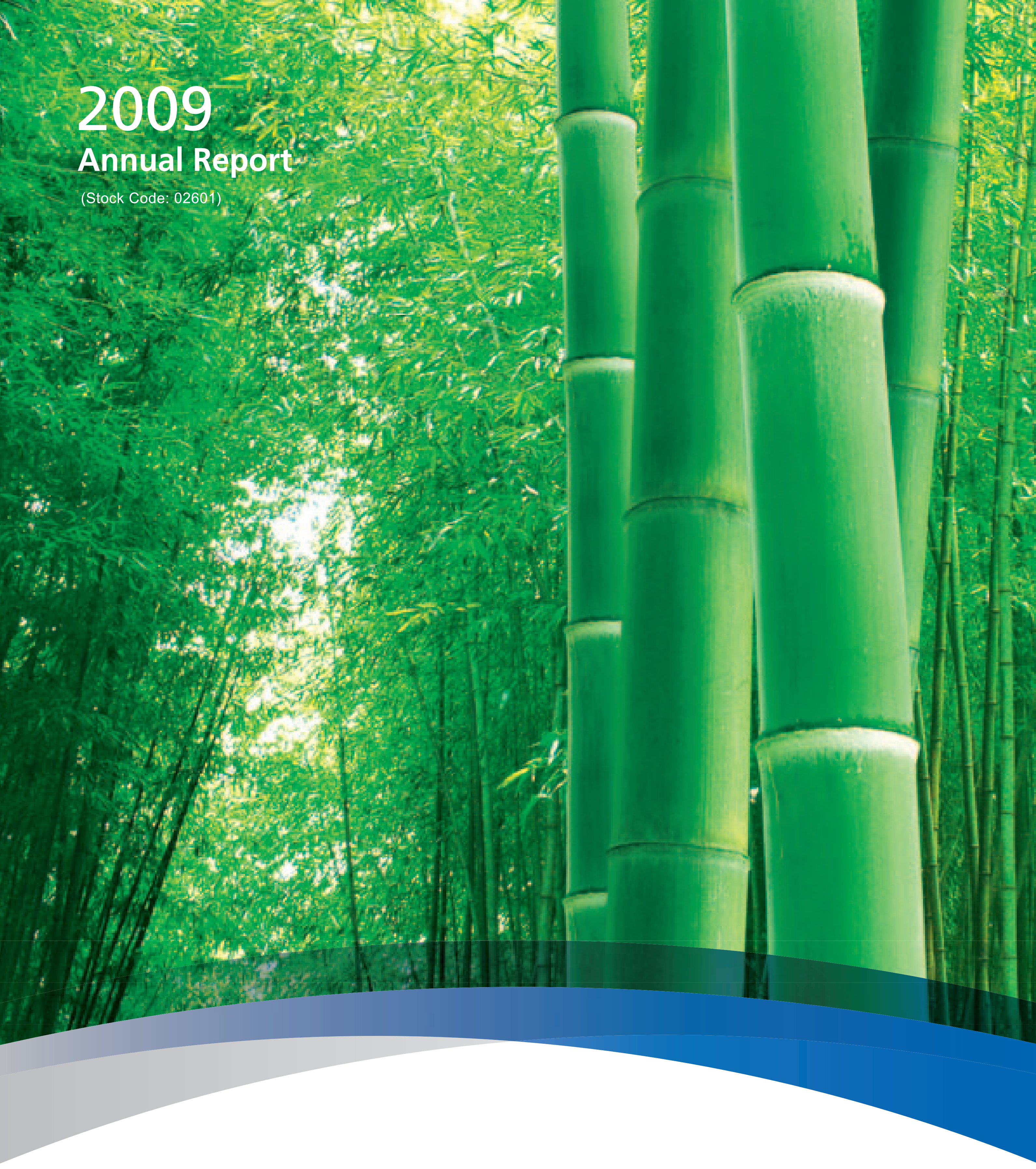


2009 Annual Report

(Stock Code: 02601)

太平洋保险
CPIC

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)


誠 信 天 下
Commitment to Business Integrity
穩 健 一 生
Prudence and Sustainability
追 求 卓 越
Pursuit of Performance Excellence

Operational Overview

For 12 months ended 31 December (in RMB million)	2009	2008 As Restated
Gross written premiums		
Life insurance	61,998	47,828
Property and casualty insurance	34,289	27,875
Net profit attributable to equity holders of the parent	7,356	2,569
Life insurance	5,427	4,030
Property and casualty insurance	1,422	537
Embedded value of the Group	98,371	69,978
Value of one year's sales of life insurance	5,000	3,651
Combined ratio of property and casualty insurance (%)	97.5	102.2
Number of individual customers (in thousand)		
Life insurance	33,919	31,365
Property and casualty insurance	13,006	10,596
Number of institutional customers (in thousand)		
Life insurance	323	312
Property and casualty insurance	2,524	2,146
Market shares Note		
Life insurance	8.3%	9.0%
Property and casualty insurance	11.4%	11.4%

Note: *Calculated based on the statistical data of the insurance industry in 2008 and 2009 published by the CIRC.*

Key Accounting Data and Financial Indicators

unit: in RMB million

Key Accounting Data	2009	2008 As Restated	Variance (%)	2007 As Restated	2006 As Previously Reported
Total income	104,189	76,267	36.6	37,030	37,732
Profit before tax	9,506	1,317	621.8	14,975	4,000
Net profit Note	7,356	2,569	186.3	10,392	2,019
Net cash flow from operating activities	38,474	25,056	53.6	21,670	27,541

	31 December 2009	31 December 2008 As Restated	Variance (%)	31 December 2007 As Restated	31 December 2006 As Previously Reported
Total assets	397,187	317,897	24.9	307,209	213,909
Equity Note	74,651	48,638	53.5	61,485	14,484

Note: *Attributable to equity holders of the parent*

unit: in RMB

Key Financial Indicators	2009	2008 As Restated	Variance (%)	2007 As Restated	2006 As Previously Reported
Basic earnings per share Note	0.95	0.33	187.9	1.69	0.47
Diluted earnings per share Note	0.95	N/A	N/A	N/A	N/A
Weighted average return on equity (%) Note	14.0	4.7	Increased by 9.3pt	46.6	17.5
Net cash inflow per share from operating activities	4.54	3.25	39.7	2.81	6.40

	31 December 2009	31 December 2008 As Restated	Variance (%)	31 December 2007 As Restated	31 December 2006 As Previously Reported
Net assets per share Note	8.80	6.32	39.2	7.99	3.37

Note: *Attributable to equity holders of the parent*

Contents

Cautionary Statements:

In addition to the facts stated herein, this report includes forward-looking statements and analysis, which may materially differ from the actual results of the Company in the future. The Company does not guarantee its future performance.
You are advised to exercise caution.

2009

Section I Important Information and Definitions

Important Information

1. The Annual Report 2009 of the Company was considered and approved at the 12th session of the 5th board of directors on 16 April 2010, which 13 Directors were required to attend and 11 of them attended in person and ZHOU Ciming, a Director, appointed in writing YANG Xianghai, a Director, to attend the meeting and vote on his behalf and XU Hulie, a Director, appointed in writing HUANG Kongwei, a Director, to attend the meeting and vote on his behalf.
2. Ernst & Young audited 2009 financial report of the Company and issued the standard unqualified audit report.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"The Company", "the Group", "CPIC" or "CPIC Group"	China Pacific Insurance (Group) Co., Ltd.
"CPIC Life"	China Pacific Life Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC Property"	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
"CPIC Asset Management"	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd., a holding subsidiary of CPIC Group
"Pacific-Antai"	Pacific-Antai Life Insurance Co., Ltd.
"CIRC"	China Insurance Regulatory Commission
"CSRC"	China Securities Regulatory Commission
"CBRC"	China Banking Regulatory Commission
"NSSF"	National Council for Social Security Fund of the PRC
"SSE"	The Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi
"Company Law"	the Company Law of the PRC
"Insurance Law"	the Insurance Law of the PRC
"Securities Law"	the Securities Law of the PRC
"Articles of Association"	the articles of association of China Pacific Insurance (Group) Co., Ltd.
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code for Securities Transactions"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Code on Corporate Governance Practice"	Code on Corporate Governance Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Section II Corporate Information

Corporate Information

Legal Name in Chinese:
中國太平洋保險(集團)股份有限公司
(中國太保)

Legal Name in English:
CHINA PACIFIC INSURANCE (GROUP) CO., LTD. (CPIC)

Legal Representative and Chairman: GAO Guofu

Board Secretary and Joint Company Secretary: CHEN Wei

Securities Representative: YANG Jihong
Tel: +86-21-58767282
Fax: +86-21-68870791
Email: ir@cpic.com.cn
Address: South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, PRC

Joint Company Secretary: NGAI Wai Fung
Tel: +852-35898678
Fax: +852-35898378
Email: Maurice.Ngai@kcs.com
Address: 8F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong

Registered Office: South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, PRC
Office Address: South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai, PRC
Postal Code: 200120
Place of Business in Hong Kong: Room 203-208, Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong
Website: http://www.cpic.com.cn
Email: ir@cpic.com.cn

Selected Newspapers for Disclosure (A Share):
China Securities, Shanghai Securities and Securities Times
Announcements for A Share Published at:
http://www.sse.com.cn
Announcements for H Share Published at:
http://www.hkexnews.hk
Annual Report Available at:
the Board Office of the Company

Stock Exchange for A Share Listing:
the Shanghai Stock Exchange
Stock Name for A Share: CPIC
Stock Code for A Share: 601601
Stock Exchange for H Share Listing:
The Stock Exchange of Hong Kong Limited
Stock Name for H Share: CPIC
Stock Code for H Share: 02601
H Share Registrar:
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Date of Initial Registration: 13 May 1991
Place of Initial Registration: the State Administration for Industry & Commerce of the PRC
Registration No. of Business Licence: 1000001001110
Tax Registration No.:
Guo Shui Hu Zi 310043132211707
Di Shui Hu Zi 310043132211707
Organisation Code: 13221170-7

Domestic Accountant: Ernst & Young Hua Ming
Office of Domestic Accountant:
Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, PRC

International Accountant: Ernst & Young
Office of International Accountant:
18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

Section III Highlight of Accounting and Operation Data

Highlight of Accounting and Operation Data

I. Key Financial Data for the Current Reporting Period

unit: in RMB million

Items	Amount
Profit before tax	9,506
Net profit attributable to the equity holders of the parent	7,356
Net cash flow from operating activities	38,474

II. Key Accounting Data and Financial Indicators

unit: in RMB million

		2008			2007		2006
Key Accounting Data	2009	As Restated	As Previously Reported	Variance (%)	As Restated	As Previously Reported	As Previously Reported
Total income	104,189	76,267	53,029	36.6	37,030	63,947	37,732
Profit before tax	9,506	1,317	2,025	621.8	14,975	14,766	4,000
Net profit note	7,356	2,569	3,086	186.3	10,392	11,238	2,019
Net cash flow from operating activities	38,474	25,056	25,056	53.6	21,670	21,670	27,541
		31 December 2008			31 December 2007		31 December 2006
	31 December 2009	As Restated	As Previously Reported	Variance (%)	As Restated	As Previously Reported	As Previously Reported
Total assets	397,187	317,897	337,950	24.9	307,209	322,341	213,909
Equity note	74,651	48,638	59,355	53.5	61,485	71,944	14,484

Note: Attributable to equity holders of the parent

unit: in RMB

		2008			2007		2006
Key Financial Indicators	2009	As Restated	As Previously Reported	Variance (%)	As Restated	As Previously Reported	As Previously Reported
Basic earnings per share note	0.95	0.33	0.40	187.9	1.69	1.82	0.47
Diluted earnings per share note	0.95	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average return on equity (%) note	14.0	4.7	4.7	Increased by 9.3pt	46.6	26.0	17.5
Net cash inflow per share from operating activities	4.54	3.25	3.25	39.7	2.81	2.81	6.40
		31 December 2008			31 December 2007		31 December 2006
	31 December 2009	As Restated	As Previously Reported	Variance (%)	As Restated	As Previously Reported	As Previously Reported
Net assets per share note	8.80	6.32	7.71	39.2	7.99	9.34	3.37

Note: Attributable to equity holders of the parent

III. Other Key Financial and Regulatory Indicators

unit: in RMB million

Indicators	31 December 2009/ 2009	31 December 2008/ 2008 (As Restated)
The Group		
Investment assets (1)	366,018	288,074
investment returns (%) (2)	6.3	2.9
Life insurance (5)		
Net premiums earned	59,058	45,761
Growth rate of net premiums earned (%)	29.1	77.9
Net policyholders' benefits and claims	55,733	41,095
Property and casualty insurance (5)		
Net premiums earned	24,910	20,355
Growth rate of net premiums earned (%)	22.4	18.4
Claims incurred	15,202	13,202
Unearned premium reserves	14,617	12,089
Claim reserves	10,939	10,068
Combined ratio (%) (3)	97.5	102.2
Comprehensive loss ratio (%) (4)	61.0	64.9

Notes:

1. *Investment Assets include cash and short-term time deposits..*
2. *Investment returns = (investment income + interest income from cash and short-term time deposits - interest expenses from securities sold under agreements to repurchase) / ((investment assets at the beginning of the year + investment assets at the end of the year - securities sold under agreements to repurchase at the beginning of the year - securities sold under agreements to repurchase at the end of the year) /2), excluding foreign exchange gain or loss. Average investment assets as the denominator is based on the principle of Modified Dietz taking into account the effects of proceeds from H shares.*
3. *Combined ratio = (claim incurred + operating and administrative expenses relating to insurance businesses) / net premiums earned.*
4. *Comprehensive loss ratio = claim incurred / premiums earned.*
5. *The life insurance and property and casualty insurance businesses stated above refer to those businesses of CPIC Life and CPIC Property respectively.*

IV. The Discrepancy between the financial result prepared under PRC Accounting Standards ("PRC GAAP") and Hong Kong Financial Reporting Standards ("HKFRS")

There is no difference on the equity of the Group as at 31 December 2009 and 31 December 2008 and the net profit of the Group for the years then ended as stated in accordance with PRC GAAP and HKFRS.

Section IV Chairman Statement

Chairman Statement

Severely affected by the spread of international financial crisis and global economic downturn, 2009 was the most challenging year for the PRC in terms of economic growth since the new century. As the risk of economic downturn became increasingly apparent, the PRC government decisively initiated various measures in response to the crisis, enabling the PRC to be among the first to recover in the world. Encountering such complicated and severe external environment, CPIC reacted proactively with its focus on the promotion and realization of the objective of sustainable value-enhancing growth. It also actively changed its patterns of growth, optimized its business structure and enhanced the level of risk management. CPIC recorded sound operating results by enhancing its underwriting profitability and ability in value growth. Meanwhile, as an important strategic advancement, the Company had its H shares successfully issued and listed, and acquired the controlling shares of Changjiang Pension, laying a solid foundation for the enhancement of its sustainable growth.

On 23 December 2009, Mr. GAO Guofu, our Chairman, gave a speech at the listing ceremony of H shares of CPIC

I. Coordinated growth of the insurance businesses and enhanced operating efficiency

Focusing on the insurance businesses, CPIC strives to realize a coordinated development of our four major business sectors, namely life insurance, property and casualty insurance, asset management and pension business. In 2009, the Group's gross written premiums amounted to RMB96.342 billion, representing a growth of 27.2% year-on-year. Among them, life insurance premiums and property and casualty insurance premiums increased by 29.6% and 23.0% year-on-year respectively. The Group's investment assets amounted to RMB366.018 billion, while pension business custodian assets reached RMB24.688 billion.

Under the impact of the global financial crisis, the Company shifted back its attention to our core risk protection business and proactively initiated adjustment to our product mix. We actively promoted the protection-type and profitable businesses and focused on underwriting profitability, optimization of our investment assets portfolio, significant improvement of operating efficiency and steady growth of our value. Net profit for the year attributable to equity holders of the parent and the Company's embedded value for the year amounted to RMB7.356 billion and RMB98.371 billion, representing increases of 186.3% and 40.6% year-on-year respectively.

II. Along with the continued optimization of our life insurance business mix, the value of new business recorded a faster growth rate than its scale

The Company actively adjusted its life insurance business mix and optimized its business structure in 2009. Substantial efforts were made to develop protection-type and long-term savings-type insurance products, in particular, focusing on traditional and participating regular premium products in individual life insurance, and short-term accident insurance products. The implementation of differentiated regional development strategies strengthened our competitive edges in existing markets and helped us expand into rapidly emerging markets. First year regular gross written premiums for the year amounted to RMB12.731 billion, representing a growth of 98.2% year-on-year. The value of one year's sales for the year reached RMB5 billion, or increased 36.9% year-on-year.

To enhance our ability to drive value growth, we reinforced the basic management and innovation capability of our life insurance business, ramped up the establishment of sales network, enhanced basic management and training support, promoted the sales of customer-oriented product mix, continuously expanded the sales team and, its productivity and refined back office support and centralized operational platform in order to further enhance the level of our centralized business operations. At the end of 2009, we had a total of 254 thousand sales agents, representing an increase of 13.4% year-on-year, with average first year gross written premiums per agent of RMB2,597 per month, representing a year-on-year growth of 13.1%.

III. Actively changed growth patterns and maintained the leading position in terms of profitability of property and casualty insurance business

In 2009, the Company aimed at achieving sustainable growth and cost-effective development for our property and casualty insurance business and changing growth patterns in a practical manner. Combined ratio had continuously been declining and our profitability greatly improved while our business maintained a steady growth. Gross written premiums for the year amounted to RMB34.289 billion, representing a growth of 23.0% year-on-year. Combined ratio dropped 4.7 pt to 97.5%. Net profit increased 164.8% year-on-year to reach RMB1.422 billion for the year.

In 2009, seizing the opportunity emerged from the further regulation of the automobile insurance market, we refined the management of our automobile insurance business, improved the business quality, effectively enhanced the premium adequacy ratio, established a standardized management for claims and steadily decreased operating costs which in turn contributed to the significant fall in the combined ratio of our automobile insurance business. On the other hand, we cautiously coped with the fallout of the global financial crisis, differentiated our target market, and accelerated the development of profitable non-automobile insurance sectors, such as liability insurance, short-term accident insurance, homeowners insurance, to enhance profit stability.

The lighting ceremony at the celebration party of listing of CPIC's H shares

IV. An active and sound approach in asset management contributed to a steady growth of our investment income

In 2009, embracing the principle of Asset-Liability Management (ALM), the Company continuously optimized its investment asset allocation and strengthened its investment risk management in order to achieve investment returns that exceed its cost of liabilities in a consistent and sustained manner. For fixed-income assets investment, we focused on long-duration assets allocation and achieved an increase of 12.4% in interest income. Adjusting asset allocation strategy based on market judgment, the Company increased equity investments to capture market return. The Company continued to explore opportunities in alternative investment area. The total investment in infrastructure projects rose by 181.3%, with its weight in investment portfolio rising by 2.7 pt. In addition, the Company made an equity investment of RMB1.3 billion in Bank of Hangzhou, its first investment in an unlisted commercial bank. Total investment income amounted to RMB19.536 billion for the year, and total investment yield rose by 3.4 pt over that of last year to 6.3%.

V. Successfully implemented major strategies and strove to enhance our sustainability

The Company successfully conducted a global offering of H shares issuance in 2009 and had the H shares listed on the Main Board of the Hong Kong Stock Exchange since 23 December 2009, raising net proceeds of RMB21.458 billion (including the proceeds from the over-allotment H shares). Through domestic and overseas listings, the Company established a channel for continued capital replenishment, significantly reinforcing its capital base and ability to cope with the risks. The substantial enhancement of our brand value laid a solid foundation for us to pursue and realize our objective of sustainable value-enhancing growth.

In 2009, the Company seized the opportunity emerged from the policy of "transforming Shanghai into an international financial center and an international shipping center" and obtained all qualifications to provide pension insurance and corporate annuity products by acquiring the equity interests in Changjiang Pension. This serves as a foundation for the Company to speed up the development of its corporate annuity insurance business throughout China. Taking into account the valuable opportunity emerged from the transformation of Shanghai into an international shipping center, we took lead in establishing a marine insurance department among peers and implemented unified planning and business management to drive the development of the marine insurance business.

VI. Fulfilled our social responsibility and continuously enhanced our brand value

CPIC is committed to be a responsible insurance company and strives to fulfill the benefits of shareholders, customers, employees and different sectors of the society. We uphold the objective of benefiting the community in the course of our growth, and fulfill the function of insurance in social security and management based on industry characteristics. For example, we have actively developed and launched such insurance products for social benefits as public liability insurance for fire, work safety liability insurance, carrier's liability insurance and "Xiao E Bao"("小額寶") micro credit insurance for rural areas. We have also been caring for and supporting education and been participating in such charity programs as the Hope Project, and have been providing accident insurance to the PRC's diplomatic and consular officials abroad for years. In addition, we are one of the major insurers of a railway transportation construction project in Beijing, which is currently the largest project of its kind in the PRC.

Drawing on our strength, quality services and reputation, our brand value has been enhancing and we have won various awards as follows:

- the "Golden Bull Award of the top 100 publicly listed companies in the PRC for 2008" awarded by China Securities
- selected as one of the top 100 publicly listed companies in the PRC for 2008 by Securities Times
- ranked No. 326 among the top 500 of the top 2000 listed companies in the world by Forbes
- the "Information Disclosure Award for 2009" of the 8th Corporate Governance Forum of the PRC organized by the Shanghai Stock Exchange
- honored as "best corporate citizen in China" in an election organized by 21st Century Business Herald and 21st Century Business Review in 2009
- CPIC Property and CPIC Life were ranked the third and the fourth in the integrated strength in Asian non-life insurance companies and in life insurance companies respectively in the Top 100 Asian Insurance Strength Ranking organized by 21st Century Business Herald
- CPIC Property was honored as "The Best Property and Casualty Insurance Company" in the 2009 CFV election sponsored by the CBN Group
- CPIC Life was awarded "The Best Structural Adjustment of the Year" in the 2009 Insurance Companies of the Year in China organized by the China Insurance Marketing Journal
- the call center 95500 of CPIC Life won the "2009 China (Asia-Pacific) Best Contact Center" award in the 5th "China Best Call Center" election organized by the China Call-Center & CRM Association
- CPIC Property won the award of "Advanced Enterprise Offering Quality Counter Service" in the anonymous visits organized by the China Association for Quality Promotion in 2009, ranked the first for eight consecutive years in the Quality Counter Service of the Insurance (Property and Casualty) Industry.

In terms of outlook for 2010, the PRC economy in general will get better than the previous year, but will be under a more complicated environment. The PRC government will continue to adopt aggressive fiscal measures and moderately easing monetary policy. This will provide a favourable environment for the development of insurance industry in the PRC. But at the same time, in the aftermath of the financial crisis, the change of growth patterns will be the driving force behind the growth of the industry. In response, CPIC will focus on achieving sustainable value-enhancing growth, continue to optimize our business structure, promote a stable and healthy development for our businesses in general, strengthen the establishment of sales system for life insurance, enhance our sales force, take effective control in combined ratios, continue to improve the profitability of property and casualty insurance, upgrade the level of investment management and strive to achieve sustained investment returns that steadily exceed the cost of liabilities. In addition, to capture the opportunity of the pension insurance market, we will speed up resources integration and market penetration by taking advantage of the expertise provided by Changjiang Pension to expand our pension insurance business. With these, we will strive to further enhance our ability of pursuing sustainability and reward our shareholders and the society with outstanding results.

Section V Management Discussion and Analysis

Management Discussion and Analysis

The Company provides a broad range of life insurance and property and casualty insurance products through our subsidiaries, namely CPIC Life and CPIC Property, and manages and deploys our insurance funds through our subsidiary, CPIC Asset Management. Meanwhile, the Company engages in property and casualty insurance business in Hong Kong through CPIC HK and engages in pension business through our subsidiary, Changjiang Pension.

The following analysis of life insurance and property and casualty insurance only refer to the businesses of CPIC Life and CPIC Property respectively, as the businesses of CPIC HK and Changjiang Pension accounted for a relatively small portion of the results of the Company.

In the analysis below, the comparative figures of 2008 were restated with the retrospective application of the changes in accounting policies.

I. Key operational indicators

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums		
Life insurance	61,998	47,828
Property and casualty insurance	34,289	27,875
Net profit attributable to equity holders of the parent	7,356	2,569
Life insurance	5,427	4,030
Property and casualty insurance	1,422	537
Embedded value of the Group	98,371	69,978
Value of one year's sales of life insurance	5,000	3,651
Combined ratio of property and casualty insurance (%)	97.5	102.2
Number of individual customers (in thousand)		
Life insurance	33,919	31,365
Property and casualty insurance	13,006	10,596
Number of institutional customers (in thousand)		
Life insurance	323	312
Property and casualty insurance	2,524	2,146
Market shares [note]		
Life insurance	8.3%	9.0%
Property and casualty insurance	11.4%	11.4%

Note: Calculated based on the statistical data of the insurance industry in 2008 and 2009 published by the CIRC.

