中國太平洋保險（集團）股份有限公司

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code：02601)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Chairman's Statement

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

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

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

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

billion, representing an increase of 12.6% over the end of the previous year while property and casualty insurance premiums from cross-selling reached RMB993 million, representing an increase of 89.5% over the same period of the previous year.

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

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

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

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

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

Total assets entrusted under management of Changjiang Pension amounted to RMB25.758

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

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

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

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

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

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

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

compared to the same period of the previous year. Net investment yield was 4.4%, representing an increase of 0.2pt compared to the same period of the previous year.
In respect of fixed-income assets, CPIC Asset Management took advantage of the increase in market yield attributable to the upward adjustment cycle of interest rates to place negotiated deposits with higher yields and to invest in fixed-interest products of commercial banks such as subordinated debt and highly rated bonds. For the first half of the year, total fixed-interest income increased by 28.2% over the same period of the previous year. For equity investments, CPIC Asset Management closely tracked market trends and focused on achieving stable investment income. For the first half of the year, dividend income amounted to over RMB2 billion. CPIC Asset Management also proactively explored alternative investment opportunities, leveraged the liberalization of policies and business channels and established and promoted various infrastructure debt investment plans.

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

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

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

Looking forward, China's economy will continue to be exposed to a very complex and unstable domestic and international economic environment with a lot of uncertainties in the second half of the year. In addition, there will be some uncertainties in the insurance industry, including in relation to business transformation, slower growth and increasing cost pressure. In general, the continued economic growth in the second half of the year, the trend towards more stable price levels and the reform of the income distribution mechanism will be beneficial to the transformation and sustainable development of the insurance industry.
CPIC will continue to promote and realize its business philosophy of sustainable value-enhancing growth to promote the strategic transformation to a customer-oriented business model. As for the life insurance business, CPIC will continue to implement the development strategy of "focusing on the sales channel and regular premium business" to enhance sales capability and maintain stable and healthy development of the sales channel business. CPIC will accelerate the evolution of its bancassurance channel and facilitate business growth from new channels. As for the property and casualty insurance business, CPIC will continue to enhance its refinement management and intensify its business advancement efforts. CPIC will optimize channel deployment to accelerate the business development of new channels and improve its intensive management system to enhance overall operational efficiency. CPIC will seek to increase its market share and maintain its leading position in the industry in terms of underwriting profitability. As for the asset management business, CPIC will continue to adopt stable and progressive investment strategies to refine its asset allocation and increase the

proportion of high yield fixed income assets. CPIC will also actively increase investment in new areas, and strive to mitigate market risks and achieve sustainable investment returns that consistently exceed the cost of liabilities.

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

Management Discussion and Analysis

The Company provides a comprehensive range of life insurance and property and casualty insurance products through its subsidiaries, namely CPIC Life and CPIC Property, and manages and deploys insurance funds through its subsidiary, CPIC Asset Management. At the same time, the Company engages in pension business through its subsidiary, Changjiang Pension and engages in property and casualty insurance business and asset management business in Hong Kong through CPIC HK and CPIC Investment (H.K.), respectively.

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

I. Key operational indicators

For 6 months ended 30 June (in RMB million)	2011	2010
Gross written premiums	**86,875**	**76,066**
Life insurance	54,574	48,959
Property and casualty insurance	32,267	27,078
Net profit attributable to equity holders of the parent	**5,816**	**4,019**
Life insurance	2,793	2,174
Property and casualty insurance	2,342	1,521
New business value of life insurance for the first half of the year	**3,830**	**3,238**
Combined ratio of property and casualty insurance (%)	**91.1**	**94.5**
	As at 30 June 2011	**As at 31 December 2010**
Group Embedded Value	**110,008**	**110,089**
Market shares[note]		
Life insurance(%)	9.7	8.8
Property and casualty insurance(%)	13.2	12.8
Pension business		
Assets entrusted	25,758	26,038
Assets under investment management	16,159	14,022

Note:

Based on the statistics of the CIRC.

II. Key Business Analysis

(I) Life insurance business analysis

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

1. Analysis by insurance categories

For 6 months ended 30 June (in RMB million)	2011	2010
Gross written premiums	**54,574**	**48,959**
Traditional	7,899	7,485

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

(1) Structure of insurance categories

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

(2) New policies

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

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

(3) Persistency ratio of individual life insurance policy

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

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

Notes:

（1） Individual life insurance customer 13-month persistency ratio (%): Premiums under in-force life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.

（2） Individual life insurance customer 25-month persistency ratio (%): Premiums under in-force life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.

