	44,399	30,095	62,175	153,779
Investments classified as loans and receivables	-	4,655	18,465	24,009	-	47,129
Securities purchased under agreements to resell	-	1,115	-	-	-	1,115
Term deposits	-	55,269	141,134	947	-	197,350
Restricted statutory deposits	-	1,263	3,068	-	-	4,331
Insurance receivables	853	7,107	470	19	-	8,449
Cash and short-term time deposits	7,081	16,794	-	-	-	23,875
Others	641	10,165	21	-	-	10,827
Liabilities:						
Insurance contract liabilities	-	45,404	57,133	336,350	-	438,887
Investment contract liabilities	-	2,372	2,910	36,472	-	41,754
Policyholders' deposits	69	10	-	-	-	79
Subordinated debt	-	784	18,194	-	-	18,978
Securities sold under agreements to repurchase	-	50,400	-	-	-	50,400
Others	19,742	8,660	597	26	-	29,025

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value estimates are made at a specific point in time based on relevant market information and information about the various financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market or when current market prices are not available, fair value is determined using valuation techniques.

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

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

The following table summarizes the carrying values and the fair values of held-to-maturity debt securities, investments classified as loans and receivables, and subordinated debt whose fair values are not presented in the consolidated balance sheet.

		As at 30 June 2013	
		Carrying amounts	Estimated fair values
Financial assets:			
Held-to-maturity financial assets		260,057	259,687
Investments classified as loans and receivables		38,532	38,249
Financial liabilities:			
Subordinated debt		15,500	15,771
		As at 31 December 2012	
		Carrying amounts	Estimated fair values
Financial assets:			
Held-to-maturity financial assets		248,766	246,178
Investments classified as loans and receivables		36,097	35,737
Financial liabilities:			
Subordinated debt		15,500	15,714

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.

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

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

Determination of fair value and fair value hierarchy

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

The levels of the fair value hierarchy are as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (“Level 1”);
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (“Level 2”); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) (“Level 3”).

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	As at 30 June 2013			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Equity securities	741	-	-	741
- Investment funds	228	-	-	228
- Debt securities	985	-	-	985
	1,954	-	-	1,954
Available-for-sale financial assets				
- Equity securities	27,733	-	-	27,733
- Investment funds	29,166	-	-	29,166
- Wealth management products	-	2,100	-	2,100
- Other equity investments	-	1,500	6,988	8,488
- Debt securities	19,949	74,084	-	94,033
	76,848	77,684	6,988	161,520
Total	78,802	77,684	6,988	163,474

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

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

Determination of fair value and fair value hierarchy (continued)

	As at 31 December 2012			Total fair value
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
- Equity securities	194	-	-	194
- Investment funds	346	-	-	346
- Debt securities	1,174	-	-	1,174
	1,714	-	-	1,714
Available-for-sale financial assets				
- Equity securities	26,864	-	-	26,864
- Investment funds	28,170	-	-	28,170
- Other equity investments	-	-	7,141	7,141
- Debt securities	20,164	53,476	-	73,640
	75,198	53,476	7,141	135,815
Total	76,912	53,476	7,141	137,529

During the six months ended 30 June 2013, 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 2013, the carrying amount of these debt securities approximated RMB636 million. In 2012, the Group also transferred certain debt securities from Level 1 to Level 2 with a carrying amount of approximately RMB300 million as at 31 December 2012.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	As at 30 June 2013			End of period
	Beginning of period	Purchases	Net unrealised loss recognized in other comprehensive income	
Available-for-sale financial assets				
- Other equity investments	7,141	-	(153)	6,988
	As at 31 December 2012			End of year
	Beginning of year	Purchases	Net unrealised gain recognized in other comprehensive income	
Available-for-sale financial assets				
- Other equity investments	6,164	821	156	7,141

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2013

(All amounts expressed in RMB million unless otherwise specified)

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

Valuation techniques

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility, credit spread and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

34. POST BALANCE SHEET EVENT

The Group does not have significant post balance sheet events.

35. 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 23 August 2013.