On 6 November 2009, the China Life Insurance Development and Regulation of High-level Seminar organized by CIRC and supported by CPIC Life was held in Shanghai

II. Business Analysis

1. Life insurance business

The Company made further adjustment to refine our business structure in 2009, and continued to promote our protection-type and long-term savings-type insurance business, accelerated the development of our traditional and participating regular premium products and short-term accident insurance products to ensure a rapid expansion of our business and ongoing optimization of our business structure.

(1) Analysis by insurance category

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	61,998	47,828
Traditional	15,149	15,286
Participating	43,419	29,613
Universal	94	91
Short-term accident and health	3,336	2,838
Gross written premiums	61,998	47,828
New policies	38,147	28,715
Regular premium	12,731	6,422
Attributable to: Traditional and participating	12,731	6,422
Single premium	25,416	22,293
Renewed policies	23,851	19,113
Gross written premiums	61,998	47,828
Individual business	60,646	46,604
Group business	1,352	1,224

1. Business structure

The Company recorded gross written premiums of RMB61.998 billion from life insurance business in 2009, representing an increase of 29.6% over last year. Among them, traditional insurance policies recorded a premium of RMB15.149 billion, about the same level of that of last year. Participating insurance policies recorded a premium of RMB43.419 billion, representing an increase of 46.6% over last year. Universal insurance policies recorded a premium of RMB94 million, representing an increase of 3.3% over last year. Short-term accident and health policies recorded a premium of RMB3.336 billion, representing an increase of 17.5% over last year.

The Company recorded a premium of RMB36.582 billion in respect of life insurance regular premium policies in 2009, accounted for 59.0% of the gross written premiums and an increase of 5.6 pt over last year.

2. New policies

The Company recorded gross written premiums of RMB38.147 billion from new life insurance policies in 2009, representing an increase of 32.8% over last year. Among them, a premium of regular premium policies, all of which were either traditional or participating, amounted to RMB12.731 billion, representing an increase of 98.2% over last year and accounted for 33.4% of the gross written premiums from new policies, representing an increase of 11.0 pt over last year. Premiums from single premium policies amounted to RMB25.416 billion, representing an increase of 14.0% over last year. In sales channel, the gross written premium of new regular policies with paying period of 10 years or above accounted for 70.0% of gross written premiums of new business premium, 3.5 pt higher than that of the previous year.

3. Persistency ratio of individual life insurance customer

In 2009, by reinforcing the management on renewal premiums and enhancing the standards of our customer services, the Company recorded increases of 1.1 pt and 0.4 pt for 13-month persistency ratio and 25-month persistency ratio respectively in respect of individual life insurance over last year.

For 12 months ended 31 December	2009	2008
Individual life insurance customer 13-month persistency ratio (%) (1)	87.1	86.0
Individual life insurance customer 25-month persistency ratio (%) (2)	82.0	81.6

Notes:

1. *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. *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

In 2009, the Company's sales force continued to grow steadily. At the year end, the number of agents was 254 thousand, increased by 13.4% year-on-year. Meanwhile, through refining the sales force system and the performance appraisal system, the Company further enhanced the management on the fundamental level, strengthened the professional support team to the sales channels, reinforced planning and marketing of the products mix, established and improved our professional training system and promoted the application of the sales information management system. All these have contributed to the continued all-round improvement on the sales channels.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	29,570	24,266
New policies	7,556	5,538
Regular premium	6,880	4,913
Attributable to: Traditional and participating	6,880	4,913
Single premium	676	625
Renewed policies	22,014	18,728

In 2009, the Company recorded gross written premiums through sales channel of RMB29.570 billion, representing an increase of 21.9% over last year. Among them, premiums from new traditional and participating regular premium policies, which had been the focus of the Company, amounted to RMB6.880 billion, representing a growth of 40.0% over last year.

For 12 months ended 31 December	2009	2008
Insurance sale agents (in thousand)	254	224
Average monthly first-year gross written premiums per agent (RMB)	2,597	2,296
Average number of new life insurance policies per agent per month	1.36	1.26

2. **Bancassurance**

In 2009, the Company made further adjustment to refine the structure of our bancassurance business, in particular, emphasizing on the promotion of the participating regular premium insurance business, while maintaining the stable growth of the single premium insurance business.

The Company recorded gross written premiums from bancassurance of RMB29.514 billion in 2009, representing an increase of 39.4% over last year. Among them, premiums from new regular premium policies amounted to RMB5.781 billion, all of which were traditional and participating policies, representing an increase of 289.3% over last year. Premiums from single premium amounted to RMB22.040 billion, representing an increase of 13.6% over last year.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	29,514	21,165
New policies	27,821	20,893
Regular premium	5,781	1,485
Attributable to: Traditional and participating	5,781	1,485
Single premium	22,040	19,408
Renewed policies	1,693	272

3. Direct sales

In 2009, the Company's direct sales channel consolidated the competitive edges of the short-term accident insurance products, actively promoted the all around electronic policy issuance system for accident insurance products, and thus maintained the rapid growth of our business and facilitated the relatively fast growth of short-term accident insurance products. In 2009, the Company recorded gross written premiums from direct sales of RMB2.914 billion, representing an increase of 21.6% over last year. Premiums from short-term accident insurance business rose 25.4% over last year.

(in RMB million)

For 12 months ended 31 December	2009	2008
Income from insurance business	2,914	2,397
New policies	2,770	2,284
Regular premium	70	24
Attributable to: Traditional and participating	70	24
Single premium	2,700	2,260
Renewed policies	144	113

(3) Analysis by geographical area

In 2009, approximately 65.5% of the Company's gross written premiums of life insurance business was derived from more economically developed or more densely populated areas, such as Jiangsu, Shandong, Henan, Sichuan, Hebei, Hubei, Beijing, Shanxi, Guangdong, Zhejiang, etc.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	61,998	47,828
Jiangsu	6,441	4,764
Shandong	5,547	4,409
Henan	5,154	3,508
Sichuan	4,252	3,382
Hebei	4,097	2,546
Hubei	3,189	2,213
Beijing	3,102	2,438
Shanxi	3,025	2,750
Guangdong	2,964	1,798
Zhejiang	2,837	1,887
Sub-total	40,608	29,695
Other areas	21,390	18,133

Mr. HUO Lianhong, our President, signed on the behalf of CPIC, the cooperative agreement on group accident insurance for the staff at Overseas Consulates with the PRC Ministry of Foreign Affairs

2. Property and casualty insurance business

In 2009, regarding profitability as top priority, the Company stressed on the coordinated development between the scale of business and profitability. As the Company was on the view that the operating environment and market competition of the automobile insurance would improve and become more regulated, we proactively developed our automobile insurance business. On the other hand, we also accelerated the development of such non-automobile property and casualty insurance products as short-term accident insurance, liability insurance, homeowners insurance in order to achieve sustainable and healthy growth.

(1) Analysis by insurance category

The property and casualty insurance business of the Company grew in line with the growth of the industry, which recorded a fast growth in 2009. The Company recorded gross written premiums of RMB34.289 billion from property and casualty insurance business in 2009, representing an increase of 23.0% over last year.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	34,289	27,875
Automobile insurance	25,449	19,681
Non-automobile insurance	8,840	8,194

1. Automobile insurance

Automobile insurance is one of the major categories of the Company's property and casualty insurance, comprising compulsory auto liability insurance and commercial automobile insurance. The profitability of commercial automobile insurance improved significantly as the Company further refined our management, reinforced the management of underwriting and claim settlement and implemented stringent cost control. In view of the stricter regulation on insurance, improving competitive landscape and robust demand, the Company timely adjusted our market strategy to pursue rapid business growth without compromising the quality of our business. Gross written premiums from automobile insurance amounted to RMB25.449 billion in 2009, representing an increase of 29.3% over last year.

2. Non-automobile insurance

Leveraging on our advantages in customer base and expertise in underwriting and claims adjustment, the Company, through our supporting underwriting strategy and sales, accelerated the development of non-automobile insurance, such as short-term accident insurance and liability insurance. Gross written premiums from non-automobile insurance in 2009 amounted to RMB8.840 billion, representing an increase of 7.9% over last year. The growth rates of short-term accident and health insurance and liability insurance were remarkably higher than that of non-automobile insurance.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	8,840	8,194
Commercial property and engineering insurance note	4,512	4,365
Short-term accident and health insurance	1,591	1,338
Shipping insurance	883	966
Liability insurance	883	677
Others	971	848

Note: "Commercial property and engineering insurance" consists of commercial property insurance, special risk insurance and engineering insurance.

(2) Analysis by channels

At the end of 31 December 2009, the Company's direct sales team had a total of approximately 15,337 sales representatives. In addition, the Company conducted the sales of our property and casualty insurance products through approximately 23,391 insurance agents, 1,126 institutional agents, 9,269 ancillary agents and 1,002 brokerage companies.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	34,289	27,875
Direct sales	11,476	10,986
Insurance agents	21,109	15,874
Insurance brokers	1,704	1,015

(3) Analysis by geographical areas

In 2009, approximately 71.8% of the Company's gross written premiums from property and casualty insurance business was derived from more economically developed areas, such as Guangdong, Jiangsu, Zhejiang, Shanghai, Shandong, Beijing, Liaoning, Hebei, Sichuan and Fujian, etc. The Company's nation-wide distribution network facilitated the exploration of potential market in other areas.

(in RMB million)

For 12 months ended 31 December	2009	2008
Gross written premiums	34,289	27,875
Guangdong	5,588	5,014
Jiangsu	3,842	2,891
Zhejiang	3,070	2,409
Shanghai	2,810	2,376
Shandong	2,788	2,191
Beijing	2,212	1,802
Liaoning	1,139	1,030
Hebei	1,079	846
Sichuan	1,050	774
Fujian	1,026	840
Sub-total	24,604	20,173
Other areas	9,685	7,702

3. Asset management business

The Company conducts its investment business based on Asset-Liability Management (ALM) principles. We strive to pursue sustainable investment returns that consistently exceed the cost of liabilities, while vigorously managing our invesment risk.

In 2009, the Company actively managed its fixed-income investment, with focus on assets with medium-to-long duration, particularly long-term, high yield corporate bonds and infrastructure debt investment plans. By taking market opportunity to increase equity assets allocation, we achieved satisfactory returns from the broad market uptrend and specific industries' outperformance. IPO and private share placement remained a stable source of investment return. We maintained our market-leading position in respect of alternative investment.

(1) Investment portfolio

As of 31 December 2009, the Company's total investment assets were RMB366.018 billion, representing an increase of 27.1% over that at the end of last year. The increase was mainly attributable to the Company's operational cash inflow, investment assets value appreciation and proceeds from H shares offering.

At the end of 2009, the Company's equity investments accounted for 12.3% of our total investment assets, representing an increase of 7.5 pt over that at the end of last year. This was mainly attributable to our timely adjustment to assets allocation strategy based on market judgment to increase equity investments. Other equity investment increased substantially as a result of the Company's investment in Bank of Hangzhou.

The allocation of fixed income assets in our portfolio remained stable, increasing by RMB22.279 billion in 2009 with focus on medium-to-long term assets. When the Chinese Government issued its first 50-year treasury bond, the Company seized the opportunity to invest RMB5.628 billion, representing 28% of the total issue. This bond holds the longest duration in current market. The Company also invested RMB1.997 billion in 30-year treasury bonds and RMB7.065 billion in finance bonds with maturity of 20 or over-20 years.

Cash and cash equivalents grew by 72.1% over that at the end of last year. The increase was mainly due to the proceeds from our H share offering by the end of year 2009.

As at the end of 2009, the Company's investment assets were mainly classified as held-to-maturity financial assets and available-for-sale financial assets. The amount of held-to-maturity financial assets increased by 47.4% over that at the end of last year.

(in RMB million)

As of 31 December	2009	2008
Investment assets (Total)	366,018	288,074
By investment category		
Fixed income investments	272,469	250,190
– Debt securities	182,778	164,898
– Term deposits	86,371	82,756
– Other fixed income investments (1)	3,320	2,536
Equity investment	44,915	13,772
– Investment Funds	18,959	7,981
– Equity securities	24,190	5,324
– Other equity investments (2)	1,766	467
Investments in infrastructure	18,396	6,539
Cash and cash equivalents	30,238	17,573
By investment purpose		
Financial assets at fair value through profit or loss	333	1,166
Available-for-sale financial assets	118,475	96,142
Held-to-maturity financial assets	104,618	70,980
Investment in a jointly-controlled entity	464	389
Other investments (3)	142,128	119,397

Notes:
1. *Other fixed income investments include restricted statutory deposits and policy loans.*
2. *Other equity investments include investment in a jointly-controlled entity.*
3. *Other investments include term deposits, cash and short-term time deposits, securities purchased under agreements to resell, policy loans, restricted statutory deposits and other investments classified as loans and receivables, etc.*

(2) Investment income

In 2009, the Company recorded total investment income of RMB19.536 billion, representing an increase of 132.6% over that of last year. Total investment yield was 6.3%, representing an increase of 3.4 pt over that of last year.

Net investment income amounted to RMB12.734 billion, representing a decrease of 28.1% over that of last year. This was mainly due to the significant decrease in dividend income from close – end investment funds. Net investment yield was 4.0%, representing a decrease of 2.2 pt over that of last year.

(in RMB million)

For 12 months ended 31 December	2009	2008
Interest income from fixed income securities investments	11,902	10,590
Dividend income from equity securities	832	7,132
Net investment income	12,734	17,722
Realized gains/(losses)	6,575	(3,756)
Unrealized gains/(losses)	140	(742)
Change of impairment losses on financial assets	(128)	(5,147)
Other income [note]	215	323
Total investment income	19,536	8,400
Net investment yield (%)	4.0	6.2
Total investment yield (%)	6.3	2.9

Note: Other incomes include interest income from cash and short-term time deposits and from securities purchased under agreements to resell and share of profits of a jointly-controlled entity and an associate.

(3) **Alternative investments**

Investments in infrastructure projects with longer duration can more closely match the long-term nature of insurance funds. Meanwhile, investment in real-economy entities and projects can reduce the Company's reliance on fluctuating on equity market, facilitating the sustainability and stability of investment income. Maintaining its insurance industry leading position in alternative investments, the Company invested a total of RMB13.16 billion in this area. Particularly, the Company made an equity investment of RMB1.3 billion in Bank of Hangzhou, its first investment in an unlisted commercial bank.

Major investment projects during the year were as follows:

- Phase II of Shanghai World Expo Debt Investment Plan

  On 19 January 2009, CIRC approved the Company to establish "Phase II of the Pacific-Shanghai World Expo Debt Investment Plan", involving a total investment amount of RMB4 billion and a 10-year duration. The Company invested RMB3.6 billion in the Plan. The Plan's funds are used for the construction of Shanghai World Expo Park.

- Yangtze River Tunnel-Bridge for Shanghai Chongming Cross-River Expressway Project Debt Investment Plan

  On 30 April 2009, CIRC approved the Company to establish "Yangtze River Tunnel-Bridge for Shanghai Chongming Cross-River Expressway Project Debt Investment Plan", involving a total investment amount of RMB2 billion and a 10-year duration. The Company invested RMB1.2 billion in the Plan. The Plan's funds used for construction and operation of Shanghai Chongming Tunnel Bridge Project.

- Bank of Hangzhou Equity Investment

  In November 2009, upon the approvals of both CIRC and CBRC, the Company participated in the share capital placement of Bank of Hangzhou. The Company invested RMB1.3 billion for 100 million shares of the bank, representing 5.98% of its total share capital after the offering. This investment markets the Company the fifth largest shareholder of the bank.

- Other Debt Investment Plans

  In 2009, the Company also invested a total amount of RMB2.2 billion in PICC Tianjin Binhai New Area Transportation Project Debt Investment Plan and a total amount of RMB150 million in PINGAN Huaneng Debt Investment Plan.

III. Main data of the consolidated financial statements

1. Key consolidated results

(in RMB million)

	31 December 2009 / Year 2009	31 December 2008 / Year 2008
Total assets	397,187	317,897
Total liabilities	321,514	268,777
Total equity	75,673	49,120
Net profit attributable to equity holders of the parent	7,356	2,569

2. Cash flow

(in RMB million)

For 12 months ended 31 December	2009	2008
Net cash inflow from operating activities	38,474	25,056
Net cash outflow from investing activities	(46,677)	(29,374)
Net cash inflow/(outflow) from financing activities	20,871	(7,131)

IV. Segment information

1. Life insurance

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

(in RMB million)

For 12 months ended 31 December	2009	2008
Net premiums earned	59,058	45,761
Investment income [note]	16,949	9,587
Other operating income	597	1,510
Total income	**76,604**	**56,858**
Net policyholders' benefits and claims	(55,733)	(41,095)
Finance costs	(381)	(317)
Interest credited to investment contracts	(1,870)	(2,064)
Other operating and administrative expenses	(11,765)	(9,824)
Total benefits, claims and expenses	**(69,749)**	**(53,300)**
Profit before tax	6,855	3,558
Income tax	(1,428)	472
Net profit	**5,427**	**4,030**

Note: Investment income includes investment income and shares of profits of a jointly-controlled entity / an associate.

(1) The growth in net premiums earned was driven by the growth in life insurance business of the Company, which amounted to RMB59.058 billion in 2009, representing an increase of 29.1% as compared to the previous year.

(2) Benefiting from the rebound in the market, investment income amounted to RMB16.949 billion in 2009, representing an increase of 76.8% as compared to the previous year.

(3) Net policyholders' benefits and claims for life insurance business amounted to RMB55.733 billion in 2009, representing an increase of 35.6% as compared to the previous year, among which, life insurance death and other benefits paid recorded a year-on-year decrease of 12.6%, mainly as a result of a fall in policy maturities of participating products; while changes in long-term insurance contract liabilities recorded a year-on-year increase of 90.9% as a result of the growth in business.

(in RMB million)

For 12 months ended 31 December	2009	2008
Net policyholders' benefits and claims	55,733	41,095
Life insurance death and other benefits paid	16,089	18,413
Claims incurred	533	696
Changes in long-term insurance contract liabilities	37,058	19,417
Policyholder dividends	2,053	2,569

(4) Other operating and administrative expenses for life insurance business amounted to RMB11.765 billion in 2009, representing an increase of 19.8% as compared to the previous year, which was in line with the business growth of the Company. The increase was mainly attributable to the increase in relevant expenses as a result of the growth in participating regular premium business and the Company's ongoing enhancement of cost control.

(5) As a result of the above reasons, life insurance business of the Company recorded net profits of RMB5.427 billion in 2009.

2. Property and Casualty Insurance

The Company operates our property and casualty insurance business primarily through our 98.30% owned subsidiary of CPIC Property. Detailed analysis of the results is as follows:

(in RMB million)

For 12 months ended 31 December	2009	2008
Net premium earned	24,910	20,355
Investment income	1,349	1,179
Other operating income	112	83
Total income	**26,371**	**21,617**
Claims incurred	(15,202)	(13,202)
Finance costs	(10)	(178)
Other operating and administrative expenses	(9,295)	(7,735)
Total benefits, claims and expenses	**(24,507)**	**(21,115)**
Profit before tax	1,864	502
Income tax	(442)	35
Net profit	**1,422**	**537**

(1) Net premium earned of the Company amounted to RMB24.910 billion in 2009 as a result of the growth in business, representing an increase of 22.4% as compared to the previous year.

(2) Claims incurred for property and casualty insurance amounted to RMB15.202 billion in 2009, representing an increase of 15.1% as compared to the previous year; Other operating and administrative expenses amounted to RMB9.295 billion, representing an increase of 20.2% as compared to the previous year. The combined ratio

for property and casualty insurance was 97.5% in 2009, representing a decrease of 4.7 pt as compared to the previous year. Benefiting from the enhancement in business quality and the implementation of cost control, the comprehensive loss ratios and comprehensive expense ratio dropped 3.9 pt and 0.8 pt respectively.

(3) As a result of the above reasons, property and casualty insurance business recorded a net profit of RMB1.422 billion in 2009.

3. CPIC Asset Management

The Company manages and uses our insurance funds through CPIC Asset Management, our 99.66% (directly and indirectly) held subsidiary. At 31 December 2009, the total assets of CPIC Asset Management amounted to RMB709 million, net assets amounted to RMB562 million and net profit amounted to RMB30 million in 2009.

4. CPIC HK

The Company conducts overseas operations primarily through wholly owned subsidiary of CPIC HK. At 31 December 2009, the total assets of CPIC HK amounted to RMB484 million, net assets amounted to RMB296 million, gross written premiums amounted to RMB196 million and net profit amounted to RMB31 million in 2009.

5. Changjiang Pension

The Company acquired Changjiang Pension in 2009 and held 51.75% of its interests. At 31 December 2009, the total assets of Changjiang Pension amounted to RMB911 million, net assets amounted to RMB880 million, total entrusted assets under management reached RMB 24.688 billion and net loss amounted to RMB6 million in 2009.

V. Analysis on Specific Items

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

(in RMB million)

As at 31 December	2009	2008	Reasons of change
Life insurance			
Actual solvency margin	25,702	23,626	An increase in net profit and the fair value of investment assets resulted in an increase in actual solvency margin; profit distribution resulted in a decrease in actual solvency margin
Minimum solvency margin	12,361	10,402	Growth in business
Solvency margin ratio (%)	208	227	
Property and casualty insurance			
Actual solvency margin	7,023	5,959	An increase in net profit and the fair value of investment assets resulted in an increase in actual solvency margin; profit distribution resulted in a decrease in actual solvency margin
Minimum solvency margin	4,049	3,200	Growth in business
Solvency margin ratio (%)	173	186	

2. Gearing Ratio

As at 31 December	2009	2008
Gearing Ratio	81.2%	84.7%

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

VI. Prospects

The year of 2010 will be a critical year for the PRC as it will have to continue to cope with international financial crisis, maintain stable but rapid economic growth and accelerate the change of its growth modes. It will also be an important year for the PRC to implement its "eleventh five-year" plan to lay the foundation for the "twelfth five-year" development and a year that poses both challenges and opportunities concurrently for the insurance industry.

From a macroeconomic perspective, the global economy is expected to recover and the international financial market is getting more stabilized while the trend of further economic globalization remains unchanged. The tremendous change and correction of global economies brought along new opportunity of growth. The PRC's economy is still at the period of significant strategic opportunity and the recovery of its economy is further strengthened. Market confidence was enhanced by the favourable results of the policies aiming at increasing domestic demand and improving the people's livelihood. The recovery of the macro-economy provides a significant foundation for the growth of the insurance industry. With regards to the policies related to the insurance industry, the regulations are becoming more standardized and effective and it is expected that the industry will develop along the directions towards standardization and rationalization. The newly amended Insurance Law further expands the room for the development of the industry. New accounting policies enable the focus of life insurance business to shift towards protection-type and long-term savings-type life insurance products. The further reform in social security system and the implementation of related preferential tax treatment will be key drivers for the rapid growth of the life insurance business. The PRC insurance industry will focus on "change of development mode, adjustment of business structure, prevention of risk, and promotion of growth" in 2010. It is expected that the life insurance business will increase rapidly again and the trend is the shift of focus back onto risk protection-type and long-term saving-type life insurance products. The order of the property and casualty insurance market is expected to be further regulated and the competition among the market participants will be more rationalized. Underwriting profitability is expected to be improved. Commercial pension and health insurance markets have great potential. The scopes of investment for insurance funds are likely to be expanded, and the investment businesses of insurance companies are expected to be enhanced. The industry has stronger awareness on the compliant operation and malicious competitions will be reduced.

Although it is likely that the economic environment in 2010 may get better than that of 2009, the prospect is extraordinarily complicated. The foundation for the global recovery remains fragile and the risks in financial field are yet to be completely eliminated. There still exist obvious conflicts and problems in the domestic economic and social development. The unstable and uncertain factors from external environment will place the development of the insurance industry and the operation of insurance companies in various challenges.

The growth rate of the Company's gross written premium is expected to reach approximately 15% in 2010.