2. Analysis by channels

(1) Sales channel

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

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

Note:

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

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

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

(2) Bancassurance

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

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

(3) Direct sales

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

For 6 months ended 30 June (in RMB million)	2011	2010
Gross written premiums	**3,178**	**1,861**

New policies	3,112	1,809
Regular premium	7	1
Single premium	3,105	1,808
Renewed policies	66	52

(4) New channels

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

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

Note:

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

3. Analysis by geographical areas

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

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

(II) Property and casualty insurance business

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

1. Analysis by insurance categories

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

For 6 months ended 30 June (in RMB million)	2011	2010
Gross written premiums	**32,267**	**27,078**

Automobile insurance	23,812	20,242
Non-automobile insurance	8,455	6,836

(1) Automobile insurance

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

(2) Non-automobile insurance

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

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

2. Analysis by channels

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

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

3. Analysis by geographical areas

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

For 6 months ended 30 June (in RMB million)	**2011**	**2010**
Gross written premiums	**32,267**	**27,078**
Guangdong	4,598	3,919
Jiangsu	3,645	2,992

Zhejiang	2,783	2,354
Shanghai	2,556	2,189
Shandong	2,410	2,239
Beijing	1,520	1,523
Liaoning	1,047	891
Hebei	1,038	939
Sichuan	1,012	849
Fujian	966	721
Sub-total	21,575	18,616
Other areas	10,692	8,462

(III) Asset management business

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

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

1. Investment portfolio

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

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

(in RMB million)	As at 30 June 2011	As at 31 December 2010
Investment assets (Total)	490,513	435,751
By investment category		
Fixed income investments	380,765	344,384
– Debt securities	246,698	232,533
– Term deposits	127,830	106,772
– Other fixed income investments[1]	6,237	5,079
Equity investment	63,379	51,516
– Investment Funds	25,371	24,857
– Equity securities	35,774	24,979
– Other equity investments[2]	2,234	1,680
Investments in infrastructure	22,875	19,925

Investment properties	6,666	2,366
Cash and cash equivalents	16,828	17,560
By investment purpose		
Financial assets at fair value through profit or loss	3,149	3,604
Available-for-sale financial assets	130,471	119,759
Held-to-maturity financial assets	173,320	157,360
Investment in a jointly-controlled entity	-	440
Loan and other investments(3)	183,573	154,588

Notes:

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

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

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

2. Investment income

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

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

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

Note:

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

3. Alternative investments

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

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

III. Segment information

(I) Life insurance

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

For 6 months ended 30 June (in RMB million)	2011	2010
Net premiums earned	53,080	46,918
Investment income[note]	8,414	7,484

Other operating income	344	282
Total income	**61,838**	**54,684**
Net policyholders' benefits and claims	(48,185)	(43,724)
Finance costs	(286)	(198)
Interest credited to investment contracts	(1,185)	(1,109)
Other operating and administrative expenses	(8,760)	(7,058)
Total benefits, claims and expenses	**(58,416)**	**(52,089)**
Profit before tax	3,422	2,595
Income tax	(629)	(421)
Net profit	**2,793**	**2,174**

Note:

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

1. Net premiums earned amounted to RMB53.080 billion, representing an increase of 13.1% compared to the same period of the previous year. The growth was mainly due to the implementation of the development strategy of "focusing on the sales channel and regular premium business" and the active promotion of the strategic transformation to a customer-oriented business model, which contributed to continued business growth.
2. Investment income amounted to RMB8.414 billion, representing an increase of 12.4% compared to the same period of the previous year, which was mainly driven by the increase in fixed interest income.
3. Net policyholders' benefits and claims amounted to RMB48.185 billion, representing an increase of 10.2% over that of the same period of the previous year. Of these, life insurance death and other benefits paid increased 22.9% when compared with the same period of the previous year, which was mainly attributable to the increase in surrender charge. Policyholder dividends recorded an increase of 22.2% compared to the same period of the previous year, mainly attributable to the growth in participating business and increase in policyholder dividends.

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

4. Other operating and administrative expenses for life insurance business amounted to RMB8.760 billion, representing an increase of 24.1% compared to the same period of the previous year, which was in line with the Company's business growth. The increase was mainly attributable to the growth in sales channel business and an increase in commission expenses.
5. As a result of the above reasons, life insurance business of the Company recorded net profits of RMB2.793 billion in the first half of 2011.