Section VI Changes in the Share Capital and Shareholders' Profile

Changes in the Share Capital and Shareholders' Profile

I. Changes in the Share Capital

(I) Table of changes in the share capital

The table below shows the changes in our share capital as of 31 December 2009:

unit: share

	Before change		Increase or decrease (+ or -)					After change	
	Amount	Percentage (%)	New shares issued	Bonus shares	Transfer from reserve	Others	Sub-total	Amount	Percentage (%)
1. Shares with selling restrictions									
(1) State-owned shares	442,500,000	5.75	–	–	–	-17,088,888	-17,088,888	425,411,112	5.01
(2) State-owned legal person shares	3,284,882,000	42.66	–	–	–	-125,833,608	-125,833,608	3,159,048,392	37.24
(3) Other domestic shares	58,335,000	0.76	–	–	–	+78,412,727	+78,412,727	136,747,727	1.61
held by									
legal persons	58,335,000	0.76	–	–	–	+78,412,727	+78,412,727	136,747,727	1.61
natural persons	–	–	–	–	–	–	–	–	–
(4) Foreign shares	1,333,300,000	17.32	–	–	–	-1,333,300,000	-1,333,300,000	–	–
held by									
legal persons	1,333,300,000	17.32	–	–	–	-1,333,300,000	-1,333,300,000	–	–
natural persons	–	–	–	–	–	–	–	–	–
Total	5,119,017,000	66.48	–	–	–	-1,397,809,769	-1,397,809,769	3,721,207,231	43.87
2. Shares without selling restrictions									
(1) Ordinary shares denominated in RMB	2,580,983,000	33.52	–	–	–	-3,790,231	-3,790,231	2,577,192,769	30.38
(2) Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
(3) Overseas listed foreign shares (H share) notes 1 & 2	–	–	+783,000,000	–	–	+1,401,600,000	+2,184,600,000	2,184,600,000	25.75
(4) Others	–	–	–	–	–	–	–	–	–
Total	2,580,983,000	33.52	+783,000,000	–		+1,397,809,769	+2,180,809,769	4,761,792,769	56.13
3. Total number of shares notes 3	7,700,000,000	100.00	+783,000,000	–	–	–	+783,000,000	8,483,000,000	100.00

Notes:

1. *As for the overseas listed foreign shares (H share) of the Company, Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited undertook in writing that they would not transfer 1,323,300,000 H shares they hold in total in the Company within one year from the H Share listing date, i.e. 23 December 2009 (inclusive).*
2. *Among the overseas listed foreign shares (H share) of the Company, a total of 107,599,400 shares are beneficially owned by six cornerstone investors which are registered under the name of HKSCC Nominees Limited. Each of the cornerstone investors agreed that they would not sell, directly or indirectly, the H shares in the Company held by them at any time within the period of six months from the H Share listing date, i.e. 23 December 2009 (inclusive).*
3. *The Company issued 861,300,000 H shares in December 2009. Upon the issuance, the total share capital of the Company became to 8,483,000,000 shares.*
   The H share over-allotment option was exercised in full in January 2010. Upon completion of the over-allotment, the Company had 8,600,000,000 shares in total comprising of 6,286,700,000 A shares and 2,313,300,000 H shares.

(II) Table of changes in the number of shares with selling restrictions

The table below shows the changes in the number of shares with selling restrictions as of 31 December 2009:

unit: share

No.	Names of shareholders	Number of shares with selling restrictions at the beginning of the year	Increase or decrease of the number of shares with selling restrictions for the year (+ or -)	Number of shares with selling restrictions at the end of the year	Reason for selling restrictions	Expiry date of selling restrictions
1	Fortune Investment Co., Ltd.	1,340,000,000	-51,749,401	1,288,250,599	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
2	Shenergy Group Co., Ltd.	1,278,235,705	-49,364,129	1,228,871,576	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
3	Parallel Investors Holdings Limited	1,051,785,087	-1,051,785,087	–	See note 2	See note 2
4	Shanghai State-Owned Assets Operation Co., Ltd.	442,500,000	-17,088,888	425,411,112	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
5	Shanghai Tobacco (Group) Corporation	440,000,000	-16,992,340	423,007,660	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
6	Carlyle Holdings Mauritius Limited	281,514,913	-281,514,913	–	See note 2	See note 2
7	Baosteel Group Corporation	71,804,295	-2,773,007	69,031,288	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
8	Shanghai Tobacco Package Printing Co., Ltd.	48,100,000	-832,466	47,267,534	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
9	Shanghai Guoxin Investment Development Co., Ltd.	34,457,000	-1,330,693	33,126,307	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
10	Fortune Trust Co., Ltd.	18,950,000	-731,830	18,218,170	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing

unit: share

No.	Names of shareholders	Number of shares with selling restrictions at the beginning of the year	Increase or decrease of the number of shares with selling restrictions for the year (+ or -)	Number of shares with selling restrictions at the end of the year	Reason for selling restrictions	Expiry date of selling restrictions
11	Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	5,000,000	-193,095	4,806,905	Voluntary lock up period of three years undertaken by the shareholder	The third anniversary of A share listing
12	Dalian Shide Group Co., Ltd.	5,000,000	–	5,000,000	A lock up period of three years due to increase in the share capital one year prior to the offering	The day of the third year after 4 June 2007
13	Zhengzhou Yutong Group Co., Ltd.	50,000,000	–	50,000,000	A lock up period of three years due to increase in the share capital one year prior to the offering	The day of the third year after 4 June 2007
14	Shanghai Lu'an Investment Co., Ltd. (上海潞安投資有限公司)	48,335,000	-1,866,647	46,468,353	A lock up period of three years due to increase in the share capital one year prior to the offering	The day of the third year after 4 June 2007
15	Zhongrong International Trust Co., Ltd.	3,335,000	–	3,335,000	A lock up period of three years due to increase in the share capital one year prior to the offering	The day of the third year after 4 June 2007
16	Account No. 1 of the National Social Security Fund	–	+78,412,727	78,412,727	See note 3	See note 3
	Total	5,119,017,000	-1,397,809,769	3,721,207,231		

Notes:

1. *Pursuant to the Provisional Measures on the Administration of the Reduction of the State Owned Shares for Raising Social Security Funds (《減持國有股籌集社會保障資金管理暫行辦法》) issued by the State Council in 2001, certain of our shareholders subject to selling restrictions reduced their shareholding in the Company upon the overseas initial public offering by the Company as approved by the document Cai Jin Han No. [2009]138 issued by the Ministry of Finance of the PRC.*
2. *All of A shares held by Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited in the Company are converted into H shares as approved by the document Zheng Jian Xu Ke No. [2009]1217 issued by CSRC.*
3. *Pursuant to the Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》) (Cai Qi No. [2009] 94), some state-owned shares in the Company were transferred into NSSF in late December 2009. In addition to the selling restrictions which the former holders of such state-owned shares are subject to statutorily and voluntarily, NSSF shall be subject to a further three-year lock-up period.*

(III) Issue and listing of securities

1. Issue of securities in the prior three years

unit: share

Types	Dates of issue	Issue prices	Number of shares issued	Dates of listing	Number of shares permitted to be listed	Date of termination of dealings
A share	14 December 2007	RMB30.00	1,000,000,000	25 December 2007	7,700,000,000	–
H share [note]	23 December 2009	HK$28.00	861,300,000	23 December 2009	2,184,600,000	–

Note: The H share over-allotment option was exercised in full in January 2010. Upon completion of the over-allotment, the Company had 8,600,000,000 shares in total of which 2,313,300,000 shares were permitted to be listed and traded.

As considered by the shareholders at 2006 annual general meeting dated 30 April 2007, the 6th extraordinary general meeting of 2007 dated 12 September 2007 and the 7th extraordinary general meeting of 2007 dated 3 November 2007 of the Company, and as approved by the documents Bao Jian Fa Gai No. [2007]978 and Zheng Fa Xing Zi No. [2007]456 issued by CIRC and CSRC, respectively, the Company was approved to issue A shares for public offering. In December 2007, the Company issued 1,000,000,000 A shares at the offering price of RMB30.00 per A share, upon which the total share capital of the Company increased to 7,700,000,000 shares. Accordingly, the registered capital increased to RMB7,700,000,000 following the State Administration for Industry & Commerce of the PRC issued the corporate legal person business licence to the Company in relation to A share offering on 4 March 2008.

As considered by the shareholders at the 2nd extraordinary general meeting of 2009 dated 31 August 2009 of the Company, and as approved by the documents Bao Jian Fa Gai No. [2009]1007 and Zheng Jian Xu Ke No. [2009]1217 issued by CIRC and CSRC, respectively, the Company was approved to issue overseas listed foreign shares, i.e. H shares, for public offering. In December 2009, the Company issued 861,300,000 H shares at the offer price of HK$28.00 per H share, upon which the total number of share capital of the Company increased to 8,483,000,000 shares and the total share capital further increased to 8,600,000,000 shares upon the exercise of H share over-allotment option of the Company in full in January 2010.

2. Shares held by employees

As at 31 December 2009, no shares issued by the Company have been placed to its employees.

II. Shareholders

(I) Number of shareholders and their shareholdings

unit: share

A total number of: 258,292 shareholders (including 245,139 A shareholders and 13,153 H shareholders) at the end of the reporting period

Shares held by top ten shareholders

Names of the shareholders	Classes of the shares	Percentage of the shareholding (%)	Total number of shares held	Increase or decrease of shareholding during the reporting period	Number of shares held with selling restrictions	Number of shares subject to pledge or lock-up period	Types of shares
Fortune Investment Co., Ltd.	State-owned legal person shares	15.19	1,288,250,599	-51,749,401	1,288,250,599	–	A shares
Shenergy Group Co., Ltd.	State-owned legal person shares	14.49	1,228,871,576	-49,364,129	1,228,871,576	–	A shares
Parallel Investors Holdings Limited	Overseas legal person shares	12.31	1,043,896,502	-7,888,585	–	–	H shares
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person shares	10.10	856,702,400	+856,702,400	–	–	H shares
Shanghai State-Owned Assets Operation Co., Ltd.	State-owned shares	5.01	425,411,112	-17,088,888	425,411,112	–	A shares
Shanghai Tobacco (Group) Corporation	State-owned legal person shares	4.99	423,007,660	-16,992,340	423,007,660	–	A shares
Carlyle Holdings Mauritius Limited	Overseas legal person shares	3.29	279,403,498	-2,111,415	–	–	H shares
Shanghai Jiushi Corporation	State-owned legal person shares	2.96	251,331,911	-6,795,089	–	–	A shares
Yunan Hongta Group Co., Ltd.	State-owned legal person shares	2.06	174,606,217	-5,393,783	–	–	A shares
Account No. 1 of the NSSF	Social legal person shares	1.14	96,914,255	96,914,255	78,412,727	–	A shares

Shares held by top ten shareholders without selling restrictions		
Names of shareholders	**Number of shares held without selling restrictions**	**Types of shares**
Parallel Investors Holdings Limited	1,043,896,502	H shares
HKSCC Nominees Limited	856,702,400	H shares
Carlyle Holdings Mauritius Limited	279,403,498	H shares
Shanghai Jiushi Corporation	251,331,911	A shares
Yunan Hongta Group Co., Ltd.	174,606,217	A shares
Industrial & Commercial Bank of China – Lion Equity Securities Investment Fund	30,449,238	A shares
Sinopec Finance Company Limited	30,000,000	A shares
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	29,364,415	A shares
CNPC Liaohe Petroleum	29,360,641	A shares
China Everbright Bank Co., Ltd. – Everbright & Pramerica Core Equity Securities Investment Fund	26,064,969	A shares
Description of connected relations or concerted action among the aforesaid shareholders	Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited are connected as both of them are companies of Carlyle Group. The Company is not aware of any other top ten shareholders without selling restrictions having connection or acting in concert.	

Notes:

1. *The shares held by HKSCC Nominees Limited are held on behalf of a number of its clients. As Hong Kong Stock Exchange does not require such shareholders to disclose whether the shares held by them are subject to pledge or lock-up period, HKSCC Nominees Limited is unable to calculate, or make available such data as, the number of such shares subject to pledge or lock-up period.*
2. *Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited undertook in writing that they would not transfer 1,323,300,000 H Shares they hold in total in the Company within one year from the H Share listing date, i.e. 23 December 2009 (inclusive).*
3. *Among the overseas listed foreign shares (H share) of the Company, a total of 107,599,400 shares are beneficially owned by the cornerstone investors which are registered under the name of HKSCC Nominees Limited. Each of the cornerstone investors agreed that they would not sell, directly or indirectly, the H shares in the Company held by them at any time within the period of six months from the H Share listing date, i.e. 23 December 2009 (inclusive).*

(II) Particulars of substantial shareholders

The ownership structure of the Company is diversified and there are no controlling shareholders or de facto controllers.

As at 31 December 2009, our substantial shareholders were:

1. Fortune Investment Co., Ltd.

Fortune Investment Co., Ltd. was established on 21 November 1994 and has a registered capital of RMB6,869,000,000, with Mr. WANG Chengran as its legal representative. Its main businesses include investment and investment management in the metallurgy industry and relevant industries, investment consulting and business consulting service (excluding brokerage). Fortune Investment Co., Ltd. is a wholly-owned subsidiary of Baosteel Group Corporation.

2. Shenergy Group Co., Ltd.

Shenergy Group Co., Ltd. is a wholly state-owned company with limited liability established on 18 November 1996 and has a registered capital of RMB6,000,000,000. Its legal representative is YANG Xianghai. It is principally engaged in the generation, production and supply of power and gas, investment, construction and management of energy infrastructure, and investment and asset management (in energy and related service industries and equity in financial companies).

3. Parallel Investors Holdings Limited

Parallel Investors Holdings Limited is an investment holding company incorporated in the Republic of Mauritius and an investment entity controlled by Carlyle-managed funds.

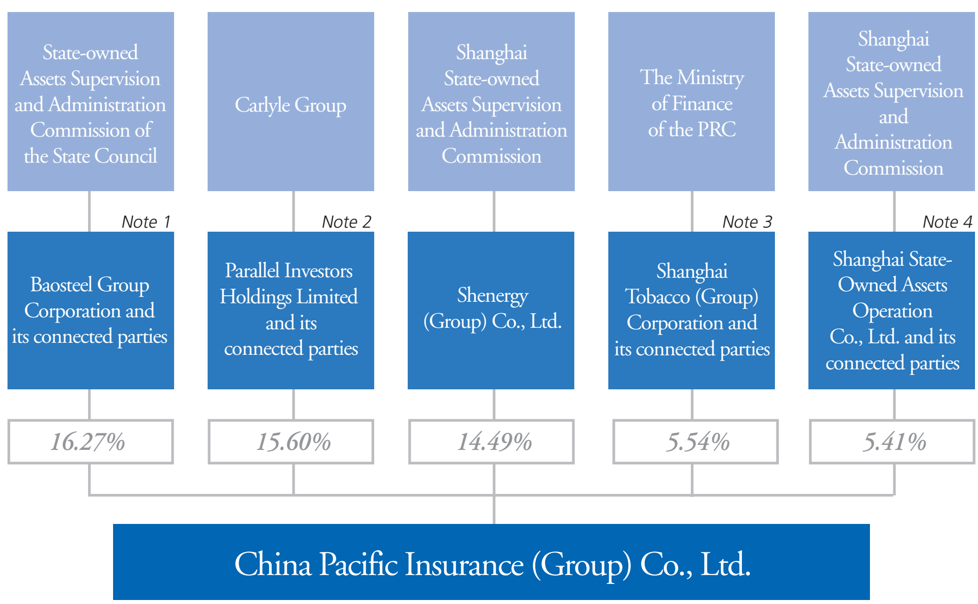
4. Shanghai Tobacco (Group) Corporation

Shanghai Tobacco (Group) Corporation is a state-owned company established on 2 April 1984 and has a registered capital of RMB1,740,000,000. Its legal representative is SHI Chao. It is principally engaged in businesses of cigarette, cigar, pipe tabacco, flue-cured tobacco, air-cured tobacco, storage and motor vehicle cargo transportation, specialized equipment and materials for cigarette industry, tobacco fermentation, labor, fumigation, food, beverages and drinking water.

5. Shanghai State-Owned Assets Operation Co., Ltd.

Shanghai State-Owned Assets Operation Co., Ltd. is a wholly state-owned company with limited liability established on 24 September 1999 and has a registered capital of RMB5,000,000,000. Its legal representative is ZHU Shiyin. It is principally engaged in entrepreneurial investments, capital operations, acquisition, enhancement and transfer of assets, enterprise and asset custody, bond restructuring, property title brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its scope of businesses, as well as the provision of guarantee related to its asset management and capital operation businesses.

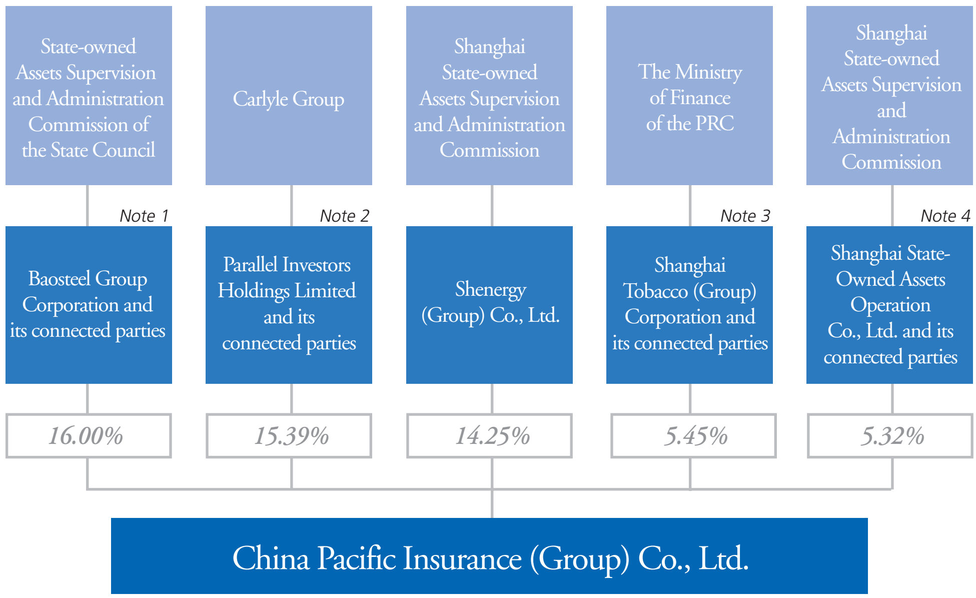
The following chart sets forth the connection of the Company and the ultimate controllers of our substantial shareholders as of 31 December 2009.



Notes:

1. *Fortune Investment Co., Ltd., Fortune Trust Co., Ltd. and Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. are entities under the control of Baosteel Group Corporation which, together with its connected parties, holds in aggregate 1,380,306,962 A shares in our Company, representing 16.27% of the entire share capital of the Company.*
2. *Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited are both investment entities controlled by the funds under the management of Carlyle Group and hold in aggregate 1,323,300,000 H shares in our Company, representing 15.60% of the entire share capital of the Company.*
3. *Shanghai Tobacco (Group) Corporation and Shanghai Tobacco Package Printing Co., Ltd., one of its connected parties, hold in aggregate 470,275,194 A shares in our Company, representing 5.54% of the entire share capital of the Company.*
4. *Shanghai State-Owned Assets Operation Co., Ltd. and Shanghai Guoxin Investment and Development Co., Ltd., a company under the control of the former, hold in aggregate 458,537,419 A shares in our Company, representing 5.41% of the entire share capital of the Company.*

The following chart sets forth the connection of the Company and the ultimate controllers of our substantial shareholders upon the exercise of H share over-allotment options in full in January 2010.



Notes:

1. *Fortune Investment Co., Ltd., Fortune Trust Co., Ltd. and Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. are entities under the control of Baosteel Group Corporation which, together with its connected parties, holds in aggregate 1,376,050,323 A shares in our Company, representing 16.00% of the entire share capital of the Company.*
2. *Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited are both investment entities controlled by the funds under the management of Carlyle Group and hold in aggregate 1,323,300,000 H shares in the Company, representing 15.39% of the entire share capital of the Company.*
3. *Shanghai Tobacco (Group) Corporation and Shanghai Tobacco Package Printing Co., Ltd., one of its connected parties, hold in aggregate 468,828,104 A shares in the Company, representing 5.45% of the entire share capital of the Company.*
4. *Shanghai State-Owned Assets Operation Co., Ltd. and Shanghai Guoxin Investment Development Co., Ltd., a company controlled by the former, hold in aggregate 457,123,365 A shares in the Company, representing 5.32% of the entire share capital of the Company.*

Section VII Directors, Supervisors, Senior Management and Employees

Directors, Supervisors, Senior Management and Employees

I. Directors, Supervisors and Senior Management

unit: RMB thousand

Name	Position	Gender	Month of birth	Term of office	Total remuneration before tax	Whether also compensated by a shareholder company or other connected parties
GAO Guofu	Chairman and Executive Director	Male	June 1956	Since June 2007	1,284	No
HUO Lianhong	Executive Director and President	Male	April 1957	Since June 2007	1,164	No
YANG Xianghai	Vice-Chairman and Non-Executive Director	Male	February 1952	Since June 2007	See note 3	Yes
ZHOU Ciming	Non-Executive Director	Male	October 1951	Since June 2007	See note 3	Yes
XU Hulie	Non-Executive Director	Male	March 1950	Since July 2009	104	Yes
HUANG Kongwei	Non-Executive Director	Male	October 1966	Since June 2007	250	Yes
YANG Xiangdong	Non-Executive Director	Male	January 1965	Since June 2007	See note 3	Yes
FENG Junyuan, Janine	Non-Executive Director	Female	March 1969	Since June 2007	See note 3	Yes
XU Shanda	Independent Non-Executive Director	Male	September 1947	Since December 2007	See note 3	No
CHANG Tso Tung Stephen	Independent Non-Executive Director	Male	November 1948	Since June 2007	250	No
LI Ruoshan	Independent Non-Executive Director	Male	February 1949	Since June 2007	250	No
YUEN Tin Fan	Independent Non-Executive Director	Male	October 1952	Since June 2007	250	No
XIAO Wei	Independent Non-Executive Director	Male	December 1960	Since June 2007	250	No
MA Guoqiang	Chairman of the Board of Supervisors	Male	November 1963	Since June 2007	250	Yes
ZHANG Jianwei	Supervisor	Male	September 1954	Since June 2007	250	Yes
LIN Lichun	Supervisor	Female	August 1970	Since June 2007	250	Yes
SONG Junxiang	Employee Supervisor	Male	October 1955	Since August 2008	2,364	No
YUAN Songwen	Employee Supervisor	Male	October 1967	Since April 2007	673	No
XU Jinghui	Executive Vice-President	Male	March 1957	Since August 2007	3,935	No
TANG Dasheng	Vice-President	Male	January 1954	Since August 2007	3,260	No
NGO Tai Chuan Alan	Chief Financial Officer	Male	February 1973	Since December 2007	6,530	No
SHI Jierong	Vice-President	Male	December 1952	Since August 2007	2,559	No
SUN Peijian	Vice-President and Chief Compliance Officer	Male	September 1963	Since August 2007	2,346	No
GU Yue	Vice-President and Chief Auditor	Male	June 1965	Since August 2007	2,260	No
HUANG Xueying	Chief Information Technology Officer	Female	November 1967	Since February 2008	3,398	No

unit: RMB thousand

Name	Position	Gender	Month of birth	Term of office	Total remuneration before tax	Whether also compensated by a shareholder company or other connected parties
CHI Xiaolei	Chief Actuary	Female	July 1969	Since November 2007	2,569	No
CHEN Wei	Board Secretary and Joint Company Secretary	Male	April 1967	Since August 2007	2,030	No
Total	–	–	–	–	37,726	–

Notes:

1. *According to the recent policies of the relevant authorities of China, the final amounts of remunerations of the Chairman and the President are currently subject to review and approval. The remaining portion of the remuneration will be disclosed when confirmed.*
2. *According to the resolution of the 5th extraordinary general meeting in 2007, the allowances for the existing directors and supervisors (excluding those who are compensated by the Company) were RMB 250,000 (before tax) per year.*
3. *Mr. YANG Xianghai, Mr. ZHOU Ciming, Mr. YANG Xiangdong, Ms. FENG Junyuan, Janine and Mr. XU Shanda did not take any allowances.*
4. *Mr. XU Hulie began to take allowances since August 2009.*
5. *The above table listed the directors, supervisors and senior management as at 31 December 2009.*
6. *Each director and supervisor of the Company is appointed for a term of 3 years and is eligible for re-election and re-appointment. Each independent non-executive director is not allowed to serve a consecutive term of more than 6 years.*

II. Biographies of Directors, Supervisors and Senior Management

(I) Directors

Mr. GAO Guofu: Mr. Gao has been the Chairman and Executive Director of the Company since September 2006. Prior to joining the Company, Mr. Gao successively served as the general manager of Shanghai Waigaoqiao Free Trade Zone Development (Holding) Co., the acting president of Shanghai Wanguo Securities Company, the general manager of Shanghai Jiushi Corporation and Shanghai Urban Construction Investment and Development Corporation. Mr. Gao is a senior economist. He received a doctorate degree in Management Engineering from Shanghai Jiao Tong University.

Mr. HUO Lianhong: Mr. Huo has been an Executive Director and President of the Company since October 2000. He also serves as a director of CPIC Life, the chairman of CPIC Property and CPIC Asset Management. Since he joined the Company in 1993, he has held various positions, including the general manager of Hainan Branch and Beijing Branch of the Company. Prior to that, he worked for Hainan Branch of Bank of Communications as the deputy manager of its insurance department. Mr. Huo is a senior economist. He received a bachelor's degree in Automation from the Central South Institute of Mining and Metallurgy.

Mr. YANG Xianghai: Mr. Yang has been the Vice-Chairman of the Board and a Non-Executive Director of the Company since October 2000. He also serves as the chairman of Shenergy Group Co., Ltd. Mr. Yang served as a director of Shanghai Securities Administration Office, the general manager of the Shanghai Stock Exchange and the deputy chief commissioner of Shanghai Planning Commission. Mr. Yang is a senior economist. He received a master's degree in Economics from Fudan University.

Mr. ZHOU Ciming: Mr. Zhou has been a Non-Executive Director of the Company since October 2000. He also serves as the vice-chairman of CPIC Property and a director of CPIC Life. Mr. Zhou served as the vice-chairman of the board of directors and chairman of the board of supervisors of CPIC Life. He has been the deputy chief economist and the board secretary of Shenergy Group Co., Ltd. since 1998 and 2006 respectively. Mr. Zhou served as an assistant professor and the associate dean at Shanghai University of Finance and Economics. Mr. Zhou was a visiting professor at the University of Washington and Stanford University. He also served as the vice-chairman of Shanghai Jiulian Securities Brokerage Co., Ltd. Mr. Zhou is a senior economist. He received a master's degree in Economics from Shanghai University of Finance and Economics.

Mr. XU Hulie: Mr. Xu has been a Non-Executive Director of the Company since July 2009. He also serves as a supervisor of CPIC Property. He has been the deputy general manager of Shanghai Tobacco (Group) Corporation since January 2008. Prior to that, he served as an assistant inspector of Shanghai Tobacco (Group) Corporation and the general manager of China Tobacco Shanghai Import and Export Co., Ltd. He is an economist and received a professional diploma in Enterprise Operation and Management from the Shanghai TV University.

Mr. HUANG Kongwei: Mr. Huang has been a Non-Executive Director of the Company since November 2004. He served as a director of CPIC Asset Management. He is currently the vice general manager of Shanghai Meishan Iron and Steel Co., Ltd. Mr. Huang has been working in the asset operation department of Baosteel Group Corporation since June 2003 and has served as the vice-president of that department between April 2005 and May 2009. Mr. Huang is a senior engineer. He received a master's degree in Management Information System from Zhejiang University.

Mr. YANG Xiangdong: Mr. Yang has been a Non-Executive Director of the Company since June 2007. He also serves as the vice-chairman of CPIC Life. He served as a director of CPIC Asset Management. Since 2001, he has been the managing director of The Carlyle Group and the co-head of Carlyle Asia Partners. Prior to joining The Carlyle Group, Mr. Yang worked for Goldman Sachs, serving as the managing director, the co-head of Principal Investment Asia and a member of the Asia Management Committee. Mr. Yang received a bachelor's degree in Economics from Harvard University and a master's degree in Business Administration from Harvard Business School.

Ms. FENG Junyuan, Janine: Ms. Feng has been a Non-Executive Director of the Company since June 2007. She also serves as a director of CPIC Life and CPIC Property. She joined The Carlyle Group in 1998, and currently serves as managing director of The Carlyle. Prior to joining The Carlyle Group, Ms. Feng worked for Credit Suisse First Boston's New York office for approximately five years. Ms. Feng received a master's degree in Business Administration from Harvard Business School.

Mr. XU Shanda: Mr. Xu has been an Independent Non-Executive Director of the Company since December 2007. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference, the chairman of the Chinese Certified Tax Agents Association, a member of the Accounting Standards Committee of the Ministry of Finance, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants, an advisor of Chinese Finance Society, and a member of Chinese Economics 50 Forum and a member of its academic committee. Mr. Xu is also an independent director of the Industrial and Commercial Bank of China Limited. Mr. Xu was a deputy director-general of the State Administration of Taxation from December 1999 to December 2006. Mr. Xu graduated from the Automatic Control Faculty of Tsinghua University in 1970. He received a master's degree in Agricultural Economic Management from the Graduate School of Chinese Academy of Agricultural Sciences in 1984. In 1999, Mr. Xu received a master's degree in Finance from the University of Bath in the United Kingdom.

Mr. CHANG Tso Tung Stephen: Mr. Chang has been an Independent Non-Executive Director of the Company since June 2007. He retired from Ernst & Young in January 2004. Prior to his retirement, Mr. Chang held various positions with Ernst & Young, including the deputy chairman of Ernst & Yong Hong Kong and China, managing partner of Professional Services, and the chairman of Ernst & Yong Audit and Advisory Services. Mr. Chang is also a fellow member of the Institute of Chartered Accountants in England and Wales. He received a bachelor's degree in Science from the University of London.

Mr. LI Ruoshan: Mr. Li has been an Independent Non-Executive Director of the Company since June 2007. He is currently the dean of the Finance Department of the School of Management of Fudan University. Mr. Li is also a member of the Experts Committee for Listed Companies of the Shanghai Stock Exchange, the vice chairman of the Shanghai Accounting Academy and the director of Fudan Finance and Futures Research Institute. Mr. Li received a doctorate degree in Economics from Xiamen University.

Mr. YUEN Tin Fan: Mr. Yuen has been an Independent Non-Executive Director of the Company since June 2007. He also serves as the vice-chairman of Pacific Century Regional Developments Limited. He served as the chairman of Pacific Century Insurance Holdings Limited from 1997 to 2007. From 1999 to 2006, Mr. Yuen served as the vice-chairman of Pacific Century Group and the vice-chairman of PCCW Limited. He also served as the chief executive officer of Hong Kong Stock Exchange from 1988 to 1991. Mr. Yuen received a bachelor's degree in Economics from the University of Chicago.

Mr. XIAO Wei: Mr. Xiao has been an Independent Non-Executive Director of the Company since June 2007. He has been a partner of Junhe Law Firm since 1989. Mr. Xiao was previously a member of the Listing Review Committee of China Securities Regulatory Commission. Mr. Xiao received a master's degree from the Graduate School of the Chinese Academy of Social Sciences and a master's degree in Law from Columbia University.

(II) Supervisors

Mr. MA Guoqiang: Mr. Ma has been a Supervisor of the Company since May 2004 and currently serves as the Chairman of the Board of Supervisors of the Company. Mr. Ma currently also serves as a director and the general manager of Baoshan Iron & Steel Co., Ltd. He joined Baosteel Group Corporation in 1995. He was a deputy general manager of Baosteel Group Corporation between 2001 and 2009. Prior to that, he was a teacher and served subsequently as the director of Teaching Affairs Office at the Beijing University of Science and Technology after he obtained a master's degree in Management Engineering from this university in 1986. He is an independent director of Everbright Securities Company Limited. From September 1991 to September 1993, he was subsidized by the PRC government to study a course on economic management at RWTH Aachen University in Germany. In May 2005, Mr. Ma was awarded an executive master's degree in Business Administration, granted by Arizona State University.

Mr. ZHANG Jianwei: Mr. Zhang has been a Supervisor of the Company since June 2007. He is also a supervisor of CPIC Property. He served as a Director of the Company between 2004 and 2007. He joined Shanghai Jiushi Corporation in 1994, and currently serves as its deputy general manager. Prior to that, Mr. Zhang was the deputy general manager of Shanghai Optic Communications Equipment Co., Ltd. Mr. Zhang is a senior economist. He received a master's degree in Business Management from China Europe International Business School.

Ms. LIN Lichun: Ms. Lin has been a Supervisor of the Company since June 2007. She is also a supervisor of CPIC Property. She is currently the head of Shanghai office of Hongta Group, and a director and the general manager of Shanghai Hongta Hotel. Ms. Lin is a certified public accountant in China. She received a bachelor's degree in Economics from Zhongnan University of Economics and Law.

Mr. SONG Junxiang: Mr. Song has been a Supervisor of the Company since August 2008. Mr. Song joined our Company in April 2003. He currently serves as the deputy secretary to the Party Committee, secretary to the discipline committee and chairman of the Trade Union of our Company. Prior to joining the Company, Mr. Song worked in the Organization Department of the Committee of the Communist Party of China for the Shanghai Municipality.

Mr. YUAN Songwen: Mr. Yuan has been a Supervisor of the Company since May 2004. He also serves as the deputy general manager of the First Auditing Department of the Company since 2005. Before he joined the Company in 1993, he worked in the Auditing Bureau of Putuo District, Shanghai. Mr. Yuan is an economist and an assistant auditor. He received a master's degree in Business Administration from the Macau University of Science and Technology.

(III) Senior management

Mr. HUO Lianhong: Mr. Huo has been the President of the Company since 2000. Please refer to the section headed "(I) Directors" above for the details of his biography.

Mr. XU Jinghui: Mr. Xu has been a Vice-President and an Executive Vice-President of the Company since 2005 and 2007, respectively. He also serves as a director of CPIC Life, CPIC Property, CPIC Asset Management and Changjiang Pension. Since he joined CPIC in May 1991, he has held various positions, including the general manager of the Second Domestic Business Department, the general manager of Dalian Branch of the Company, special assistant to the President of CPIC, and the general manager of the E-Commerce Department of CPIC. He also served as the executive deputy general manager of CPIC Life and the general manager of its Shanghai Branch from 2001 to 2005. Mr. Xu has almost 20 years' experience in the operation and management of insurance companies. Since October 2007, Mr. Xu has been an independent director of Shanghai Jiao Yun Co., Ltd. Mr. Xu is a senior economist. He received a master degree in Business Administration from Nanyang Technological University in Singapore in 2005.

Mr. TANG Dasheng: Mr. Tang has been a Vice-President of the Company since 1999. Mr. Tang also serves as a director and the general manager of CPIC Asset Management. Since he joined the Company in 1993, he has held various positions, including the deputy general manager of Shanghai Branch of the Company and chief financial officer of CPIC Life. Prior to that, Mr. Tang served as the deputy director of the accounting department of People's Bank of China Jiangxi Branch and deputy general manager of the financial and accounting department of Bank of Communications. Mr. Tang is a senior accountant. He received a master's degree in Insurance from Shanghai University of Finance and Economics.

Mr. NGO Tai Chuan Alan: Mr. Ngo has been the Chief Financial Officer of the Company since December 2007. He is also a director of CPIC Life, CPIC Property and CPIC Asset Management. Prior to joining the Company, Mr. Ngo served as an audit partner in the Global Financial Services Industry Unit of Deloitte Touche Tohmatsu Certified Public Accountants Ltd, and as the Qualified Accountant of Ping An Insurance (Group) Company of China, Ltd. He graduated from Nanyang Technological University of Singapore, with a Bachelor's degree in Accountancy. Mr. Ngo is a member of the Institute of Chartered Accountants in Australia, the Institute of Certified Public Accountants of Singapore, the Hong Kong Institute of Certified Public Accountants and the Chartered Financial Analyst Institute.

Mr. SHI Jierong: Mr. Shi has been a Vice-President of the Company since 1991. He is also the chairman of Pacific-Antai, the chairman of the board of supervisors of CPIC Life and CPIC Property respectively. Prior to that, Mr. Shi worked as a secretary of the Governor's Office of Heilongjiang Provincial Government and the assistant general manager of People's Insurance Company of China Heilongjiang Branch. Mr. Shi is a senior economist. He received a diploma in Commerce and Economics from Heilongjiang Institute of Commerce.

Mr. SUN Peijian: Mr. Sun has been a Vice-President of the Company since 2005 and the Chief Compliance Officer and compliance officer of the Company since April 2007. He currently serves as a director of CPIC Life, CPIC Property and CPIC Asset Management. Since joining the Company in 1991, he has held various positions, including the general manager of the Reinsurance Department of the Company and the assistant to the general manager of the Company. Prior to that, Mr. Sun worked for the insurance business department of Shanghai Branch of Bank of Communications. Mr. Sun is an economist. He received a master's degree in Engineering from Shanghai Jiao Tong University and an EMBA degree from China Europe International Business School.

Mr. GU Yue: Mr. Gu has been a Vice-President of the Company since March 2001 and the Chief Auditor and auditing officer of the Company since December 2007. He also serves as the chairman of the board of supervisors of CPIC Asset Management, a director of CPIC HK and the chairman of the board of supervisors of Pacific-Antai. Since he joined the Company in 1993, he has held various positions, including the general manager of Suzhou Branch and Nanjing Branch of the Company, the chairman of the board of supervisors of CPIC Life, the Board secretary, and the general manager of the Human Resources Department of the Company. Prior to that, Mr. Gu worked for the Shanghai Statistics Bureau. Mr. Gu is an economist. He received an EMBA degree from China Europe International Business School.

Ms. HUANG Xueying: Ms. Huang has been our Chief Information Technology Officer since February 2008. Prior to joining the Company, she was the vice-president, the Greater China region, of Accenture Limited, in which she was responsible for consulting service practice for the insurance industry in the Greater China region. She also worked at KPMG Consulting Inc. (which was subsequently renamed to BearingPoint, Inc.) for a long period of time during which she was responsible for development and implementation of core business system for insurance companies, and team building, business expansion and project management of insurance industry. Ms. Huang received a master degree in Computer Engineering and a master degree in Business Administration from University of Southern California of the United States.

Ms. CHI Xiaolei: Ms. Chi has been the Chief Actuary of the Company since November 2007. She also serves as a director of CPIC Life and CPIC Property. She joined the Company in July 2007 and served as a Deputy Chief Actuary of the Company. Prior to joining the Company, Ms. Chi served as the managing director and a senior actuarial consultant of Milliman (Shanghai) Co., Ltd., an actuarial consultant of Towers Perrin in its Hong Kong Office, the deputy manager of London Life Insurance Company (Canada) and the senior underwriter of the foreign division of the Shanghai branch of PICC. She is a full member of the Society of Actuaries, Canadian Institute of Actuaries, Hong Kong Society of Actuaries and Chinese Society of Actuaries. Ms. Chi received a master's degree in Actuarial Science from Concordia University (Canada).

Mr. CHEN Wei: Mr. Chen has been the Board Secretary of the Company since 2007. Since he joined the Company in 1995, Mr. Chen has held various positions, including the chief representative of London Representative Office of the Company and the director and general manager of CPIC HK. Mr. Chen is an Associate of the Chartered Insurance Institute (ACII). He is an engineer and an economist, and received a bachelor's degree in Shipping Engineering from Shanghai Jiao Tong University and a master's degree from the Business School of Middlesex University.

III. Positions of Directors, Supervisors and Senior Management in Corporate Shareholders and Other Entities

(I) Positions in corporate shareholders

Names	Names of corporate shareholders	Positions held	Terms of office
YANG Xianghai	Shenergy Group Co., Ltd	Chairman	Since 2008
MA Guoqiang	Baoshan Iron & Steel Co., Ltd	Director and general manager	Since 2009
ZHOU Ciming	Shenergy Group Co., Ltd	Deputy chief economist	Since 1998
XU Hulie	Shanghai Tobacco (Group) Corporation	Deputy general manager	Since 2008
HUANG Kongwei	Shanghai Meishan Iron and Steel Co., Ltd	Vice general manager	Since 2009
YANG Xiangdong	The Carlyle Group	Managing director	Since 2001
FENG Junyuan, Janine	The Carlyle Group	Managing director	Since 1998
ZHANG Jianwei	Shanghai Jiushi Corporation	Deputy general manager	Since 2002
LIN Lichun	Shanghai Hongta Hotel	Director and general manager	Since 2009

(II) Positions in other entities

Names	Names of other entities	Positions held	Terms of office
YANG Xiangdong	SmarTone Telecommunications Holdings Limited	Independent director	Since 2003
XU Shanda	Industrial and Commercial Bank of China Limited	Independent director	Since 2007
CHANG Tso Tung Stephen	China World Trade Center Co., Ltd	Independent director	Since 2004
	GST Holdings Limited	Independent director	2005-2009
LI Ruoshan	Finance Department of the School of Management of Fudan University	Dean	Since 2003
	Sinochem International Corporation	Independent director	2002-2009
	Shanghai Pudong Road & Bridge Construction Co., Ltd	Independent director	Since 2004
	Zhejiang Wanfeng Auto Wheel Co., Ltd	Independent director	Since 2004
	Zhejiang Guangbo Group Stock Co., Ltd.	Independent director	Since 2007
YUEN Tin Fan	Pacific Century Regional Developments Limited	Vice-chairman	Since 2005
	Kee Shing (Holdings) Limited	Non-executive director	Since 1995
	China Foods Limited	Independent director	Since 1992
XIAO Wei	Beijing Junhe Law Firm	Partner	Since 1989
	Shenzhen Guangju Energy Co., Ltd.	Independent director	2003-2009
	Lombarda China Fund Management Co., Ltd	Independent director	Since 2006
MA Guoqiang	Everbright Securities Company Limited	Independent director	Since 2008
ZHANG Jianwei	Haitong Securities Co., Ltd.	Director	Since 2002
	Shanghai Highly (Group) Co., Ltd	Director	Since 1999
	Shenergy Co., Ltd	Director	Since 2005
XU Jinghui	Shanghai Jiao Yun Co., Ltd	Independent director	Since 2007

IV. Remuneration of Directors, Supervisors and Senior Management

(I) Determination of the remuneration of Directors, Supervisors and senior management:

The remuneration of Directors and Supervisors are determined by general meetings, while those of the senior management are set by the nominations and remuneration committee of the Board and submitted to the Board for approval.

(II) Base of Determination for the remuneration of the Directors, Supervisors and senior management:

The remuneration of Directors, Supervisors and senior management are determined and adjusted by a professional human resources consultant firm engaged by the Company based on such factors as the operation of the Company, the position being considered and performance appraisals with reference to market remuneration rates.

V. Changes in Directors, Supervisors and Senior Management of the Company

(I) Changes in Directors

Names	Positions held	Change
CHEN Shaochang	Director of the 5th Board of Directors	Resigned on 10 April 2009 due to retirement
SHEN Weiming	Director of the 5th Board of Directors	Resigned on 10 April 2009 due to retirement
XU Hulie	Director of the 5th Board of Directors	Mr. XU Hulie was elected as a director of the 5th Board of Directors of the Company at the 2008 general meeting on 26 May 2009
YU Yeming	Director of the 5th Board of Directors	Resigned on 28 October 2009 due to his change of position

(II) Changes in Supervisors

There was no change in Supervisors of the Company in 2009.

(III) Changes in senior management

Names	Positions held	Change
YANG Wen Binn	Chief Investment Officer	Mr. YANG Wen Binn was removed as the Chief Investment Officer of the Company at the 8th Session of the 5th Board of Directors on 9 April 2009

VI. Shareholdings of Directors, Supervisors and Senior Management of the Company

unit: share

Names	Positions	Types of shares	Shareholding at the beginning of the year	Increase in the shareholding during the year	Decrease in the shareholding during the year	Shareholding at the end of the year	Reasons for the change
GAO Guofu	Chairman and Executive Director	A share	–	+10,200	–	10,200	Secondary market purchase
HUO Lianhong	Executive Director and President	A share	–	+9,000	–	9,000	Secondary market purchase
SONG Junxiang	Supervisor	A share	–	+6,200	–	6,200	Secondary market purchase
XU Jinghui	Executive Vice-President	A share	–	+8,000	–	8,000	Secondary market purchase
TANG Dasheng	Vice-President	A share	–	+6,100	–	6,100	Secondary market purchase
SHI Jierong	Vice-President	A share	–	+8,200	–	8,200	Secondary market purchase
SUN Peijian	Vice-President and Chief Compliance Officer	A share	–	+7,425	–	7,425	Secondary market purchase
GU Yue	Vice-President and Chief Auditor	A share	–	+7,000	–	7,000	Secondary market purchase
CHEN Wei	Board Secretary and Joint Company Secretary	A share	–	+2,400	–	2,400	Secondary market purchase

VII. Employees of the Company

As of 31 December 2009, a total of 67,476 employees, including those from CPIC Group, CPIC Life, CPIC Property and CPIC Asset Management, signed employment contracts with the Company. Their expertise and education background are set out below:

(I) Expertise

Expertise	Number	Percentage (%)
Management	635	0.9
Professional	35,765	53.0
Marketing	27,759	41.1
Others	3,317	4.9
Total	67,476	100.0

(II) Education Background

Education Background	Number	Percentage (%)
Master's Degree and Above	1,323	2.0
Bachelor's Degree	21,819	32.3
Others	44,334	65.7
Total	67,476	100.0

Section VIII Corporate Governance Report

Corporate Governance Report

I. Corporate Governance

During the reporting period, the Company strictly complied with the Company Law, the Insurance Law, the Securities Law and other applicable laws and made continuous efforts to improve the governance structure of the Company in accordance with the requirements of applicable laws and regulations issued by the regulatory authorities and based on the state of affairs of the Company. The Company has established a relatively sound corporate governance system with appropriate checks and balances by streamlining its group management structure and consolidating its internal resources. The general meeting, the board of directors, the board of supervisors and the senior management fulfilled their functions independently, exercised their rights and performed their duties respectively in accordance with the Articles of Association, and did not breach any laws or regulations.

The Company has gradually established and improved relevant systems in compliance with the Code on Corporate Governance Practices. Currently, the Company is basically in compliance with the provisions and substantially all of the recommended best practices set out in the Code on Corporate Governance Practices.

(I) Shareholders and General Meetings

During the reporting period, the Company held the annual general meeting for 2008 and two extraordinary general meetings. The notice of general meeting and the procedures followed for convening, holding and voting at such meetings were in compliance with the Company Law, the Articles of Association and applicable regulations. The general meetings serve as an established and effective communication channel between the Company and the shareholders to consider the views and advice put forward by the shareholders, and ensure the shareholders' rights to information, participation and voting in respect of any significant issues of the Company to create a positive atmosphere for the shareholders to take part in the decision-making process of the Company and equally exercise their rights.

(II) Directors, Board of Directors and Special Committees of the Board of Directors

As at 31 December 2009, the board of directors of the Company had 13 directors, including 2 executive directors, 6 non-executive directors and 5 independent non-executive directors (biographies of existing directors are set out in Section VII "Directors, Supervisors, Senior Management and Employees" of this annual report). The number and composition of the members of the board of directors were in compliance with applicable regulatory requirements and the Articles of Association. According to the Articles of Association, directors shall be elected at shareholders' general meetings and hold office for a term of three years, subject to retirement and re-election except that an independent non-executive director shall not consecutively hold the office for more than six years.

Mr. WU Dingfu (left) , the chairman of CIRC, visited CPIC Group on 15 May 2009

According to the Articles of Association, the board of directors shall be accountable to the general meeting and is authorized to, among others, convene the general meetings, implement the resolutions of the general meetings, determine the business and operation plans and investment plans of our Company, formulate our annual financial budget and final accounting plans, formulate our profit distribution plans and loss compensation plans, formulate the proposals for increases or reductions of our registered share capital and issue of corporate bonds and issue and listing of other securities of our Company, appoint or remove our President and secretary of the board of directors and, based on the recommendations of the President, to appoint or remove such senior officers as vice-President or Chief Financial Officer and to decide on their remuneration. The President of the Company is responsible to the board of directors and directs the operation and management of the Company. The Chairman is Mr. GAO Guofu and the President is Mr. HUO Lianhong.

During the reporting period, the board of directors held 7 meetings. All directors duly performed their duties and attended the meetings in person or by electronic communication means in order to be capable of making informed decisions with a view to safeguarding the interests of the Company and the shareholders as a whole. The attendance of each director is as follows:

Names of directors	Board meetings	Attendance in person	Attendance by proxy	Absence	Remarks
Executive Directors					
GAO Guofu	7	7	0	0	
HUO Lianhong	7	7	0	0	
Non-executive Directors					
YANG Xianghai	7	6	1	0	Absence from the 11th session of the 5th board of directors for business reason and Mr. ZHOU Ciming, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
ZHOU Ciming	7	7	0	0	
CHEN Shaochang note 1	1	1	0	0	
SHEN Weiming note 1	1	1	0	0	
YU Yeming note 2	5	5	0	0	
XU Hulie note 3	5	3	2	0	Absence from the 10th and 11th sessions of the 5th board of directors for business reason and Mr. GAO Guofu, the Chairman, having been appointed as his proxy to attend and vote at the meeting on his behalf.
HUANG Kongwei	7	6	1	0	Absence from the 1st extraordinary meeting of the 5th board of directors in 2009 for business reason and Mr. YU Yeming, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
YANG Xiangdong	7	6	1	0	Absence from the 11th session of the 5th board of directors for business reason and Ms. FENG Junyuan, Janine, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
FENG Junyuan, Janine	7	7	0	0	

Names of directors	Board meetings	Attendance in person	Attendance by proxy	Absence	Remarks
Independent Non-executive Directors					
XU Shanda	7	6	1	0	Absence from the 3rd extraordinary meeting of the 5th board of directors in 2009 for business reason and Mr. XIAO Wei, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
CHANG Tso Tung Stephen	7	7	0	0	
LI Ruoshan	7	7	0	0	
YUEN Tin Fan	7	7	0	0	
XIAO Wei	7	6	1	0	Absence from the 11th session of the 5th board of directors for business reason and Mr. XU Shanda, a Director, having been appointed as his proxy to attend and vote at the his meeting on his behalf.

Notes:

1. *On 10 April 2009, Mr. CHEN Shaochang and Mr. SHEN Weiming resigned as directors upon their retirements;*
2. *On 28 October 2009, Mr. YU Yeming resigned as a director due to his change of position;*
3. *On 26 May 2009, Mr. XU Hulie was elected as a director of the 5th Board of Directors of the Company at the 2008 general meeting.*

The board of directors established four special committees, namely the Strategic Committee, the Audit Committee, the Nominations and Remuneration Committee and the Risk Management Committee, which conduct in-depth studies on specific issues and submit their recommendations to the board of directors for consideration.

In 2009, the Strategic Committee held 4 meetings and proposed recommendations and advice on such significant issues of the Company as the strategic planning of the Company and the listing of H Shares.