(II) Property and casualty insurance

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

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

1. Net premiums earned by the Company amounted to RMB21.921 billion in the first half of 2011 as a result of business growth, representing an increase of 35.5% compared to that of the same period of the previous year.
2. The Company recorded investment income of RMB1.138 billion, representing an increase of 10.0% compared to the same period of the previous year, mainly attributable to the increase in fixed interest income.
3. Claims incurred amounted to RMB12.416 billion, representing an increase of 40.7% compared to the same period of the previous year, mainly attributable to business growth.
4. Other operating and administrative expenses amounted to RMB7.600 billion, representing an increase of 16.8% compared to the same period of the previous year, mainly attributable to business growth.
5. As a result of the above factors, property and casualty insurance business recorded a net profit of RMB2.342 billion in the first half of 2011.

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

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

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

IV. Analysis of specific items
(I) Solvency
The Company calculated and disclosed the actual solvency margin, the minimum solvency margin and the solvency margin ratio in accordance with the relevant requirements as issued by CIRC. According to the requirements of CIRC, the solvency margin ratio of domestic insurance companies in the PRC shall meet the required level.

(in RMB million)	As at 30 June 2011	As at 31 December 2010	Reasons of change
CPIC Group			
Actual solvency margin	71,161	76,673	Profit for the first half of the year, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	23,841	21,486	Business development of property and life insurance
Solvency margin ratio (%)	298	357	
Life insurance			
Actual solvency margin	32,629	36,687	Profit for the first half of the year, profit distribution to the shareholders and change of the fair value of investment assets

Minimum solvency margin	16,968	15,222	Growth of insurance business
Solvency margin ratio (%)	192	241	
Property and casualty insurance			
Actual solvency margin	11,975	10,266	Profit for the first half of the year, contribution from shareholders, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	6,847	6,132	Growth of insurance business
Solvency margin ratio (%)	175	167	

(II) Gearing Ratio

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

Note:
Gearing Ratio= (total liabilities + minority interests) / total assets.

Operating Results

The Company announces the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2011 (the "Reporting Period") together with the comparative figures for the previous year:

INTERIM CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2011

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

		Six months ended 30 June	
	Notes	**2011**	**2010**
		(unaudited)	(unaudited)
Gross written premiums	1(a)	86,875	76,066
Less: Premiums ceded to reinsurers	1(b)	(7,306)	(7,500)
Net written premiums	1	79,569	68,566
Net change in unearned premium reserves		(4,447)	(5,379)
Net premiums earned		75,122	63,187
Investment income	2	10,187	9,131
Other operating income		496	460
Other income		10,683	9,591
Total income		85,805	72,778
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	3	(10,618)	(8,643)
Claims incurred	3	(12,781)	(9,184)
Changes in long-term life insurance contract liabilities	3	(35,514)	(33,339)
Policyholder dividends	3	(1,743)	(1,426)
Finance costs		(311)	(205)
Interest credited to investment contracts		(1,185)	(1,109)
Other operating and administrative expenses		(16,629)	(13,813)
Total benefits, claims and expenses		(78,781)	(67,719)
Gain from disposal of a jointly-controlled entity		479	-
Share of profit/(loss) of a jointly-controlled entity		16	(22)
Profit before tax		7,519	5,037
Income tax	4	(1,636)	(967)
Net profit for the period		5,883	4,070
Attributable to:			
Equity holders of the parent		5,816	4,019
Minority interests		67	51
		5,883	4,070
Basic earnings per share	5	RMB0.68	RMB0.47
Diluted earnings per share	5	RMB0.68	RMB0.47

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

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

INTERIM CONSOLIDATED BALANCE SHEET
30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2011	31 December 2010
		(unaudited)	(audited)
ASSETS			
Property and equipment		6,741	6,831
Investment properties		6,666	2,366
Goodwill		935	149
Other intangible assets		384	404
Prepaid land lease payments		201	203
Investment in a jointly-controlled entity		-	440
Financial assets at fair value through profit or loss		3,149	3,604
Held-to-maturity financial assets		173,320	157,360
Available-for-sale financial assets		130,471	119,759
Investments classified as loans and receivables		26,012	22,811
Securities purchased under agreements to resell		880	2,600
Term deposits		127,830	106,772
Restricted statutory deposits		3,140	2,772
Policy loans		3,097	2,307
Interest receivable		10,115	9,207
Reinsurance assets		13,849	12,347
Deferred income tax assets		3,130	1,586
Insurance receivables		7,338	5,409
Other assets		4,017	3,824
Cash and short-term time deposits		15,948	14,960
Total assets		537,223	475,711

INTERIM CONSOLIDATED BALANCE SHEET (continued)
30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	Notes	30 June 2011	31 December 2010
		(unaudited)	(audited)
EQUITY AND LIABILITIES			
Equity			
Issued capital		8,600	8,600
Reserves	6	55,182	58,476
Retained profits	6	16,027	13,221
Equity attributable to equity holders of the parent		79,809	80,297
Minority interests		1,251	1,254
Total equity		81,060	81,551
Liabilities			
Insurance contract liabilities	7	351,138	307,186
Investment contract liabilities	8	48,126	51,272
Policyholders' deposits		81	82
Subordinated debt		2,375	2,338
Securities sold under agreements to repurchase		24,805	8,150
Deferred income tax liabilities		920	2
Income tax payable		1,074	1,165
Premium received in advance		2,824	3,549
Policyholder dividend payable		7,930	7,110
Payables to reinsurers		5,000	3,510
Other liabilities		11,890	9,796
Total liabilities		456,163	394,160
Total equity and liabilities		537,223	475,711

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2011 (unaudited)								
	Attributable to equity holders of the parent								
		Reserves							
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2011	8,600	58,908	1,703	(37)	(2,098)	13,221	80,297	1,254	81,551
Total comprehensive income	-	-	-	(8)	(3,285)	5,816	2,523	9	2,532
Dividends declared [1]	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(65)	(65)
Capital injection into subsidiaries	-	(1)	-	-	-	-	(1)	53	52
At 30 June 2011	8,600	58,907	1,703	(45)	(5,383)	16,027	79,809	1,251	81,060

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2010 (unaudited)								
	Attributable to equity holders of the parent								
		Reserves							
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2010	8,483	56,216	1,395	(26)	1,031	7,552	74,651	1,022	75,673
Total comprehensive loss	-	-	-	(3)	(4,686)	4,019	(670)	(35)	(705)
Dividends declared [1]	-	-	-	-	-	(2,580)	(2,580)	-	(2,580)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(44)	(44)
Issue of shares	117	2,688	-	-	-	-	2,805	-	2,805
Capital injection into subsidiaries	-	4	-	-	-	-	4	221	225
At 30 June 2010	8,600	58,908	1,395	(29)	(3,655)	8,991	74,210	1,164	75,374

[1] Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2009, amounting to RMB2,580 million (RMB0.30 per share).

INTERIM CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2011

(All amounts expressed in RMB million unless otherwise specified)

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

Notes (Amounts expressed in RMB million unless otherwise specified)

1. NET WRITTEN PREMIUMS

(a) Gross written premiums

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

(b) Premiums ceded to reinsurers

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

(c) Net written premiums

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

2. INVESTMENT INCOME

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

2. INVESTMENT INCOME (continued)

(a) Interest and dividend income

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

(b) Realized gains

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

(c) Unrealized (losses)/gains

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

3. NET POLICY HOLDERS' BENEFITS AND CLAIMS

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

	Six months ended 30 June 2010		
	Gross	Ceded	Net
Life insurance death and other benefits paid	8,711	(68)	8,643
Claims incurred			
- Short-term life insurance	493	(177)	316
- Property and casualty insurance	10,913	(2,045)	8,868
Changes in long-term life insurance contract liabilities	34,278	(939)	33,339
Policyholder dividends	1,426	-	1,426
	55,821	(3,229)	52,592

4. INCOME TAX

(a) Income tax

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

(b) Tax recorded in other comprehensive income

	Six months ended 30 June	
	2011	**2010**
Deferred income tax	1,111	1,588

4. INCOME TAX (CONTINUED)

(c) Reconciliation of income tax

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

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

	Six months ended 30 June	
	2011	**2010**
Profit before tax	7,519	5,037
Tax computed at the statutory tax rate	1,880	1,259
Adjustments to income tax in respect of previous periods	80	15
Income not subject to tax	(424)	(372)
Expenses not deductible for tax	76	53
Attributable to a jointly-controlled entity	(4)	6
Unrecognized deferred income tax	10	6
Others	18	-
Income tax at the Group's effective rate	1,636	967

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

5. EARNINGS PER SHARE

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

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

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

6. RESERVES AND RETAINED PROFITS

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

(a) Capital reserve

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

(b) Surplus reserves

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

(i) Statutory surplus reserve (“SSR”)

According to the PRC Company Law and the articles of association of the Company and its subsidiaries in the PRC, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under generally accepted accounting principles in the PRC (“PRC GAAP”), to SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital.