In 2009, the Audit Committee held 8 meetings to review the annual report for 2008, the interim report and the quarter reports for 2009 of the Company, and the internal control evaluation report and the internal audit plan of the Company. The attendance of each member of the Audit Committee is as follows:

Names of members	Committee meetings	Attendance in person	Attendance by proxy	Absence
LI Ruoshan (Chairman)	8	8	0	0
ZHOU Ciming	8	8	0	0
CHANG Tso Tung Stephen	8	8	0	0

The Audit Committee discussed with the external auditors and agreed on the schedule for the audit of the financial statements of the Company for the year based on the requirement on the preparation of the annual report of the Company. It held a meeting to review the financial statements prepared by the Company and issued a written opinion thereon prior to the carrying out of the audit by the external auditors, and maintained adequate and timely communication with such auditor during the process of audit. The Audit Committee held a meeting to review again the financial statements of the Company after receipt of the external auditors' preliminary opinions on the audit, and issued their written opinion thereon. At the 3rd meeting of the Audit Committee in 2010, a resolution on the submission of the annual report of the Company to the board of directors for approval was passed. For details of the performance of their duties by the Audit Committee, please refer to "Report for Performance of Duties by the Audit Committee under the Board of Directors" set out in the "Report of the Board of Directors".

In 2009, the Nominations and Remuneration Committee held 5 meetings to review the remuneration packages of the senior management of the Company and the nomination and appointment of a number of directors and the members of the senior management. The attendance of each member of the Nominations and Remuneration Committee is as follows:

Names of members	Committee meetings	Attendance in person	Attendance by proxy	Absence
YUEN Tin Fan (Chairman)	5	5	0	0
XIAO Wei	5	5	0	0
HUANG Kongwei	5	5	0	0
FENG Junyuan, Janine [note]	2	2	0	0
GAO Guofu [note]	3	3	0	0

Note: On 24 April 2009, Ms. FENG Junyuan, Janine was nominated as a member of the Nominations and Remuneration Committee under the 5th Board of Directors at the 9th session of the 5th Board of Directors, and Mr. GAO Guofu ceased to serve on the Nominations and Remuneration Committee under the 5th Board of Directors.

For details of performance of their duties by the Nominations and Remuneration Committee, please refer to "Report for Performance of Duties by the Nominations and Remuneration Committee under the Board of Directors" set out in the "Report of the Board of Directors".

In 2009, the Risk Management Committee held 5 meetings to review the risk assessment report, compliance report and solvency report of the Company and the entering into of connected transactions.

(III) Supervisors and the Board of Supervisors

Currently, the Company has 5 supervisors, including 3 shareholder representative supervisors and 2 staff representative supervisors (biographies of existing supervisors are set out in Section VII "Directors, Supervisors, Senior Management and Employees" of this annual report). The number and composition of the members of the Board of Supervisors are in compliance with applicable regulations and the provisions of the Articles of Association.

In 2009, the Board of Supervisors held 4 meetings to examine and monitor the operation, financial activities and internal audit of the Company by reviewing the minutes of meetings, hearing special reports, conducting on-site inspection and paying visits to branch offices. All supervisors duly performed their duties on supervision with integrity to effectively safeguard the rights and interests of the shareholders, the Company and its staff. The attendance of each supervisor is as follows:

Names of members	Committee meetings	Attendance in person	Attendance by proxy	Absence
MA Guoqiang	4	4	0	0
ZHANG Jianwei	4	4	0	0
LIN Lichun	4	4	0	0
SONG Junxiang	4	4	0	0
YUAN Songwen	4	4	0	0

Furthermore, the supervisors attended the meetings held by the board of directors during the reporting period and supervised the performance by the directors and senior management of the Company of their duties, with a view to maintaining a sustainable, stable and healthy growth of the Company.

(IV) Inspections and Studies by Directors and Supervisors

In 2009, a number of directors of the Company inspected the Xinjiang branches of CPIC Life and CPIC Property while a number of supervisors inspected the Shaanxi branches of CPIC Life and CPIC Property and the Qinghai branches of CPIC Property. Through these inspection visits, the directors and the supervisors had a deeper understanding of the actual operation of these branches and a direct impression on the energy and vigor of the front line staff. The directors and the supervisors also conducted a study on the development of local insurance markets and the operation, management, growth of business, internal control, compliance and risk management of the branches. Base on the results of the inspections and the studies, the directors and the supervisors of the Company made recommendations to the management in the form of a special research and study report on, among other things, the enhancement of internal control, improvement of the modes of operation and the quality of service and reinforcement of regional guidance. The management of the Company highly valued these recommendations and studied the feasibility of their implementation.

(V) Securities Transactions by Directors and Supervisors

The Company adopted and implemented the Model Code for Securities Transactions set out in appendix 10 to the Hong Kong Listing Rules to govern directors and supervisors' securities transactions. Having been specifically enquired by the Company, all of the directors and the supervisors confirmed that they have complied with the code of conduct set out under the Model Code for Securities Transactions throughout the reporting period. During the reporting period, the Company was not aware of any activities of the directors or the supervisors that were not in full compliance with the Model Code for Securities Transactions.

(VI) Auditors' Fee

Information on auditors' fee is set out in Section XIII "Significant Events".

(VII) Directors' Responsibility for the Financial Statements

The directors confirmed that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Company. A statement on reporting responsibility with respect to the accounts made by the auditor of the Company is set out in Section XVII "Appendix" of this annual report. Having making appropriate enquiries, the directors are of the opinion that the Company has sufficient resources to continue its operations as a going concern in the foreseeable future, and it is appropriate to prepare the financial statements using a going concern basis.

(VIII) Disclosure of Information and Transparency

The Company is committed to improving the development of its information disclosure system, and established an accountability system for collection, distribution and reporting, external disclosure of information and accountability. In December 2009, the Company was one of 10 listed companies awarded the "Information Disclosure Award 2009" in the first corporate governance awards organized by the Shanghai Stock Exchange.

II. Performance of Duties by Independent Non-executive Directors

The 5th board of directors of the Company has 5 independent non-executive directors comprising professionals in financial, fiscal and taxation, auditing and law fields, and the composition of the Board is in compliance with the requirement of the Hong Kong Listing Rules that at least one of the independent non-executive directors must have appropriate professional qualification or expertise in accounting or related financial management. The number of our independent non-executive directors, which exceeds one third of the total number of the members of the board of directors, is in compliance with applicable regulatory requirement and the provisions of the Articles of Association. Upon approval at the 6th session of the 5th board of directors, the Company formulated its Working Rules for Independent Non-executive Directors.

The independent non-executive directors of the Company have the required expertise and experience and are able to perform their duties in strict accordance with the requirements of applicable laws and regulations, regulatory documents and the Articles of Association. They have provided advice and recommendations on, among other things, the corporate governance, business operation, risk management and internal control. Independent non-executive directors have played meaningful roles from an impartial and objective perspective, particularly taking into consideration the legal interests of minority shareholders, in the decision making process of the Company.

(I) Attendance of Independent Non-executive Directors at Meetings of the Board of Directors

During the reporting period, the independent non-executive directors of the Company actively attended the meetings of the board of directors, details of which are as follows:

Names of independent non-executive directors	Board meetings	Attendance in person	Attendance by proxy	Absence	Remarks
Xu Shanda	7	6	1	0	Absence from the 3rd extraordinary meeting of the 5th board of directors in 2009 for business reason and Mr. XIAO Wei, a Director, having been appointed as his proxy to attend and vote at the meeting on his behalf.
CHANG Tso Tung Stephen	7	7	0	0	/
LI Ruoshan	7	7	0	0	/
YUEN Tin Fan	7	7	0	0	/
XIAO Wei	7	6	1	0	Absence from the 11th session of the 5th board of directors for business reason and Mr. XU Shanda, a Director, having been appointed as his proxy to attend and vote at the his meeting on his behalf.

(II) Objections of Independent Non-executive Directors on Relevant Matters of the Company

No objections were raised by independent non-executive directors on relevant matters of the Company.

(III) Attendance of Independent Non-executive Directors at Training Programs

In November 2009, the CIRC organized its first training program for the independent non-executive directors of insurance companies. The independent non-executive directors of the Company studied a special report on the current macroeconomic environment and the roles of independent non-executive directors in the corporate governance of insurance companies and attended a lecture on the Insurance Law, solvency and the operation of board of directors. Through these training courses, all of our independent non-executive directors had an adequate understanding of the achievements made by insurance companies in corporate governance and regulation in recent years and a clear understanding of their duties, which enhanced their senses of mission and responsibility to earnestly safeguard the interests of the insured and the minority shareholders in daily decision-making process, helping them play important roles in the enhancement of the corporate governance structure of insurance companies.

(IV) The Independence of the Independent Non-executive Directors

The Company received from each independent non-executive director a written confirmation of his independence to the Company pursuant to the Hong Kong Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent of the Company.

III. Independence of the Company to its Controlling Shareholders in Assets, Personnel, Finance, Organization and Business.

The ownership structure of the Company is diversified and there are no controlling shareholders or de facto controllers.

As a wholly-listed composite insurance group company, the Company is fully independent in the following five aspects: assets, personnel, finance, organization and business.

IV. The appraisal and incentive programs for the senior management

The performance management on the senior management of the Company primarily comprises of formulation of performance appraisal plan, tracking the performance, appraisal of performance and application of the appraisal results. The annual performance appraisal plan will be determined by the Board based on the long term and medium term development strategies and the operation plan for the year. The Company will take follow-up actions on the fulfillment of various appraisal indicators regularly. At the end of the year, the Board will assess the performance based on the fulfillment of the operation objectives for the year. The results of appraisal are linked with the yearly bonus of the senior management.

The Company has in place a remuneration policy with reference to the positions and performance of the employees and the market condition. It also has a deferred bonus plan for senior management as a long-term incentive. The deferred bonus will be determined according to the performances of the Company and senior management after the completion of the annual appraisal. Deferred bonus granted will not be paid immediately and will be paid in cash gradually in the forthcoming years. If the performance of the Company or individual does not meet the requirement in the accounting year immediate before the payment of the deferred bonus, the actual amount paid to the senior management will be reduced accordingly.

V. Special Campaign for Corporate Governance

In accordance with the Notice on the Issues Concerning Carrying out Special Campaigns to Strengthen Corporate Governance of Listed Companies issued by the CSRC and the requirements of the CSRC Shanghai Bureau, the Company duly carried out a special campaign to strengthen its corporate governance and released the Report on Rectifications in the Special Campaign for Corporate Governance of China Pacific Insurance (Group) Co., Ltd. on 27 October 2008. Subsequently, the Company duly carried out the rectifications in accordance with the requirements of the special campaign. As at 31 December 2009, the only issue that still should have been rectified was the qualification rate in respect of real estate ownerships, which did not reach the required rate of 100%.

To completely address the problem relating to the qualification rate in respect of real estate ownerships, the Company issued the Announcement on Further Improving the Real Estate Ownerships of the Company on 19 November 2009 to make arrangements for the rectification of the Company and undertook to achieve a qualification rate of 100% for its ownerships by 30 June 2010. Prior to the listing of the A Shares of the Company, the qualification rate was 83.83%; and as at 31 December 2009, the qualification rate increased to 94.65%.

VI. Establishment and Improvement of the Internal Control System of the Company

The Company constantly upholds its management philosophy of establishing and improving internal control system, and established a relatively sound internal control system to provide reasonable assurance for the achievement of its operation and management goals.

The board of directors of the Company is responsible for the soundness and effective implementation of the internal control system of the Company. The Audit Committee of the board of directors is responsible for reviewing the internal control system of the Group as a whole, overseeing the implementation of the internal control system and self-assessment, and selecting and coordinating with the external auditor to conduct internal control verification.

The Operation and Management Committee of the Company is responsible for organizing and implementing the internal control measures of the Company and the Company has "three defensive lines of internal control" comprising its business departments, risk and compliance management departments and internal audit department respectively.

In accordance with the Basic Standards for Enterprise Internal Control (Cai Kuai [2008] No.7), the Company further improved the implementation of its internal control system in 2009 by reinforcing its strategic management system, enhancing its risk management and asset and liability management, streamlining its operation process, strengthening its control on the information system and improving its compliance management and internal audit function. The board of directors and its Audit Committee continuously oversee and pay close attention to the internal control of the Company and appointed external auditors to perform independent verification on the internal control of the Company.

In 2009, the Company carried out a self-assessment on its internal control. The Company believes that its internal control system operated well, soundly and effectively with no significant defects that might affect the accuracy and completeness of the financial report of or the information disclosed by the Company.

VII. Risk Management of the Company

Risk management is one of the core elements of the Company's operation and management. The Company has an integrated risk management framework covering the Group as a whole to identify, assess and control the risks in its operation and management process for better business decision making and prudent management.

The risk management committee under the board of directors of the Company is responsible for the risk management. The risk management committee monitors the operational effectiveness of the risk management system, based on its thorough understanding of the significant risks faced by the Company and the risk management.

The Company also has a compliance and risk management working committee under the Operation and Management Committee, which comprises the senior management of the Company and its subsidiaries and the heads of key operational departments. The compliance and risk management working committee is responsible for the formulation of risk management policies, coordination and the oversight of the implementation of these policies.

Both CPIC Group and the subsidiaries of the Company have their risk management divisions or departments responsible for the implementation of risk management. Other functional departments and branches also have officers to take charge of risk management and have corresponding concurrent posts in charge of the risk management within their respective scope of duties and the communication with the risk management departments. Meanwhile, the Company has a risk management framework linking CPIC Group and each of the subsidiaries of the Company with a view to facilitating the setting up of the risk management systems in its subsidiaries.

The Company's fundamental process for risk management includes risk information collection, risk identification and assessment, risk management and control, and risk reporting and rectification.

In 2009, the Company further improved its risk management system and facilitated the setting up of its risk management objective system and quantitative risk management system. In particular, the Company further improved its risk management system and formulated various specific systems for risk management, including the classification standards of risk drivers and management measures for risk information and risk reporting; further improved its risk monitoring, assessment and warning functions, strengthened the overall and specific monitoring of risks, regularly reported to the Risk Management Committee of the board of directors on the overall assessment of the risks, and paid close attention to such principal risks as solvency insufficiency, application of insurance funds, policy surrender and premiums receivable, and any other contingencies; proactively carried out prospective studies and oversaw such potential risks as climate change; improved its crisis management, formulated crisis management plans on serious public health incidents and modified its crisis management plans on solvency deterioration and unusual policy surrender outbreak in accordance with the requirements of competent regulatory authorities; enhanced the risk identification capability of its functional departments and organized self-assessment of the risks within the group; and further boosted the setting up of its risk management teams and improved the expertise of its risk management staff.

In 2009, the Company focused its attention on insurance risk, market risk, credit risk, operational risk, asset and liability mismatching risk and solvency margin adequacy compliance risk.

(For details of the analysis on various risks, please refer to notes to the financial statements in the section XVII 'Appendix' of the annual report.)

Section IX Particulars on General Meetings

Particulars on General Meetings

I. Annual General Meetings

On 26 May 2009, the Company held the annual general meeting of 2008 in Dalian, at which the resolutions including the *Resolution in relation to the Report of the Board of Directors 2008 of China Pacific Insurance (Group) Co., Ltd.* were considered and approved (please see the announcement Lin No. 2009-015 published on the website of the Shanghai Stock Exchange and the website of the Company for more details).

II. Extraordinary General Meetings

(I) The 1st EGM in 2009

On 15 January 2009, the Company held the 1st extraordinary general meeting of 2009 in Suzhou, at which the *Resolution in relation to Change of the Auditor for 2008 Statutory Financial Statements of China Pacific Insurance (Group) Co., Ltd.* was considered and approved (please see the announcement Lin No. 2009-002 published on the website of the Shanghai Stock Exchange and the website of the Company for more details).

(II) The 2nd EGM in 2009

On 31 August 2009, the Company held the 2nd extraordinary general meeting of 2009 in Shanghai, at which the resolutions including the *Resolution in relation to Offering and Listing of H Share by China Pacific Insurance (Group) Co., Ltd.* were considered and approved (please see the announcement Lin No. 2009-028 published on the website of the Shanghai Stock Exchange and the website of the Company for more details).

The resolution in relation to the Listing of H shares of the Company was considered at the 2nd EGM in 2009

Section X Report of the Board of Directors

Report of the Board of Directors

1. Principal Businesses

We are a leading comprehensive insurance group in the PRC, providing, through our subsidiaries, a broad range of life and property and casualty insurance and pension products and services to individual and institutional customers throughout the country. We also manage and deploy our insurance funds through our subsidiary, CPIC Asset Management.

2. Major Customers

Our top five major customers accounted for approximately 0.5% of gross written premiums during the year.

3. Results and Appropriations

The net profits for the year 2009 included in the audited financial statements of parent company prepared in accordance with the PRC GAAP and HKFRS were RMB 3.892 billion and RMB 3.812 billion, respectively. According to the Articles of Association of the Company and other applicable regulations, the Company is required to set aside 10% of the net profit in the financial statements under the PRC GAAP as the statutory surplus reserves. Taking into account the unallocated profits brought forward from the previous year, the unallocated profits of the Company at the end of 2009 included in the financial statements prepared in accordance with the PRC GAAP and HKFRS were RMB 5.422 billion and RMB 5.355 billion, respectively.

According to the Articles of Association, the amount of profit available for distribution to shareholders shall be the lower of the amounts stated in the financial statements prepared under PRC GAAP and HKFRS. Therefore, the profit appropriation for 2009 is made based on the financial statements of the parent company prepared in accordance with HKFRS. The Company intends to declare a cash dividend of RMB 0.30 per share (including tax) for the year. Based on the total share capital of 8,600,000,000 shares, the amount of dividend in aggregate will be RMB 2.580 billion. The remaining portion of unallocated profit (include the gain arising from the changes in fair value of financial assets at fair value through profit or loss) will be carried forward to 2010.

No capital reserve was transferred to the share capital during the year.

The above profit appropriation proposal is subject to shareholders' approval at the general meeting.

The payments of dividend for the past three years are as follows:

unit: RMB million

Year for payment of dividend	Dividend paid in cash (before tax) (1)	Net profit attributable to the years for payment of dividend note (2)	Payout Ratio (%) (3)=(1)/(2)
2006	–	1,008	–
2007	2,310	6,893	33.5
2008	2,310	1,339	172.5

Note: Net profit attributable to the years for payment of dividend is disclosed as net profit attributable to equity holders of the parent and calculated in accordance with PRC GAAP before applying "Standard for accounting treatment for insurance contracts" issued by the Ministry of Finance.

4. Reserves

Details for reserves including distributable reserves are shown in note 37 to the financial statements.

5. Property and Equipment

Details for property and equipment are shown in note 17 to the financial statements.

6. Financial Summary

Summary of financial information is shown in Section III "Highlight of Accounting and Operation Data" of the annual report.

7. Use of Proceeds Raised from Listing

As approved by the documents Bao Jian Fa Gai No. [2009]1007 and Zheng Jian Xu Ke No. [2009]1217 issued by CIRC and CSRC, respectively, the Company issued overseas listed foreign shares, i.e. H shares, for public offering in December 2009, and raised net proceeds of RMB21.458 billion (including the proceeds from the over-allotment H shares). As disclosed in the prospectus, the entire proceeds raised have been used to strengthen our capital base for the purpose of continuing business expansion.

8. Share Capital and Sufficient Public Float

The changes in our share capital are shown in Section VI "Changes in the Share Capital and Shareholders' Profile" of the annual report.

Based on the information available for the public as at the latest practicable date prior to the printing of the annual report, the Company has sufficient public float, which is in consistent with the requirement under the Hong Kong Listing Rules to maintain a minimum public float and the waiver granted by the Hong Kong Stock Exchange upon our listing.

9. Post Balance Sheet Events

Post balance sheet event is shown in note 50 to the financial statements.

10. Connected Transactions

During the reporting period, the Company did not enter into any connected transactions or continuing connected transactions which require to comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A 'Connected Transactions' of the Hong Kong Listing Rules.

11. Bank Borrowings

The Company does not have bank borrowings except for callable subordinated bonds issued by CPIC Life and securities sold under agreement to repurchase.

12. Charitable and Other Donations

During the reporting period, the Company made charitable and other donations amounting to approximately RMB11 million in total.

13. Changes in Accounting Policies

In December 2009, the Ministry of Finance ("MOF") issued "Standard for accounting treatment for insurance contracts" (Cai Kuai [2009] No. 15) which applies to all insurance companies reporting under generally accepted accounting principles in the PRC for the year ending 31 December 2009. It specifies the requirements for policy unbundling, testing the significance of insurance risk and the measurement of insurance contract liabilities. It requires full retrospective application for those accounting treatments which are not consistent with such standards of relevant transactions in previous years unless it is not practicable to make retrospective application. Subsequently in January 2010, CIRC issued "Circular on Insurance Industry's Implementation of Interpretation No. 2 to New China Accounting Standards" (Bao Jian Fa [2010] No. 6) which provides additional implementation guidance to Cai Kuai [2009] No. 15.

In 2009, the Company changed the principal accounting policies for policy unbundling, testing the significance of insurance risk, and the measurement of acquisition costs and the measurement of insurance contract liabilities in the financial statements, as allowable under HKFRS, by referring to the principles of Cai Kuai [2009] No. 15, Bao Jian Fa [2010] No. 6 and the industry practice. The Company also applied retrospection where practicable. Such change would make the HKFRS financial statements more relevant to the economic decision making needs of users and no less reliable.

The impact of the aforesaid change in accounting policies on net assets attributable to equity holders of the parent company as at the beginning of 2009 and 2008 included in the consolidated financial statements is -10,717 million and -10,459 million, respectively. The impact of the aforesaid change in accounting policies on the net profit attributable to equity holders of the parent company for 2009 and 2008 included in the consolidated financial statements is 112 million and -517 million, respectively. There is no impact on the Company's net assets as at the beginning of 2009 and 2008.

14. Management Contracts

The Company did not enter into any management contracts in relation to all our businesses or principal businesses.

15. Directors, Supervisors and Senior Management

Biographies of existing directors, supervisors and senior management of the Company are shown in Section VII "Directors, Supervisors, Senior Management and Employees" of the annual report.

16. Directors' and Supervisors' Interests in Competing Businesses

None of our directors or supervisors has any interests in competing businesses which, directly or indirectly, compete with our businesses.

17. Directors' and Supervisors' Service Contracts and Remunerations

None of our directors or supervisors has entered into any service contracts with the Company or its subsidiaries which is not terminable within one year, or without any compensation other than statutory compensation.

Details for our directors' and supervisors' remunerations are shown in Section VII "Directors, Supervisors, Senior Management and Employees" of the annual report.

18. Special Committees of the Board of Directors

The board of directors of the Company established four special committees, namely the Strategic Committee, the Audit Committee, the Nominations and Remuneration Committee and the Risk Management Committee. See Section VIII "Corporate Governance Report" of the annual report for details of the special committees of the board of directors.

19. Directors' and Supervisors' Interests in Material Contracts

During the reporting period, none of our directors or supervisors has any personal interests in any of the material contracts to which the Company or any of its subsidiaries was a party.

20. Directors' and Supervisors' Rights to Subscribe for Shares

The Company did not grant to any directors, supervisors or their respective spouses or children under 18 years of age any rights to subscribe for or to acquire shares or bonds of the Company or its subsidiaries.

21. Directors' and Supervisors' Interests and Short Positions in Shares

As at 31 December 2009, none of the directors, supervisors or senior management of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions.

The directors' and the supervisors' shareholdings in A Shares are set out in Section VII "Directors, Supervisors, Senior Management and Employees".

22. Interests and Short Positions of Substantial Shareholders and Other Persons in the Shares and Underlying Shares

So far as the directors of the Company are aware, as at 31 December 2009, the following persons (excluding the directors and the supervisors of the Company) had an interest or short position in the shares or underlying shares of the Company which shall be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which, pursuant to Section 336 of the SFO, shall be entered in the register maintained by the Company:

Names of substantial shareholders	Capacity	Types of shares	Number of Shares	Percentage of shareholdings in the class of shares issued (%)	Percentage of the total shares issued (%)
Carlyle Offshore Partners II, Ltd.[1]	Beneficial owner	H shares	1,323,300,000 (L)	60.58	15.60
UBS AG	Beneficial owner and person having a security interest in shares	H shares	178,939,800 (L) 128,700,000 (S)	8.19 5.89	2.11 1.52
Credit Suisse Group AG[2]	Beneficial owner and interests jointly held with another person	H shares	147,048,400 (L) 147,048,400 (S)	6.73 6.73	1.73 1.73
The Goldman Sachs Group, Inc.[3]	Beneficial owner and interests jointly held with another person	H shares	131,958,100 (L) 128,700,000 (S)	6.04 5.89	1.56 1.52

(L) denotes long position and (S) denotes short position.

Notes:

1. *Pursuant to Part XV of the SFO, Carlyle Offshore Partners II, Ltd. is deemed or taken to be interested in 1,323,300,000 H shares of the Company. Among these shares, Carlyle Asia Ltd., TC Group Cayman Investment Holdings, L.P.,TCG Holdings Cayman II, L.P., Carlyle CPL Partners I, L.P., Parallel Investors Holdings Limited, Carlyle Asia Partners, L.P. and Carlyle Holdings Mauritius Limited, the subsidiaries controlled, directly or indirectly, by Carlyle Offshore Partners II, Ltd., are interested in 1,323,300,000, 1,323,300,000, 1,323,300,000, 1,043,896,502, 1,043,896,502, 279,403,498 and 279,403,498 H shares of the Company, respectively.*
2. *Pursuant to Part XV of the SFO, Credit Suisse Group AG is deemed or taken to be interested in 147,048,400 H shares of the Company. Among these shares, each of Credit Suisse (Hong Kong) Limited, Credit Suisse (International) Holding AG and Credit Suisse AG, the subsidiaries controlled, directly or indirectly, by Credit Suisse Group AG, is interested in 147,048,400 H shares of the Company. Credit Suisse Group AG holds a short position (as defined under Part XV of the SFO) in 147,048,400 H shares by way of attribution.*
3. *Pursuant to Part XV of the SFO, The Goldman Sachs Group, Inc. is deemed or taken to be interested in 131,958,100 H shares of the Company. Among these shares, Goldman Sachs (Asia) Corporate Holdings L.P., Goldman Sachs Holdings (Hong Kong) Limited, GS India Holdings (Delaware) L.L.C. and Goldman Sachs (Asia) L.L.C., the subsidiaries controlled, directly or indirectly, by the Goldman Sachs Group, Inc., are interested in 128,950,000, 128,950,000, 128,950,000 and 128,700,000 H shares, respectively. The Goldman Sachs Group, Inc. holds a short position (as defined under Part XV of the SFO) in128,700,000 H shares by way of attribution.*

Save as disclosed above, as at 31 December 2009, the Company was not aware that there was any other person (other than the directors or the President of the Company) who had interests or short positions in the shares or underlying shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered in the register maintained by the Company.

Particulars on the shareholdings by top ten shareholders of the Company are set out in Section VI "Changes in the Share Capital and Shareholders' Profile".

23. Purchase, Redemption or Sale of the Listed Securities of the Company

During the reporting period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

24. Pre-emptive Rights

According to the relevant PRC laws and under the Articles of Association, none of our shareholders have any pre-emptive rights, and the Company does not have any arrangement in respect of share options.

25. Establishment of Sound System for Management of External Users of the Company Information

In accordance with the Announcement in relation to Proper Preparation of 2009 Annual Report and Other Related Information of Listed Companies issued by CSRC and the rules on the management of information disclosure by the Company, in order to further regulate the management of the external information users of the Company, the Company issued the Notice on Proper Management of Information Disclosure during the Preparation Period of 2009 Annual Report, whereby the Company is required to comply with the provisions in relation to timing and contents of reporting when disclosing to the public its annual operation data lawfully, and to submit the reported documentation for information disclosure approval and filing in accordance with the aforesaid provisions.

26. Particulars on Performance of Duties by the Board of Directors

(I) Board Meetings and Resolutions

1. On 9 April 2009, the Company held the 8th session of the 5th board of directors in Hangzhou, at which the resolutions including the Resolution in Relation to the Report of the Board of Directors 2008 of China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-006 published on the websites of SSE and the Company for more details).

2. On 24 April 2009, the Company held the 9th session of the 5th board of directors in Shanghai, at which the resolutions including the Resolution in Relation to the 1st Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-011 published on the websites of SSE and the Company for more details).

3. On 16 July 2009, the Company held the 1st extraordinary meeting of 2009 of the 5th board of directors in Shanghai, at which the resolutions including the Resolution in Relation to Offering and Listing of H Share by China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-021 published on the websites of SSE and the Company for more details).

4. On 24 July 2009, the Company held the 2nd extraordinary meeting of 2009 of the 5th board of directors through written communication and voting, at which the Resolution in Relation to Necessary Revision to the Articles of Association of China Pacific Insurance (Group) Co., Ltd. (Amendment) was considered and approved (please see the announcement Lin No. 2009-023 published on the websites of SSE and the Company for more details).

5. On 27 August 2009, the Company held the 10th session of the 5th board of directors in Shanghai, at which the resolutions including the Resolution in Relation to the Interim Report 2009 and the Abstract of China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-026 published on the websites of SSE and the Company for more details).

6. On 30 October 2009, the Company held the 11th session of the 5th board of directors in Shanghai, at which the resolutions including the Resolution in Relation to the 3rd Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-034 published on the websites of SSE and the Company for more details).

7. On 30 November 2009, the Company held the 3rd extraordinary meeting of 2009 of the 5th board of directors in Shanghai, at which the resolutions including the Resolution in Relation to Confirmation and Approval of the Offering of H Share by China Pacific Insurance (Group) Co., Ltd. and the Issues Related to the Listing were considered and approved (please see the announcement Lin No. 2009-040 published on the websites of SSE and the Company for more details).

(II) Implementation of the Resolutions of the General Meeting by the Board of Directors

During the reporting period, all the directors of the Board of the Company conscientiously implemented the resolutions of the general meeting and accomplished all the tasks designated by the general meeting with due diligence in compliance with the relevant laws and regulations and the provisions under the Articles of Association.

(III) Report for Performance of Duties by the Audit Committee of the Board of Directors

In 2009, the Audit Committee held 8 meetings in total.

The Committee held two annual report discussion meetings on 20 January 2009 and 23 March 2009, respectively, at which the financial statements of the Company for the year ended 31 December 2008 were reviewed, and thorough communication with the external auditors was maintained during the process of preparation of the Annual Report.

The 1st meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 10 February 2009, at which internal audit arrangement for the year 2009, audit project plan for the year 2009, budget plan of the audit headquarters for the year 2009, Internal Audit Report 2008 and the Consolidated Internal Audit Report 2008 of the Company were considered.

The 2nd meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 23 March 2009, at which the Resolution in Relation to the Re-appointment of Ernst & Young Hua Ming Company Limited as the Auditor of the Company for 2009 and the Resolution in Relation to Self-Evaluation Report 2008 on the Internal Control of China Pacific Insurance (Group) Co., Ltd. were reviewed and approved to be submitted to the Board of Directors for consideration, and the report on evaluation of audit service quality, the report on review and supervision of internal control for 2008, and the verified comments on the Self-Evaluation Report on the Internal Control from the internal control verification auditors were also considered.

The 3rd meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 8 April 2009, at which the Resolution in Relation to the Report on the Final Accounting of China Pacific Insurance (Group) Co., Ltd. for 2008 and the Resolution in Relation to the Annual Report 2008 and the Abstract of China Pacific Insurance (Group) Co., Ltd. were reviewed and approved to be submitted to the Board of Directors for consideration.

The 4th meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 23 April 2009, at which the Resolution in Relation to the 1st Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. was reviewed and approved to be submitted to the Board of Directors for consideration.

The 5th meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 26 August 2009, at which the Resolution in Relation to the Interim Report 2009 and the Abstract of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Change of Working Rules of the Audit Committee of the Board of Directors of China Pacific Insurance (Group) Co., Ltd. and the Resolution in Relation to the Interim Self-Evaluation Report 2009 on the Internal Control of China Pacific Insurance (Group) Co., Ltd. were reviewed and approved to be submitted to the Board of Directors for consideration, and the Interim Review 2009 on Internal Audit, the Interim Consolidated Report 2009 on Internal Audit, the Interim Report 2009 on Review and Supervision of Internal Control, and the Interim Audit Review 2009 and annual audit arrangement for the year 2009 were also considered.

The 6th meeting of 2009 of the Audit Committee of the 5th Board of Directors was held on 28 October 2009, at which the Resolution in Relation to the 3rd Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. was reviewed and approved to be submitted to the Board of Directors for consideration, and the Consolidated 3rd Quarter Report 2009 on Internal Audit and the 3rd Quarter Review 2009 on Internal Audit were also considered.

The Audit Committee monitored the internal control of the Company closely and received the updates on audit issues from the internal audit department periodically to be informed in a timely manner of any significant issues encountered in the daily operation of the Company.

The Audit Committee discussed with the external auditors and formulated an auditing schedule on the financial statements of the Company for the year in accordance with the requirements on the preparation of the annual report of the Company. It held a meeting to review the financial statements prepared by the Company and issued a written opinion thereon prior to the carrying out of the audit by the external auditors, and maintained adequate and timely communication with the external auditors. The Audit Committee held a meeting to review again the financial statements of the Company after receipt of the external auditors' preliminary audit opinions, and issued the written opinion thereon. At the 3rd meeting of 2009 of the Audit Committee, a resolution on submission of the annual report of the Company to the board of directors for approval was passed.

The Audit Committee reviewed the performance of the external auditors during the process of annual report auditing, made an objective evaluation to the independence and objectivity of the external auditors, and submitted an overview report of audit work carried out by the external auditors for this year to the board of directors. The Audit Committee was satisfied with the overall performance of the external auditors and resolved at the 3rd meeting of 2009 of the Audit Committee to submit a resolution of re-appointment of the external auditors to the board of directors for consideration.

(IV) Report for Performance of Duties by the Nominations and Remuneration Committee of the Board of Directors

In 2009, the Nominations and Remuneration Committee held 5 meetings in total.

The 1st meeting of 2009 of the Nominations and Remuneration Committee of the 5th board of directors was held on 11 February 2009, at which the Implementation Rules of the Deferred Bonus Scheme of China Pacific Insurance (Group) Co., Ltd. were reviewed, and the performance appraisal for the year 2008 and the preliminary plan for performance appraisal for the year 2009 were also discussed.

The 2nd meeting of 2009 of the Nominations and Remuneration Committee of the 5th board of directors was held on 8 April 2009, at which the Resolution in Relation to the Performance Appraisal Results for the Year 2008 of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Performance Appraisal Plan of the Senior Management for the Year 2009 of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Appointment of Chief Financial Officer of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Appointment of Chief Information Technology Officer of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Removal of Mr. YANG Wen Binn as Chief Investment Officer of China Pacific Insurance (Group) Co., Ltd., the Resolution in Relation to the Nomination of Mr. XU Hulie as a Director Candidate of China Pacific Insurance (Group) Co., Ltd. were reviewed and approved to be submitted to the board of directors for consideration.

The 3rd meeting of 2009 of the Nominations and Remuneration Committee of the 5th board of directors was held on 23 April 2009, at which the Resolution in Relation to the Changes in Members of the Nominations and Remuneration Committee of the 5th Board of Directors of China Pacific Insurance (Group) Co., Ltd. was reviewed and approved to be submitted to the board of directors for consideration.

The 4th meeting of 2009 of the Nominations and Remuneration Committee of the 5th board of directors was held on 20 August 2009, at which the Resolution in Relation to the Election of Mr. XU Hulie as a Member of the Risk Management Committee of the 5th Board of Directors of China Pacific Insurance (Group) Co., Ltd. was reviewed and approved to be submitted to the board of directors for consideration.

The 5th meeting of 2009 of the Nominations and Remuneration Committee of the 5th board of directors was held on 28 October 2009, at which the Resolution in Relation to the Nomination of Mr. WANG Chengran as a Director Candidate of China Pacific Insurance (Group) Co., Ltd. was reviewed and approved to be submitted to the board of directors for consideration.

Section XI Report of the Board of Supervisors

Report of the Board of Supervisors

I. Particulars on Performance of Duties by the Board of Supervisors

(I) The meetings of the Board of Supervisors were held in a timely manner to perform supervisory duties

1. On 9 April 2009, the 5th session of the 5th Board of Supervisors was held in Hangzhou, at which the resolutions including the Resolution in Relation to the Report of the Board of Supervisors 2008 of China Pacific Insurance (Group) Co., Ltd. were considered and approved (please see the announcement Lin No. 2009-007 published on the websites of SSE and the Company for more details).

2. On 24 April 2009, the 6th session of the 5th Board of Supervisors was held in Shanghai, at which the Resolution in Relation to the 1st Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. was considered and approved (please see the announcement Lin No. 2009-012 published on the websites of SSE and the Company for more details).

3. On 27 August 2009, the 7th session of the 5th Board of Supervisors was held in Shanghai, at which the Resolution in Relation to the Interim Report 2009 and the Abstract of China Pacific Insurance (Group) Co., Ltd. was considered and approved (please see the announcement Lin No. 2009-027 published on the websites of SSE and the Company for more details).

4. On 30 October 2009, the 8th session of the 5th Board of Supervisors was held through written communication and voting, at which the Resolution in Relation to the 3rd Quarter Report 2009 of China Pacific Insurance (Group) Co., Ltd. was considered and approved (please see the announcement Lin No. 2009-035 published on the websites of SSE and the Company for more details).

(II) Performance of supervisory duties through various means

In 2009, members of the Board of Supervisors attended all directors' meetings held in the year and gave opinions on relevant issues, considered due diligence report of directors, and reinforced the supervision of and evaluation on the performance of duties by the Board of Directors and the directors. The supervisors also attended the meetings held by the Operation and Management Committee with a view to getting updated with the Company's operations. The Board of Supervisors fully functioned in corporate governance by effectively supervising the relevant decision-making processes and performance of the duties by the Board of Directors and the management through various means.

(III) Performance of duties of financial supervision with focus on key issues

In 2009, the Board of Supervisors conscientiously performed their duties of financial supervision through due consideration of, among other things, annual final accounting plans and profit distribution plan of the Company with focus on such issues as significant income and expenses, accounting items that would have significant effect on the operation results and any other matters that would have significant effect on owners' equity.

(IV) Reinforcement of internal auditing guidance and effective inspections

The Board of Supervisors further reinforced its guidance on internal auditing of the Company, regularly considered briefings from the Chief Auditor, and made requirements and recommendation on the improvement of auditing issues rectification, strengthening the audit of funds utilization and improvement of audit result utilization. Furthermore, the inspections conducted by the supervisors and the examinations conducted by the internal audit department were integrated effectively to enable the supervisors to further understand the management and risk control of branches through planned and target-oriented inspections and examinations, which enabled the supervisors to fully perform their duties of risk supervision. The Board of Supervisors organized visits to the Shaanxi branches of CPIC Life and CPIC Property and the Qinghai branches of CPIC Property in the 2nd half of 2009, and made advices and recommendations in form of a specific inspection report on the issues identified in the visits and suggestions for improvement to the Board of Directors and the management.

(V) Improvement of its performance of duties through self enhancement

In 2009, the Board of Supervisors revised the Rules of Procedures for the Board of Supervisors of China Pacific Insurance (Group) Co., Ltd. to further clarify the organization structure and responsibilities of the Board of Supervisors, specify the ways of organizing meetings, and the reporting and meeting procedures of the Board of Supervisors with reference to the status quo and regulatory requirement. The board also further implemented strict procedures and standard operation of the Board of Supervisors while dedicated to duly exercise its supervisory functions. The Company established a briefing system to the supervisors, through which information is regularly and systematically submitted to the supervisors by the Company to safeguard the right-to-know of the Board of Supervisors. Furthermore, the system also serves as a communication platform between the Board of Supervisors and the Board of Directors and the management, on which the review of and feedbacks from the Board of Supervisors can be sent to the Board of Directors and the management in a timely manner.

II. Independent Opinions of the Board of Supervisors on the Following Issues

(I) Compliant operation of the Company

The Board of Supervisors is of the opinion that during the reporting period, the Company's business was operated legally with operation activities being compliant with the applicable provisions of the Company Law and the Articles of Association. The structure of its corporate governance was further improved. The decision-making procedures of the Board of Directors and the management were legal and valid, and the directors and senior management were faithful and diligent in the process of the operation and management of the Company. No conducts which breached any laws or regulations or harmed the interests of shareholders were found.

(II) Truthfulness of the financial statements

The financial statements of the Company for the year 2009 were audited, based on their respective independent standards of audit, by Ernst & Young Hua Ming Company Limited and Ernst & Young respectively who issued the standard unqualified audit reports. The financial statements gave a true and fair view of the Company's financial positions and operation results.

(III) Use of proceeds from listing

As approved by the documents Bao Jian Fa Gai No. [2009]1007 and Zheng Jian Xu Ke No. [2009]1217 issued by CIRC and CSRC respectively, the Company issued overseas listed foreign shares (H shares) for public offering on December 2009, and raised net proceeds of RMB21.458 billion (including the proceeds from the over-allotment H shares).

The Board of Supervisors considers that according to the information disclosed by the Board of Directors and the management, during the reporting period, the proceeds were used by the Company to increase the capital base to support sustainable business development, which was consistent with the use as undertaken by the Company in its prospectus.

(IV) Acquisition and disposal of assets

During the reporting period, the assets acquisition of the Company was made in compliance with applicable laws and regulations and the provisions of the Articles of Association, and no conducts which breached any laws or regulations were found.

During the reporting period, the Company has no significant disposal of assets.

(V) Connected transactions

According to the auditors' reports issued by Ernst & Young Hua Ming Company Limited and Ernst & Young respectively, insurance businesses with connected parties during the reporting period were of insignificant volume and based on normal market terms.

(VI) Internal control system

During the reporting period, the Company established a relatively complete, reasonable and effective internal control system.

(VII) Implementation of the general meeting resolutions

During the reporting period, the Board of Supervisors raised no objections on all reports and resolutions submitted for consideration by the Board of Directors at the general meetings and supervised the implementation of the general meeting resolutions. The Board of Supervisors considered the Board of Directors to be able to conscientiously implement the relevant resolutions approved at the general meetings.

Section XII Corporate Social Responsibility

Corporate Social Responsibility

The Company frames the concept of social responsibility in our core corporate value, and incorporates social responsibility philosophy into our corporate culture and building of its own brands. With this regard, it primarily established three main internal systems of strategy, implementation and communication in relation to social responsibility.

The Company closely links the focus of social responsibility strategy with what the key stakeholders are concerned, and highlights the social management function of the insurance industry, the integrity and soundness of the operation of CPIC and our image of "commit with heart, care with love" ("用心承諾、用愛負責") during the fulfillment of our social responsibility.

With the implementation of the newly amended *Insurance Law*, the Company actively takes steps to further strengthen the management of the operation of our divisions including marketing, underwriting, claim settlement and client services, optimize our service channels and networks, enhance business training and upgrade service standard. It also established a multiple supervisory and complaining system to ensure the protection of clients' interests.

The Company signed collective contracts with its staff to provide them with reasonable compensation and benefits and career opportunities. It also promotes a positive working environment by cultivating a corporate culture of consistently pursuing for excellence.

The Company launched a campaign named "To Be A Responsible Employee" within the whole group, under which a series of activities were held to promote the concept of "responsible for the Company, for clients and for shareholders" among our staff, and effectively improved the culture of responsibility within the Company.

The Company has actively developed insurance products for social benefits such as "Lao Lai Fu" ("老來福") insurance plan, good birth insurance, "Xiao E Bao" ("小額寶") microinsurance for rural areas, comprehensive community insurance and comprehensive insurance for migrant workers in response to the government policies and the social needs.

In September 2009, CPIC launched the charity program of "Responsibility Shines the Future" in Yunnan and Jiangxi

The Company is concerned with education and culture, actively participates in charity events and supports the development of the communities where it operates. In 2009, the Company participated in a number of charity programs and events for the Hope Project, children welfare, giving relief to disaster stricken areas and caring for the community including "Responsibility Shines the Future (責任照亮未來)", "Hands in Hands for Children Welfare Houses in Shanghai and Sichuan (牽手兒福院，兩地心連心)" and "Passing on True Love (真愛在傳遞)". In addition, we also have a number of role models of responsible employees including Lin Pin who voluntarily donated her liver for life saving.

In 2009, the Company proactively introduced various green office measures and effectively optimize the utilization of energy and resources. Following the launch of the electronic policy enquiry system and the activating function of insurance cards through SMS, telephone and internet, the Company sent 43.86 million messages in total in 2009, which effectively reduced the consumption of resources for the provision of our services.

The Company set up a low-carbon economy business team to explore low carbon business opportunities and to proactively invest in construction projects of clean energies including hydropower.

Also in 2009, the Company organised our employees to participate in a number of environment protection activities including the "Earth Hour" and international beach clean up day, significantly raising the environment protection awareness of our employees.

Section XIII Significant Events

Significant Events

I. Material Litigations and Arbitrations

There was no litigation or arbitration of material importance to the Company during the reporting period.

II. Acquisition of Assets

The Company issued the *Announcement on the Investment of its Controlled Subsidiary and Connected Transactions* on 4 May 2009 to announce that CPIC Life, its controlled subsidiary, intended to acquire 113,500,000 shares in Changjiang Pension held by Shanghai International Group Corporation Ltd. at the consideration of RMB170,250,000, and would subscribe for 218,609,889 new placed shares in Changjiang Pension at the consideration of RMB327,914,833.50. Upon the completion of these transactions, the Company will indirectly hold 51.753% of interests in Changjiang Pension. The Company issued the *Announcement on Approval of the Investment of its Controlled Subsidiaries* on 29 December 2009 to announce that the share transfer and capital increase mentioned above were approved by CIRC in accordance with the documents Bao Jian Fa Gai No. [2009]1102 and Bao Jian Fa Gai No. [2009]1344 issued by CIRC.

III. Significant Connected Transactions during the Reporting Period

During the reporting period, there was no significant connected transaction entered into by the Company.

IV. Custody

During the reporting period, the Company did not have any custody arrangement which was required to be disclosed.

V. Contracting

During the reporting period, the Company did not have any contracting arrangement which was required to be disclosed.

VI. Lease

During the reporting period, the Company did not have any lease which was required to be disclosed.

VII. Guarantee

During the reporting period, the Company did not have any guarantee which was required to be disclosed.

VIII. Entrusted Wealth Management

During the reporting period, the Company did not have any entrusted wealth management arrangement which was required to be disclosed.

IX. Appointment of the Accountant

In the reporting period, the Company appointed Ernst & Young Hua Ming and Ernst & Young as our auditors.

An annual remuneration of RMB12.58 million was paid to Ernst & Young Hua Ming and Ernst & Young for their provision of audit services for 2009.

X. Penalty on and Rectification on Listed Companies and Their Directors, Supervisors and Senior Management

During the reporting period, neither the Company nor its Directors, Supervisors and senior management were subject to any investigation, administrative penalty or official censure by CSRC, or public reprimand by any stock exchange.

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

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

As at the end of the reporting period, no shares, warrants and convertible bonds was included in financial assets at fair value through profit or loss. The gain from the disposal of the above investment during the reporting period amounted to RMB25.02 million.

2. Investment in securities (included in available-for-sale financial assets)

Unit: RMB million

No.	Stock Codes	Abbreviated stock names	Amount of initial investment	Percentage of shareholding in the company	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholding during the reporting period	Source of shares
1	SS600000	SPD Bank	2,059	1.36%	2,598	39	539	Purchase from the market
2	SS601668	China State Construction	1,280	0.96%	1,355	163	75	Purchase from the market
3	SS601628	China Life	769	0.10%	844	12	75	Purchase from the market
	HK2628		40		42	11	2	Purchase from the market
4	SS601989	CSIC	584	1.19%	618	-	34	Purchase from the market
5	SS600694	Dashang Holdings	489	4.59%	591	29	102	Purchase from the market
6	SS600900	China Yangtze Power	566	0.37%	537	21	(45)	Purchase from the market

Unit: RMB million

No.	Stock Codes	Abbreviated stock names	Amount of initial investment	Percentage of shareholding in the company	Carrying amount at the end of the period	Profit or loss in the reporting period	Changes in shareholding during the reporting period	Source of shares
7	SS601398	ICBC	247	0.02%	277	229	29	Purchase from the market
	HK1398		134		133	19	(1)	Purchase from the market
8	SS600875	Dongfang Electric	369	0.89%	395	5	26	Purchase from the market
	HK1072		4		4	–	–	Purchase from the market
9	SS601939	CCB	259	0.03%	288	424	29	Purchase from the market
	HK0939		111		110	30	(2)	Purchase from the market
10	SS601299	China CNR	358	0.78%	395	–	37	Purchase from the market

Notes:

1. *The above table reflected the shareholding of the Company in other listed companies, which is included in available-for-sale financial assets.*
2. *Profit or loss in the reporting period represents the dividend payment of the investment during the reporting period.*
3. *Percentage of shareholding in the company is calculated based on the investment of total number of shares denominated in different currencies.*

3. Shareholdings in Non-listed Financial Institutions

Unit: RMB million

Name of institution	Amount of initial investment	Number of shares held (share)	Percentage of shareholding in the company	Carrying amount at the end of the period	Profit or loss in the reporting period	Change in shareholding during the reporting period	Accounting item	Source of shares
Bank of Hangzhou	1,300	100,000,000	5.98%	1,300	–	–	Available-for-sale financial assets	Private placement

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

4. Trading of the Shares in Other Listed Companies

Unit: RMB million

Purchase/ Sell	Stock Names	Number of shares held at the beginning of the reporting period (share)	Number of shares purchase/sell during the reporting period (share)	Number of shares held at the end of the reporting period (share)	The amount paid	Investment returns
Purchase	N/A	N/A	7,377,365,506	N/A	88,157	N/A
Sell	N/A	N/A	6,200,679,387	N/A	N/A	4,624

Note: Due to the nature of the business, the trading volume of securities is relative large. The overall transactions have been presented in the above table.

Section XIV Financial Report

Financial Report

Ernst & Young audited the annual financial report of the Company and issued a standard unqualified audit opinion. Please refer to the audited financial report as set out in Section XVII Appendix for details.