Of the Group’s retained profits, RMB2,493 million as at 30 June 2011 (31 December 2010: RMB2,493 million) represents the Company’s share of its subsidiaries’ surplus reserve fund.

(ii) Discretionary surplus reserve (“DSR”)

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

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

(c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company’s insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end profit determined in accordance with PRC GAAP, and based on the applicable PRC financial regulations, in the annual financial statements. Such reserve is not available for profit distribution or transfer to capital.

Of the Group’s retained profits, RMB2,484 million as at 30 June 2011 (31 December 2010: RMB2,484 million) represents the Company’s share of its subsidiaries’ general reserve.

6. 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 4th meeting of the Company's 6th term of board of directors held on 25 March 2011, a final dividend of approximately RMB3,010 million (equivalent to RMB0.35 per share (including tax)) was proposed after the appropriation of statutory surplus reserve. The dividend distribution was approved by the annual general meeting held on 18 May 2011.

7. INSURANCE CONTRACT LIABILITIES

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

7. INSURANCE CONTRACT LIABILITIES (CONTINUED)

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

8. INVESTMENT CONTRACT LIABILITIES

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

9. CHANGE IN MAJOR SUBSIDARIES AND JOINTLY-CONTROLLED ENTITIES

(a) Business combination not under common control during this period

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

(b) Subsidaries no longer included in the scope of consolidation

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

(c) Disposal of a jointly-controlled entity during this period

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

Change in Accounting Estimates

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

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

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

EMBEDDED VALUE

Summary of Embedded Value and Value of New Sales

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

Unit: RMB Million

Valuation Date	30 June 2011	31 December 2010
Group Adjusted Net Worth	**71,261**	**75,905**
Adjusted Net Worth of CPIC Life	31,592	35,836
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,991)	(2,974)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	52,566	46,964
Cost of Solvency Margin Held for CPIC Life	(10,156)	(9,212)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	39,419	34,778
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group	**38,746**	**34,184**
Group Embedded Value	**110,008**	**110,089**
Life Embedded Value	71,011	70,613
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	8,192	7,565
Cost of Solvency Margin	(1,500)	(1,465)

Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	**6,693**	**6,100**
Valuation Date	**30 June 2011**	**30 June 2010**
Value of Half Year's Sales of CPIC Life Before Cost of Solvency Margin Held	4,787	4,077
Cost of Solvency Margin	(957)	(839)
Value of Half Year's Sales of CPIC Life After Cost of Solvency Margin Held	**3,830**	**3,238**

Note that figures may not be additive due to rounding.

The Group Adjusted Net Worth represents the shareholder net equity of the Company measured on the statutory basis, inclusive of adjustments of the value of certain assets to market value. It should be noted that the Group Adjusted Net Worth incorporates the shareholder net equity of the Company as a whole (including CPIC Life and other operations of the Company), and the value of in force business and the value of one year's sales are of CPIC Life only. The Group Embedded Value also does not include the value of in force business that is attributable to minority shareholders of CPIC Life.

IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN DURING THE REPORTING PERIOD

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

PROFIT DISTRIBUTION

The company did not propose to distribute any profit, nor did it transfer any capital reserves to share capital for the first half of 2011.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES AS SET OUT IN APPENDIX 14 OF THE LISTING RULES

The Board is in view that the Company has basically complied with the provisions and most of the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities ("the Listing Rules") on Hong Kong Stock Exchange throughout the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor its subsidiaries purchased, sold or redeemed any listed securities of the Company.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the principal accounting policies of the Company and the unaudited financial statements for the six months ended 30 June 2011 in the presence of internal and external auditors.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The interim report of the Company for the period ended 30 June 2011 will be dispatched to the shareholders of the Company in due course and will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.cpic.com.cn).

DEFINITIONS

"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
"CIRC"	China Insurance Regulatory Commission
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi

By Order of the Board
China Pacific Insurance (Group) Co., Ltd.
Gao Guofu
Chairman

Hong Kong, 29 August 2011

As of the date of this announcement, the executive Directors of the Company are Mr. GAO Guofu and Mr. HUO Lianhong; the non-executive Directors of the Company are Mr. YANG Xianghai, Mr. WANG Chengran, Ms. FENG Junyuan, Mr. WU Jumin, Mr. YANG Xiangdong, Mr. ZHOU Ciming, Mr. ZHENG Anguo and Ms. XU Fei; and the independent non-executive Directors of the Company are Mr. XU Shanda, Mr. CHANG Tso Tung Stephen, Mr. LI Ruoshan, Mr. XIAO Wei and Mr. YUEN Tin Fan.