Section XV Embedded Value

Embedded Value

INDEPENDENT ACTUARIES REVIEW OPINION REPORT ON EMBEDDED VALUE

To The Directors China Pacific Insurance (Group) Company Limited

Towers Perrin (Shenzhen) Consulting Co. Ltd, trading as Towers Watson, ("Towers Watson" or "we") has been engaged by China Pacific Insurance (Group) Company Limited ("CPIC Group") to review the embedded value information of CPIC Group as at 31 December 2009.

This review opinion is addressed solely to CPIC Group in accordance with the terms of our engagement letter, and sets out the scope of our work and our conclusions. To the fullest extent permitted by applicable law, we do not accept or assume any responsibility, duty of care or liability to anyone other than CPIC Group for or in connection with our review work, the opinions we have formed, or for any statement set forth in this report.

Scope of work

Towers Watson's scope of work comprised:

- a review of the methodology used to develop the embedded value of CPIC Group and value of one year's sales of China Pacific Life Insurance Co. Ltd. ("CPIC Life") as at 31 December 2009, in the light of the requirements of the "Life Insurance Embedded Value Reporting Guidelines" issued by the China Insurance Regulatory Commission ("CIRC") in September 2005;
- a review of the economic and operating assumptions used to develop CPIC Group's embedded value and value of one year's sales of CPIC Life as at 31 December 2009;
- a review of the results of CPIC Group's calculation of the value of in-force business and value of one year's sales of CPIC Life, the results of the analysis of movement of embedded value of CPIC Group, and the sensitivity results of the value of in-force business and value of one year's sales of CPIC Life.

Opinion

As a result of our review of the embedded value of CPIC Group and value of one year's sales of CPIC Life as at 31 December 2009 prepared by CPIC Group, Towers Watson has concluded that:

- The methodology used is consistent with the traditional deterministic discounted cash flow approach, and is consistent with the requirements of "Life Insurance Embedded Value Reporting Guidelines" issued by the CIRC;
- The operating assumptions have been set with appropriate regard to past, current and expected future experience;
- The economic assumptions have been set with regard to current market information.

Towers Watson has performed reasonableness checks and analysis of CPIC Group's embedded value and value of one year's sales of CPIC Life as at 31 December 2009, and Towers Watson has concluded that these results have been determined in a manner consistent with the methodology and assumptions described in the Embedded Value Section of this annual report and that the aggregate results are reasonable in this context.

Towers Watson confirms that the results shown in the Embedded Value section of CPIC Group's annual report are consistent with those reviewed by Towers Watson.

In carrying out our review we have relied on the accuracy of audited and unaudited data and information provided by CPIC Group.

For and on behalf of Towers Watson

Adrian Liu, FIAA, FCAA
16 April 2010

2009 Embedded Value Report of CPIC Group

I. Background

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed information relating to our group embedded value in this section. In accordance with the disclosure rules set by the China Securities Regulatory Commission ("CSRC") for publicly listed insurer and the embedded value guidelines issued by China Insurance Regulatory Commission ("CIRC"), we have prepared CPIC Group Embedded Value as at 31 December 2009. We have engaged Towers Watson, an independent firm of consultants, to review the reasonableness of the valuation methodology, the valuation assumptions as well as the valuation results, and to issue their independent embedded value review report, which is contained in our annual report.

The Group Embedded Value is defined as the sum of the Group Adjusted Net Worth determined on the PRC statutory basis, and the value of in force business of CPIC Life attributable to the shareholders of CPIC Group. The value of in force business and the value of one year's sales of CPIC Life are defined as the discounted value of the projected stream of future after-tax distributable profits for existing business in force at the valuation date and for one year's sales in the 12 months immediately preceding the valuation date, where distributable profits are determined based on PRC statutory reserves and solvency margins at the required regulatory minimum level. Embedded value does not allow for any value attributable to future new business sales.

The value of in force business and the value of one year's sales of CPIC Life are determined by using a traditional deterministic discounted cash flow methodology. This methodology makes implicit allowance for the cost of investment guarantees and policyholder options, asset/liability mismatch risk, credit risk and the economic cost of capital through the use of a risk-adjusted discount rate. This methodology is consistent with the embedded value guidelines issued by the CIRC and is also a common methodology used by life insurance companies in China at the current time.

The embedded value and the value of one year's sales provide valuable information to investors in two aspects. First, the value of in force business of CPIC Life represents the total amount of after-tax distributable earnings in present value terms, which can be expected to emerge over time, in accordance with the assumptions used. Second, the value of one year's sales of CPIC Life provides an indication of the value created for investors by current new business activity and hence the potential value of the business. However, the information on embedded value and the value of one year's sales should not be viewed as a substitute of other financial measures on the Company. Investors should not make investment decisions based solely on embedded value and the value of one year's sales information.

The embedded value is an estimation of a component of an insurance company's economic value using actuarial techniques, based on a series of assumptions. As there is uncertainty in selecting assumptions, estimates of embedded value could vary materially as key assumptions are changed, and future actual experience would differ from assumed experience. Therefore, special care is advised when interpreting embedded value results.

II. Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2009, and the value of one year's sales of CPIC Life in the 12 month to 31 December 2009 at risk discount rate of 11.5%.

Unit: RMB Million

Valuation date	31 December 2009	31 December 2008
Group Adjusted Net Worth	**72,368**	**51,876**
Adjusted Net Worth of CPIC Life	**24,150**	**24,352**
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,505)	(2,251)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	36,476	27,109
Cost of Solvency Margin Held for CPIC Life	(7,516)	(6,441)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	26,454	18,417
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	**26,003**	**18,103**
Group Embedded Value	**98,371**	**69,978**
Life Embedded Value	**50,605**	**42,769**
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	6,218	4,740
Cost of Solvency Margin	(1,219)	(1,089)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	**5,000**	**3,651**

Note that figures may not be additive due to rounding

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

III. Key Valuation Assumptions

In determining the embedded value as at 31 December 2009, we have assumed the Company continues to operate on a going concern basis under the current economic and regulatory environment, and that the current method for determining statutory policy reserves and statutory minimum solvency margin levels remain unchanged. The various operational assumptions are mainly based on the results of experience analyses, together with reference to the overall experience of the Chinese insurance industry, as well as with regard to expected future operating experience. As such, these assumptions represent our best estimate of the future based on information currently available.

The following describes the key assumptions used in determining the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2009:

1. Risk Discount Rate

The risk discount rate used to determine the value of in force business and the value of one year's sales of CPIC Life is 11.5%.

2. Investment Returns

The investment returns for long term business are assumed to increase from 4.75% in 2010 to 5.2% in 2014, and remaining at 5.2% thereafter. The investment return for short term business is based on the 2009 one-year bank deposit interest rate as published by the People's Bank of China.

These assumptions have been derived based on the current capital market environment, our current and expected future asset mix and the assumed investment returns for each major class of assets.

3. Mortality

Mortality assumptions are expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000–2003)":

- Life Products: 80% of China Life Table (2000–2003) for non-annuitants, with selection factors of 50% in policy year 1, 25% in policy year 2 and ultimate rates applicable thereafter;
- Deferred annuity products: 90% of China Life Table (2000 to 2003) for annuitants, together with an allowance for future mortality improvements.

4. Morbidity

Assumptions have been developed based on CPIC Life's past morbidity experience, expectations of current and future experience, and vary by products. Claim ratios for short term accident and short term health business are assumed to be in the region of 20% to 75%.

5. Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's past lapse and surrender experience, expectation of current and future experience, and assumptions vary by pricing interest rates, product type, policy duration and distribution channel.

6. Expense

Unit cost assumptions have been developed based on the results of an analysis of CPIC Life's 2009 non-commission related expenses. Future inflation of 2.5% pa in respect of per policy expenses is also assumed.

7. Policyholder Dividend

- Individual participating business: 70 % of interest and mortality surplus;
- Group participating annuity business: 80 % of interest surplus; and
- Bancassurance participating business: 70 % of interest and mortality surplus

8. Tax

Tax has been assumed to be payable at 25% of profits. The investment income assumed to be exempt from income tax is 10.5% in 2010, and rising to 14% in 2014 and remain level thereafter. The tax exemption assumptions are based on our current and expected future asset mix and assumed investment returns for each major class of assets.

In addition, a 5.5% business tax has been applied to gross premium of the short term accident business.

IV. Analysis of Change in Embedded Value

The following table shows the change in the Group Embedded Value from 31 December 2008 to 31 December 2009.

Unit: RMB Million

No.	Item	Value	Comments
1	**Embedded Value of the life business at 31 December 2008**	**42,769**	
2	Expected Return on Embedded value	4,286	Expected returns on the 2008 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2009
3	Value of one year's sales	5,000	Value of one year's sale in respect of new business written in the 12 months prior to 31 December 2009
4	Investment Experience Variance	3,038	Reflects the difference between actual and assumed investment return in 2009
5	Operating Experience Variance	4	Reflects the difference between actual and assumed operating experience in 2009
6	Change in methodology, assumptions and models	458	Reflects assumption changes in 2009, together with model enhancements.
7	Change of risk discount rate	965	Reflects the impact of the change of risk discount rate from 12.0% to 11.5%
8	Change in market value adjustment	(3,264)	Reflects the change in value of assets not valued on a market value basis
9	Others	409	Change from other variances
10	Shareholder Dividends	(3,060)	Shareholder dividends distributed to shareholders of CPIC Life
11	**Embedded Value of the life business at 31 December 2009**	**50,605**	Increased by 18.3% relative to 31 December 2008
12	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2008**	**28,064**	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	**23,845**	Including proceeds of RMB18,653 million from H-share listing in Hong Kong in December 2009
14	Shareholder dividends	(2,310)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	(395)	
16	**Adjusted net worth of businesses other than CPIC Life as at 31 December 2009**	**49,204**	
17	Minority interests relating to equity and market value adjustments	(1,438)	Minority interests on Embedded Value as at 31 December 2009
18	**Group Embedded Value as at 31 December 2009**	**98,371**	
19	**Embedded Value as at 31 December 2009 per share(RMB)**	**11.60**	

Note that figures may not be additive due to rounding.

V. Sensitivity Analysis

In consideration of the uncertainties as to future experience, we have evaluated the sensitivity of the value of in force business and the value of one year's sales of CPIC Life as at 31 December 2009 to changes in key assumptions. In determining the sensitivity results, only the relevant assumption has been changed, while all other assumptions have been left unchanged.

Alternative sensitivity scenarios are shown for the following:

- Risk Discount Rate:11% and 12%;
- Investment Return: Investment returns 25 basis points higher;
- Investment Return: Investment returns 25 basis points lower;
- Mortality: Ultimate mortality rates 10% lower;
- Morbidity:10% lower;
- Lapse and surrender rates: 10% lower;
- Expenses: 10% lower;
- Participating Policyholder Dividends: 5 percentage points higher;
- Short Term Business Claim Ratios: 10% lower;
- Solvency Margin: 150% of the statutory minimum solvency margin

The following table shows the sensitivity results of the value of in force business and the value of one year's sales after cost of solvency margin held.

Unit: RMB Million

	Value of In Force Business After Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held
Base	**26,454**	**5,000**
Discount Rate "11%"	27,762	5,306
Discount Rate "12%"	25,225	4,714
Investment Return "+25 basis points"	29,446	5,305
Investment Return "-25 basis points"	23,465	4,697
Mortality "-10%"	26,581	5,020
Morbidity "-10%"	26,614	5,037
Lapse and Surrender Rates "-10%"	26,552	5,027
Expenses "-10%"	27,053	5,401
Participating "+5% Distribution"	25,827	4,655
Short Term Claim Ratio "-10 %"	26,505	5,066
150% Solvency Margin	22,696	4,390

Note that figures may not be additive due to rounding.

Section XVI Documents Available for Inspection

Documents Available for Inspection

1. The original copy of the annual report under the seal of the Company and signed by the Chairman

2. The original copy of the signed audit report and audited financial report from the accountant's firm

3. The original copies of all publicly disclosed announcements and documents of the Company during the reporting period

Chairman
The Board of China Pacific Insurance (Group) Co., Ltd.
16 April 2010

Section XVII Appendix

Appendix

The audited financial report dated 31 December 2009

Audited Financial Statements

31 December 2009

Ernst & Young 安永
Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

香港中環金融街8號
國際金融中心2期18樓

電話: +852 2846 9888
傳真: +852 2868 4432

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 3 to 111 which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG
安永

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong
16 April 2010

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2009

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

Group	Notes	2009	2008 (Restated)
Gross written premiums	6(a)	96,342	75,752
Less: Premiums ceded to reinsurers	6(b)	(9,791)	(8,435)
Net written premiums	6	86,551	67,317
Net change in unearned premium reserves		(2,424)	(1,064)
Net premiums earned		84,127	66,253
Investment income	7	19,316	8,110
Other operating income		746	1,904
Other income		20,062	10,014
Total income		104,189	76,267
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	8	(16,089)	(18,413)
Claims incurred	8	(15,827)	(14,004)
Changes in long-term life insurance contract liabilities	8	(37,058)	(19,417)
Policyholder dividends	8	(2,053)	(2,569)
Finance costs	9	(396)	(532)
Interest credited to investment contracts		(1,870)	(2,064)
Other operating and administrative expenses		(21,475)	(17,951)
Total benefits, claims and expenses		(94,768)	(74,950)
Share of profits of:			
A jointly-controlled entity	23	82	-
An associate		3	-
Profit before tax	10	9,506	1,317
Income tax	14	(2,033)	1,350
Net profit for the year		7,473	2,667
Attributable to:			
Equity holders of the parent		7,356	2,569
Minority interests		117	98
		7,473	2,667
Basic earnings per share	15	RMB0.95	RMB0.33
Diluted earnings per share	15	RMB0.95	Not applicable

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2009	2008 (Restated)
Net profit for the year		7,473	2,667
Other comprehensive income			
Exchange differences on translation of foreign operations		(2)	(6)
Available-for-sale financial assets		3,115	(17,802)
Income tax relating to components of other comprehensive income/(loss)		(780)	4,443
Other comprehensive income/(loss) for the year	16	2,333	(13,365)
Total comprehensive income/(loss) for the year		9,806	(10,698)
Attributable to:			
Equity holders of the parent		9,645	(10,508)
Minority interests		161	(190)
		9,806	(10,698)

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED BALANCE SHEET
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
ASSETS				
Property and equipment	17	8,145	6,596	4,546
Goodwill	19	149	-	-
Other intangible assets	20	376	365	249
Prepaid land lease payments	21	208	213	217
Investment in a jointly-controlled entity	23	464	389	362
Financial assets at fair value through profit or loss	24	333	1,166	2,463
Held-to-maturity financial assets	25	104,618	70,980	58,120
Available-for-sale financial assets	26	118,475	96,142	121,867
Investments classified as loans and receivables	27	22,199	16,532	13,923
Securities purchased under agreements to resell	28	115	60	5,500
Term deposits	29	86,371	82,756	59,262
Restricted statutory deposits		1,968	1,838	998
Policy loans		1,352	698	442
Interest receivable	30	6,679	4,979	3,393
Reinsurance assets	31	9,147	7,780	6,737
Deferred income tax assets	32	839	2,672	5
Income tax receivable		-	508	408
Insurance receivables	33	3,864	4,303	3,711
Other assets	34	1,762	2,407	1,384
Cash and short-term time deposits	35	30,123	17,513	23,622
Total assets		397,187	317,897	307,209

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED BALANCE SHEET (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group	**Notes**	**31 December 2009**	**31 December 2008** (Restated)	**1 January 2008** (Restated)
EQUITY AND LIABILITIES				
Equity				
Issued capital	36	8,483	7,700	7,700
Reserves	37	58,616	38,040	51,056
Retained profits	37	7,552	2,898	2,729
Equity attributable to equity holders of the parent		74,651	48,638	61,485
Minority interests		1,022	482	478
Total equity		75,673	49,120	61,963
Liabilities				
Insurance contract liabilities	38	236,152	194,239	173,591
Investment contract liabilities	39	52,090	50,339	36,087
Policyholders' deposits		89	576	6,913
Subordinated debt	40	2,263	2,188	2,113
Securities sold under agreements to repurchase	41	9,800	7,020	11,788
Deferred income tax liabilities	32	195	29	3,155
Income tax payable		272	8	64
Premium received in advance		4,269	2,788	2,149
Policyholder dividend payable		5,113	4,121	2,779
Payables to reinsurers		2,208	2,213	1,607
Other liabilities	42	9,063	5,256	5,000
Total liabilities		321,514	268,777	245,246
Total equity and liabilities		397,187	317,897	307,209

Gao Guofu
Director

Huo Lianhong
Director

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group	For the year ended 31 December 2009								
	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 2009									
As previously reported	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026
Changes in accounting policies (note 2.3)	-	(223)	21	-	(22)	(10,493)	(10,717)	(189)	(10,906)
As restated	7,700	38,318	1,006	(24)	(1,260)	2,898	48,638	482	49,120
Total comprehensive (loss)/income	-	-	-	(2)	2,291	7,356	9,645	161	9,806
Dividends declared [1]	-	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(58)	(58)
Issue of shares	783	17,870	-	-	-	-	18,653	-	18,653
Capital injection into subsidiaries	-	-	-	-	-	-	-	12	12
Changes due to the step acquisition of a subsidiary	-	28	-	-	-	(3)	25	425	450
Appropriations to surplus reserves	-	-	389	-	-	(389)	-	-	-
At 31 December 2009	8,483	56,216	1,395	(26)	1,031	7,552	74,651	1,022	75,673

[1] Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2008, amounting to RMB2,310 million (RMB0.30 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group

	For the year ended 31 December 2008 (Restated)								
	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 2008									
As previously reported	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Changes in accounting policies (note 2.3)	-	(184)	22	-	(320)	(9,977)	(10,459)	(234)	(10,693)
As restated	7,700	38,335	916	(18)	11,823	2,729	61,485	478	61,963
Total comprehensive (loss)/ income	-	-	-	(6)	(13,071)	2,569	(10,508)	(190)	(10,698)
Dividends declared [1]	-	-	-	-	-	(2,310)	(2,310)	-	(2,310)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(60)	(60)
Capital injection into subsidiaries	-	(29)	-	-	-	-	(29)	254	225
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	-	12	-	-	(12)	-	-	-	-
Appropriations to surplus reserves	-	-	90	-	-	(90)	-	-	-
At 31 December 2008	7,700	38,318	1,006	(24)	(1,260)	2,898	48,638	482	49,120

[1] Dividends declared represent final dividend on ordinary shares declared for the year ended 31 December 2007, amounting to RMB2,310 million (RMB0.30 per share).

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Group	Note	2009	2008
OPERATING ACTIVITIES			
Cash generated from operating activities	46	38,516	25,218
Income tax paid		(42)	(162)
Net cash inflow from operating activities		38,474	25,056
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(2,005)	(2,945)
Proceeds from sale of items of property and equipment, intangible assets and other assets		33	252
Purchases of investments, net		(55,623)	(42,214)
Acquisition of a subsidiary		97	-
Increase of investment in a jointly-controlled entity		-	(50)
Interest received		10,002	8,412
Dividends received from investments		819	7,171
Net cash outflow from investing activities		(46,677)	(29,374)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		2,780	(4,768)
Capital contribution from minority shareholders of subsidiaries		12	225
Proceeds from issuance of shares		18,806	-
Interest paid		(229)	(229)
Dividends paid		(2,360)	(2,359)
Others		1,862	-
Net cash inflow/(outflow) from financing activities		20,871	(7,131)
Effects of exchange rate changes on cash and cash equivalents		(3)	(100)
Net increase/(decrease) in cash and cash equivalents		12,665	(11,549)
Cash and cash equivalents at beginning of year		17,573	29,122
Cash and cash equivalents at end of year		30,238	17,573
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		6,330	5,991
Time deposits with original maturity of no more than three months		23,370	10,997
Other monetary assets		423	525
Securities purchased under agreements to resell with original maturity of no more than three months		115	60
Cash and cash equivalents at end of year		30,238	17,573

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
BALANCE SHEET
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

Company	Notes	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
ASSETS				
Property and equipment	17	2,855	1,925	285
Investment property	18	187	211	219
Intangible assets		28	38	6
Prepaid land lease payments	21	184	188	192
Investments in subsidiaries	22	33,037	30,581	13,874
Investment in a jointly-controlled entity	23	400	400	350
Financial assets at fair value through profit or loss	24	32	33	39
Held-to-maturity financial assets	25	1,359	682	27
Available-for-sale financial assets	26	5,388	4,290	19,864
Investments classified as loans and receivables	27	1,199	1,876	704
Securities purchased under agreements to resell	28	-	-	5,500
Term deposits	29	6,528	6,566	4,578
Interest receivables		133	155	159
Deferred income tax assets		682	753	-
Income tax receivable		-	133	-
Other assets	34	932	938	1,920
Cash and short-term time deposits	35	21,043	2,538	16,071
Total assets		73,987	51,307	63,788
EQUITY AND LIABILITIES				
Equity				
Issued capital	36	8,483	7,700	7,700
Reserves	37	56,728	38,717	38,705
Retained profits	37	5,355	4,242	5,742
Total equity		70,566	50,659	52,147
Liabilities				
Securities sold under agreements to repurchase		150	-	-
Income tax payable		27	-	59
Deferred income tax liabilities		-	-	108
Due to subsidiaries		301	313	11,088
Other liabilities	42	2,943	335	386
Total liabilities		3,421	648	11,641
Total equity and liabilities		73,987	51,307	63,788

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS
31 December 2009

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

1. CORPORATE INFORMATION

China Pacific Insurance (Group) Co., Ltd. (the "Company") was established in Shanghai, the People's Republic of China (the "PRC") in May 1991, under the original name of China Pacific Insurance Co., Ltd. Pursuant to the approval of State Council of the PRC and Circular [2001] No.239 issued by China Insurance Regulatory Commission (the "CIRC"), the Company was restructured as a joint stock limited company in October 2001. The Company obtained its revised business license with registration number 1000001001110 issued by State Administration for Industry and Commerce of the PRC on 24 October 2001, and the registered capital was RMB2,006.39 million. The Company increased its registered 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 A Shares in the PRC. Upon the completion of the A share offering, the share 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"). The Company's H shares have been listed on the Hong Kong Stock Exchange since 23 December 2009. Upon the issuance of H shares, the share capital was increased to RMB8,483 million (before the exercise of H share over-allotment option). The H share over-allotment option described in the Prospectus dated 10 December 2009 was subsequently exercised in January 2010, as detailed in note 50.

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 business, life insurance businesses, pension and annuity businesses, as well as asset management.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention other than financial instruments that have been measured at fair values and insurance contract liabilities that have been measured based on actuarial methods. These financial statements are presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

All HKFRSs that remain in effect which are relevant to the Group have been applied. The Group has not applied the following key new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs [1]
HKFRS 3 (Revised)	Business Combinations [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1]
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners [1]
HKFRS 2 Amendments	Share-based Payment – Group Cash-settled Share-based Payment Transactions [2]
HKAS 32 Amendment	Classification of Rights Issues [3]
HKAS 24 (Revised)	Related Party Transactions [4]
HKFRS 9	Financial Instruments [5]
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary [1]
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [6]
HKFRS 1 Amendments	First-time Adoption of HKFRSs – Additional Exemptions for First-time Adopters [2]
HK (IFRIC)-Int 14 Amendments	Prepayments of a Minimum Funding Requirement [4]
HK Interpretation 4 (Revised)	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013
6 Effective for annual periods beginning on or after 1 July 2010

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

HKFRS 1 (Revised) was issued in December 2008. The revised HKFRS 1 corrects a potential technical problem arising from the interaction of HKFRS 1 and the revised HKFRS 3 Business Combinations and revised HKAS 27 Consolidated and Separate Financial Statements, both published in March 2008. The amendment does not affect the application of HKFRS 1 by first-time adopters.

HKFRS 3 (Revised) and HKAS 27 (Revised) were issued in March 2008. HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by HKFRS 3 (Revised) and HKAS 27 (Revised) will be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKAS 39 Amendment was issued in November 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have significant financial impact on the Group.

HK (IFRIC)-Int 17 was issued in December 2008. The Interpretation standardizes practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Interpretation clarifies that (i) a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 Events after the Balance Sheet Date and HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any significant financial impact on the Group.

HKFRS 2 Amendments were issued in July 2009. The amendments clarify its scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction. As the Group has no share-based payment transactions, the amendments are unlikely to have any financial impact on the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

HKAS 32 Amendment was issued in October 2009. The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. As the Group had no such transactions, the amendment will not have any significant impact on the Group.

HKAS 24 (Revised) was issued in November 2009. The revised HKAS 24 clarifies and simplifies the definition of a related party. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). The revision will not have significant impact on the Group.

HKFRS 9 was issued in November 2009. The new standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in HKAS 39. The approach in HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. It will be effective for annual periods beginning on or after 1 January 2013, with early adoption permitted. The Group has not decided to early adopt HKFRS 9. The Group is in the process of making an assessment of the impact of the new standard.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions of plans involving loss of control of a subsidiary. As the Group has no such sale plan, the amendments will not have any significant financial impact on the Group.

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

HKFRS 1 Amendments were issued in December 2009, and they provide relief from full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. The amendments will not have any financial impact on the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

HK (IFRIC)-Int 14 Amendments were issued in December 2009. The amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in the future contributions is thus equal to the sum of (i) the prepayment of future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no significant defined benefit scheme, the amendments will not have significant financial impact on the Group.

HK Interpretation 4 Leases- Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised in December 2009 as a consequence of the amendment to HKAS 17 Leases included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in according with HKAS 16, HKAS 17 and HKAS 40.

Currently, except for the newly issued HKFRS 9, the directors conclude that the adoption of the above new and revised HKFRSs would not have a significant impact on the Group's results of operations and financial position.

The Group presents its assets and liabilities based on expectations regarding recovery or settlement within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current) in the notes to these financial statements.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these financial statements is set out below.

(1) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Group for the year ended 31 December 2009. The financial statements of the subsidiaries for the purpose of preparing the consolidated financial statements are prepared for the same reporting period, using consistent accounting policies. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

The acquisition of subsidiaries not under common control is accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The changes in the Company's ownership interest in a subsidiary that do not result in the change of control are accounted for as equity transactions (i.e. transactions between owners acting in their capacity as owners), whereby the carrying amounts of the minority interests shall be adjusted to reflect the changes in their interests in the subsidiary. Any difference between the amount by which the minority interest is adjusted and the fair value of the consideration paid or received shall be recognized directly in equity (as capital reserve).

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(2) Foreign currency translation

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except when it relates to items when gains or losses are recognized directly in equity, the gain or loss is then recognized net of the exchange component in equity.

The functional currencies of certain overseas operations are currencies other than RMB. As at the balance sheet date, the assets and liabilities of these overseas operations are translated into RMB at the exchange rates ruling at the balance sheet date and their income statements are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences arising on the retranslation are recognized in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in equity relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas operations are translated into RMB at the weighted average exchange rates for the period.

(3) Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(4) Jointly-controlled entities

A jointly-controlled entity is an entity that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investment in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entity, except where unrealized losses provided evidence of an impairment of the asset transferred.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

(5) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(6) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the income statement.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(7) Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);

(8) Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	1.39% to 3.23%
Motor vehicles	12.13% to 32.33%
Office furniture and equipment	10% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20%

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each year end.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(8) Property and equipment and depreciation (continued)

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents costs of construction of buildings and other items of property as well as costs of equipment under installation. Construction in progress is stated at cost less any impairment losses, and is not depreciated, and is reclassified to the appropriate category of property and equipment when completed and ready for use.

(9) Investment property

The Company's investment property is an interest in a building held to earn rental income, rather than for the supply of services or for administrative purposes.

Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment loss.

Depreciation is computed on the straight-line basis over the estimated useful life. The estimated useful life of the investment property is 30 years.

The useful life and depreciation method are reviewed at least at each year end to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the investment property.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal. A transfer to, or from, an investment property is made when, and only when, there is evidence of a change in use.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(10) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each year end.

(11) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortized on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property and equipment.

(12) Investments and other financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(12) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any dividends on these financial assets, which are recognized in accordance with the policy set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(12) Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investments are derecognized or until the investments are determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement and removed from the available-for-sale investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognized in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(13) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss.

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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(14) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the balance sheet date. If quoted market prices are not available, reference can also be made to broker or dealer price quotations. If current market prices are not available at the balance sheet date, reference is made to most recent arm's length transaction prices, adjusted for significant changes, if any, in economic circumstances since the date of that recent transaction.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on directors' best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair values of floating rate and overnight deposits with credit institutions are their carrying values. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability, less impairment losses. All transaction costs directly attributable to the acquisition are also included in the cost.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(15) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(15) Impairment of financial assets (continued)

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. The Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

The Group also considers qualitative evidence that includes, but is not necessarily limited to the following:

- Significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations;
- Adverse changes relative to the investee’s technology, market, customer base, macroeconomic indicators relative to the business, and significant legal or regulatory matters.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income. Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(16) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(17) Securities purchased under agreements to resell

The Group enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as loans and receivables. The amounts advanced under these agreements are reflected as assets in the balance sheet. The Group does not take physical possession of securities purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying securities.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(18) Impairment of non-financial assets other than deferred tax assets and goodwill

Where an indication of impairment exists, or when impairment testing for an asset is required at least at each year end (other than deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at end of each period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset (other than goodwill) is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

(19) Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are not treated as reinsurance contracts. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(19) Reinsurance (continued)

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(20) Cash and cash equivalents

For the purpose of consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(21) Insurance contracts

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Contracts that only transfer insurance risk are treated as insurance contracts. If the Group signs contracts with policyholders which transfer insurance risk as well as other risks, the treatments would depend on:

(a) If the insurance risk portion and other risk portion are distinct and separately measurable, the insurance risk portion and other risk portion should be unbundled. The portion with insurance risk should be treated as insurance contract, while the portion with other risks should not be treated as insurance contract.

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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(21) Insurance contracts (continued)

(b) If the insurance risk portion and other risk portion cannot be distinct, or if they are distinct but cannot be separately measurable, the whole contract should be treated as insurance contract if the insurance risk is significant; the whole contract should not be treated as insurance contract if the insurance risk is insignificant.

(22) Testing the significance of insurance risk

For contracts issued by the Group which require testing the significance of insurance risk, it should be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature.

When testing the significance of insurance risk, the Group makes judgements in this sequence: (i) whether the contract transfers insurance risk; (ii) whether the contract has commercial substance; (iii) whether the insurance risk transferred is significant.

When determining whether the contracts (or policies) transfer significant insurance risk, the Group considers: (i) annuity contracts that transfer longevity risk are treated as insurance contracts; (ii) for non-annuity contracts, if the insurance risk ratio is greater than or equal to 5% sometimes during the duration of the contracts, they are treated as insurance contracts; the insurance risk ratio is derived by comparing the benefits paid with the benefits payable if the insured event did not occur. For property and casualty and short-term life policies that obviously transfer significant risk, the Group recognizes them as insurance contracts directly.

When determining whether reinsurance policies transfer significant insurance risk, the Group considers thoroughly the commercial substance and other relevant contracts and agreements, and if the insurance risk ratio of reinsurance policies is greater than 1%, they are treated as reinsurance contracts. The insurance risk ratio of reinsurance policies is derived by comparing the present value of probability-weighted expected loss with the present value of expected reinsurance premiums. If the reinsurance policies obviously transfer significant insurance risk, the Group directly recognizes them as reinsurance contracts.

For the purpose of testing the significance of insurance risk, contracts of similar nature are grouped together. Through considering the risk distribution and characteristics, the Group selects sufficient representative samples to test the significance of insurance risk. If most samples transfer significant insurance risk, all contracts in the group are treated as insurance contracts.

The assumptions used for testing the significance of insurance risk mainly include loss ratio, mortality and morbidity, etc. The Group estimates loss ratio, mortality and morbidity based on historical experiences and the estimation on future development trends so as to reflect the Group's product characters and actual claim payments.

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NOTES TO FINANCIAL STATEMENTS (continued)
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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities

The Group's insurance contract liabilities include unearned premium reserves, claim reserves and long-term life insurance contract reserves.

When measuring long-term life insurance contract reserves, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. The Group mainly considers sales channels, product characteristics, effective year and risk profile of contracts in this regard.

When measuring property and casualty and short-term life insurance contracts liabilities, the Group uses a group of insurance contracts whose insurance risks are of similar nature as a measurement unit. The Group's property and casualty and short-term life insurance contracts are classified into certain measurement units by types of insurance.

Insurance contract liabilities are measured based on reasonable estimate of amount of payments when the Group fulfils relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil relevant obligations under the insurance contracts, and mainly include: (a) guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits, etc; (b) non-guaranteed benefits under the insurance contracts in respect of constructive obligations, including policyholder dividends, etc; (c) reasonable expenses necessary for maintaining and serving the insurance contracts, claims handling, including policy maintenance expenses, claim expenses, etc.

- Expected future cash inflows represent cash inflows from assuming insurance contractual obligations, including premiums and other charges.

Reasonable estimate of expected net future cash flows is determined based on information currently available at the balance sheet date.

Margin factor is considered and separately measured when determining insurance contract reserves as at the balance sheet date. Margins are released to profit or loss over the coverage period using systematic and reasonable approach. Initial recognition of an insurance contract issued should not result in the recognition of an accounting profit. However, a loss should be recorded in the profit or loss at inception when it occurs.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Margins for long-term life insurance contract reserves include a risk adjustment and a residual margin. The risk adjustment represents provision for the uncertainty associated with the future cash flows. The residual margin is provided to eliminate any gain at inception of the contract and is amortized over the life of the contract in a systematic manner. Upon initial recognition, the residual margin is separately measured from expected future cash outflows and the risk adjustment, and will not be adjusted for future change in assumptions.

The risk adjustment for property and casualty and short-term life insurance contracts liabilities is determined by reference to industry ratio and the Group's experience.

When measuring insurance contract liabilities as at the balance sheet date, time value of money is considered. The related future cash flows should be discounted when the impact of time value of money is significant. The discount rate used in the measurement of time value of money should be determined with reference to information currently available at the balance sheet date.

The Group uses information currently available as at the balance sheet date to derive the following assumptions used for measuring related reserves:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.
- The Group reasonably estimates insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

When measuring related reserves, expected future net cash flows should cover the entire insurance period.

Unearned premium reserves for property and casualty and short-term life insurance contracts are also measured by using unearned premium approach. At inception of the contract, unearned premium reserves are measured based on premiums received minus relevant acquisition costs. After initial recognition, the reserve is released over the term of the contracts based on 365-day basis, risk distribution method, etc.

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2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(23) Insurance contract liabilities (continued)

Claim reserves include incurred and reported claim reserves, incurred but not reported (“IBNR”) claim reserves and claim expense reserves.

Incurred and reported claim reserves represent insurance contract provisions for the claims incurred and reported to the Group. The Group uses case-by-case estimate method, average claim per case method, etc, to measure incurred and reported claim reserves based on reasonable estimate of ultimate claim amount and the margin factor.

IBNR claim reserves represent insurance contract provisions for the claims incurred but not reported to the Group. The Group uses chain ladder method, average claim per case method, development of reserves method, Bornhuetter-Ferguson method, etc, to measure IBNR claim reserves based on reasonable estimate of ultimate claim amount and the margin factor, and after considering the nature and distribution of insurance risk, claims developments, experience data, etc.

Claim expense reserves represent insurance contract provisions for related claims handling costs. The Group measures claim expense reserves based on reasonable estimate of necessary claim expenses in the future. The Group uses case-by-case estimate method and ratio allocation method to measure claim expense reserves.

When evaluating the insurance contract liabilities, the Group performs liability adequacy tests based on information currently available as at the balance sheet date. Additional insurance contract liabilities should be made if any deficiency exists.

Acquisition costs in relation to the sale of new contracts such as commissions are recorded as expenses in the profit or loss, but the residual margin is calibrated to offset the impacts of relevant acquisitions costs incurred.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(24) Investment contract liabilities

Investment contract liabilities mainly represent liabilities with regard to the non-insurance portion of related contracts, and those contracts which do not pass the testing of significant insurance risk.

(25) Financial liabilities

Financial liabilities at amortized cost (including interest-bearing borrowings)

Financial liabilities at amortized cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognized in the income statement.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any interest charged on these financial liabilities.

(26) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(27) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortized cost. The Group may be required to provide additional collateral based on the fair value of the underlying securities and such collateral assets continue to be carried on the balance sheet.

(28) Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Other than insurance contracts for which potential future losses are already considered in establishing the insurance contract liabilities, a provision is recognized for onerous contracts in which the unavoidable costs of meeting the resulting obligation exceed the expected future economic benefits.

(29) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(29) Income tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a jointly-controlled entity, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(30) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) Gross premiums

Premium income and reinsurance premium income is recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from direct life insurance contracts with instalment or single payments are recognized as revenue when due. Premiums from direct non-life insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

(b) Income from investment contracts

Investment contracts issued by the Group are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are collected unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in other operating income.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(30) Revenue recognition (continued)

(c) Investment income

Investment income includes interest from term deposits, fixed maturity securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities, etc.

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Dividends are recognized when the shareholders' right to receive payment is established.

(31) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organized by municipal and provincial governments. The Group makes and accrues contributions to the pension plans based on certain percentages of the salaries of the employees on a monthly basis. Certain employees also participate in the Enterprise Annuity Transition Plan of Shanghai ("上海企业年金过渡计划") managed by Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension"), a subsidiary of the Company since December 2009. The Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

The Group pays early retirement benefits to those employees who accept early retirement arrangements approved by management. Early retirement benefits are paid to those employees who voluntarily retire before the normal retirement date. The related benefit payments are made from the date of early retirement through the normal retirement date. The Group records a liability for the present value of its early retirement obligation when employees retire early. Any change in the present value of the early retirement obligation is charged or credited to the income statement immediately as it occurs.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Summary of principal accounting policies (continued)

(31) Employee benefits (continued)

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in the PRC are entitled to participate in various government-sponsored housing funds. The Company and these subsidiaries contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes contributions for medical benefits to the local authorities in accordance with the relevant local regulations.

(d) Long-term incentive plans

The Group also operates long-term incentive plans for senior management and some of the key employees. The employee benefits under the long-term incentive plans are accrued during the periods when employees provide services and are paid gradually.

(32) Borrowing costs

Borrowing costs are recognized as expenses in the income statement in the period in which they are incurred.

(33) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Change in accounting policies

In December 2009, the Ministry of Finance of the PRC ("MOF") issued "Standard for accounting treatment for insurance contracts" (Caikuai (2009) No. 15) which applies to all insurance companies reporting under generally accepted accounting principles in the PRC ("PRC GAAP") for the year ending 31 December 2009. Subsequently in January 2010, CIRC issued "Circular on Insurance Industry's Implementation of Interpretation No. 2 to New China Accounting Standards" (Baojianfa (2010) No. 6) which provides additional implementation guidance to Caikuai (2009) No. 15.

Pursuant to the approval of the board of directors of the Company, the Group changed the following principal accounting policies for insurance contracts in these financial statements, as allowable under HKFRSs, by referring to the principles of Caikuai (2009) No. 15, Baojianfa (2010) No. 6 and the industry practice. Such change would make these financial statements more relevant to the economic decision making needs of users and no less reliable.

(1) Insurance contracts

Previously unbundling is permitted but not required in some cases. After the change in accounting policies, unbundling is required if the insurance risk portion and other risk portion are distinct and separately measurable, with the unbundled non-insurance portion generally recognized as investment contracts carried at amortized cost. More importantly, the methodology for testing the significance of insurance risk has changed to become more specific to follow latest PRC industry practice. These changes have affected recognition and presentation of premium income from insurance contracts, as well as fees earned from investments contracts.

(2) Acquisition costs

Previously eligible acquisition costs were capitalized and deferred and deferred acquisition costs were shown separately as an asset on the consolidated balance sheet, and they were amortized over the expected life of the contracts, as a constant percentage of expected premiums or based on a constant percentage of the present value of estimated gross profits that are expected to be realized over the life of the contracts. After the change in accounting policies, the said acquisition costs are charged to the profit or loss, but relevant acquisition costs are considered in the measurement of margins included in insurance contract liabilities and are released in the same manner as margins are released into the income statement.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Change in accounting policies (continued)

(3) Other key aspects of insurance contract liabilities

Previously, assumptions on discount rates for traditional life products are locked at best estimates upon issue of contracts, subject to liability adequacy tests; for property and casualty insurance contracts and short-term life insurance contracts, time value of money is not considered in measuring insurance contract liabilities. After the change in accounting policies, when the time value of money is significant, a discount rate based on the current information available at the balance sheet date is used to measure insurance contract liabilities and should not be locked, so as to estimate such liabilities based on weighted probability of various scenarios; for insurance contracts the policyholder benefits of which will not be affected by investment income, the discount rate should be determined based on the market interest rate in line with the period and risk of cash outflows; for insurance contracts the policyholder benefits of which will be affected by investment income, the discount rate should be determined based on expected investment return on assets backing those liabilities.

Previously, there is no explicit margin other than traditional life products with a provision for adverse deviation. After the change of accounting policies, an explicit margin is required when measuring insurance contract liabilities. It is released into the income statement over the insurance coverage period using a systematic and reasonable method.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Change in accounting policies (continued)

The impact of above change in accounting policies on the Group's financial statements is as follows:

Group	**2009**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Gross written premiums	66,907	29,435	96,342
Net change in unearned premium reserves	(2,902)	478	(2,424)
Other operating income	332	414	746
Net policyholders' benefits and claims	(45,118)	(25,909)	(71,027)
Interest credited to investment contracts	(73)	(1,797)	(1,870)
Amortization on deferred acquisition costs	(8,058)	8,058	-
Change in deferred revenue	(1,944)	1,944	-
Other operating and administrative expenses	(8,987)	(12,488)	(21,475)
Share of profit of a jointly-controlled entity	70	12	82
Income tax	(2,000)	(33)	(2,033)
Net profit for the year	7,359	114	7,473
Attributable to:			
Equity holders of the parent	7,244	112	7,356
Minority interests	115	2	117
Basic earnings per share	RMB0.94	RMB0.01	RMB0.95
Diluted earnings per share	RMB0.94	RMB0.01	RMB0.95
Total comprehensive income for the year	9,765	41	9,806
Attributable to:			
Equity holders of the parent	9,604	41	9,645
Minority interests	161	-	161

The above table shows the reconciliation of net profit for 2009 derived using the Group's previous accounting policies as included in the Accountants' Report set forth in Appendix I to the Company's prospectus dated 10 December 2009, to the net profit for 2009 as set out in the consolidated income statement to these financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Change in accounting policies (continued)

Group	**1 January 2009**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Investment in a jointly-controlled entity	391	(2)	389
Deferred acquisition costs	20,114	(20,114)	-
Reinsurance assets	9,627	(1,847)	7,780
Deferred income tax assets	763	1,909	2,672
Reserves	38,264	(224)	38,040
Retained profits	13,391	(10,493)	2,898
Minority interests	671	(189)	482
Insurance contract liabilities	239,467	(45,228)	194,239
Investment contract liabilities	3,039	47,300	50,339
Deferred income tax liabilities	1,753	(1,724)	29
Deferred revenue	9,469	(9,469)	-
Policyholder dividend payable	4,147	(26)	4,121

Group	**2008**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Gross written premiums	53,845	21,907	75,752
Net change in unearned premium reserves	(1,307)	243	(1,064)
Other operating income	816	1,088	1,904
Net policyholders' benefits and claims	(34,217)	(20,186)	(54,403)
Interest credited to investment contracts	(102)	(1,962)	(2,064)
Amortization on deferred acquisition costs	(5,634)	5,634	-
Change in deferred revenue	(2,903)	2,903	-
Other operating and administrative expenses	(7,564)	(10,387)	(17,951)
Share of loss of a jointly-controlled entity	(52)	52	-
Income tax	1,161	189	1,350
Net profit for the year	3,186	(519)	2,667
Attributable to:			
Equity holders of the parent	3,086	(517)	2,569
Minority interests	100	(2)	98
Basic earnings per share	RMB0.40	RMB(0.07)	RMB0.33
Total comprehensive loss for the year	(10,485)	(213)	(10,698)
Attributable to:			
Equity holders of the parent	(10,292)	(216)	(10,508)
Minority interests	(193)	3	(190)

Appendix

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Change in accounting policies (continued)

Group	**1 January 2008**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Investment in a jointly-controlled entity	367	(5)	362
Deferred acquisition costs	13,468	(13,468)	-
Reinsurance assets	8,395	(1,658)	6,737
Reserves	51,538	(482)	51,056
Retained profits	12,706	(9,977)	2,729
Minority interests	712	(234)	478
Insurance contract liabilities	201,979	(28,388)	173,591
Investment contract liabilities	4,554	31,533	36,087
Deferred income tax liabilities	6,720	(3,565)	3,155
Deferred revenue	4,018	(4,018)	-

The impact of above change in accounting policies on the Company's financial statements is as follows:

Company	**1 January 2009**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Reserves	38,697	20	38,717
Retained profits	4,262	(20)	4,242

Company	**1 January 2008**		
	Before change in accounting policies	Impact of change in accounting policies	After change in accounting policies
Reserves	38,684	21	38,705
Retained profits	5,763	(21)	5,742

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting dates. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.1 Significant judgements

In the process of applying the Group's accounting policies, the directors have made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

(1) Classification of financial assets

The Group classifies its financial assets in accordance with HKAS 39 as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets, as appropriate. Certain of these classifications require judgements. In making these judgements, the Group considers the intention of holding these financial assets, the requirements of HKAS 39 and their implications to the presentation in the financial statements.

(2) Unbundling and classification of contracts

The Group shall make judgments on the unbundling and testing the significance of insurance risk for contracts it issues. Whether to unbundle a contract and different contract classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) Measurement unit for insurance contracts

The Group shall make judgments on whether a group of insurance contracts' insurance risks are of the same nature. Different measurement units would affect the measurement results of insurance contract liabilities.

(4) Impairment of available-for-sale equity financial instruments

The Group determines that available-for-sale equity financial instruments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. Please refer to note 2.2(15) for the factors the Group considers when making such judgement.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(1) Valuation of insurance contract liabilities

Unearned premium and related reserves

The main assumptions used include discount rates, insurance incident occurrence rates (mainly including mortality and morbidity), surrender rates, expense assumptions and policy dividend assumptions, etc..

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.
- The Group reasonably estimates insurance incident occurrence rate, surrender rate and expense rate based on actual experience and future development trends.
- Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc.

Claim reserves

The main assumption in measuring claim reserves is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident year, but can also be further analysed by geographical area, as well as by significant business line and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example to reflect one-off occurrences, changes in external or maker factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures) in order to arrive at the probability-weighted ultimate cost of claims.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

3.2 Estimation uncertainty (continued)

(2) Fair values of financial assets and derivative financial instruments determined using valuation techniques

Fair value, in the absence of an active market or when current market prices are not available, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, a discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For a discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

(3) Deferred income tax assets

Deferred tax assets are recognized for tax losses not yet used and temporary deductible differences. Those deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Directors' judgement is required to assess the probability of future taxable profits.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION

For management purpose, the Group is organized into business units based on their products and services and has three reportable operating segments 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;
- The corporate and other businesses segment provides investment and other management services.

Segment result represents revenue less expenses directly attributable to a segment and the relevant portion of enterprise revenue less expenses that can be allocated on a reasonable basis to a segment, whether from external transactions or from transactions with other segments of the Group.

Segment assets and liabilities mainly comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's consolidated balance sheet.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are measured based on actual transaction price.

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

In 2009 and 2008, no gross written premiums from transactions with a single external customer amounted to 1% or more of the Group's total gross written premiums.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2009

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Gross written premiums	61,998	34,289	196	(141)	34,344	-	-	96,342
Less: Premiums ceded to reinsurers	(2,745)	(7,157)	(30)	141	(7,046)	-	-	(9,791)
Net written premiums	59,253	27,132	166	-	27,298	-	-	86,551
Net change in unearned premium reserves	(195)	(2,222)	(7)	-	(2,229)	-	-	(2,424)
Net premiums earned	59,058	24,910	159	-	25,069	-	-	84,127
Investment income	16,945	1,349	19	-	1,368	1,003	-	19,316
Other operating income	597	112	1	-	113	302	(266)	746
Other income	17,542	1,461	20	-	1,481	1,305	(266)	20,062
Segment income	76,600	26,371	179	-	26,550	1,305	(266)	104,189
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(16,089)	-	-	-	-	-	-	(16,089)
Claims incurred	(533)	(15,202)	(92)	-	(15,294)	-	-	(15,827)
Changes in long-term life insurance contract liabilities	(37,058)	-	-	-	-	-	-	(37,058)
Policyholder dividends	(2,053)	-	-	-	-	-	-	(2,053)
Finance costs	(381)	(10)	-	-	(10)	(5)		(396)
Interest credited to investment contracts	(1,870)	-	-	-	-	-	-	(1,870)
Other operating and administrative expenses	(11,765)	(9,295)	(56)	-	(9,351)	(620)	261	(21,475)
Segment benefits, claims and expenses	(69,749)	(24,507)	(148)	-	(24,655)	(625)	261	(94,768)
Segment results	6,851	1,864	31	-	1,895	680	(5)	9,421
Share of profits/(losses) of:								
A jointly-controlled entity	-	-	-	-	-	82	-	82
An associate	4	-	-	-	-	(1)	-	3
Profit before tax	6,855	1,864	31		1,895	761	(5)	9,506
Income tax	(1,428)	(442)	-	-	(442)	(163)	-	(2,033)
Net profit for the year	5,427	1,422	31	-	1,453	598	(5)	7,473

Appendix

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2009

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Investment in a jointly-controlled entity	-	-	-	-	-	464	-	464
Investments in securities *	210,746	25,952	356	-	26,308	8,585	(14)	245,625
Term deposits	75,122	4,715	4	-	4,719	6,530	-	86,371
Others	23,152	14,638	124	(133)	14,629	27,266	(320)	64,727
Segment assets	309,020	45,305	484	(133)	45,656	42,845	(334)	397,187
Insurance contract liabilities	210,509	25,556	171	(84)	25,643	-	-	236,152
Investment contract liabilities	52,090	-	-	-	-	-	-	52,090
Policyholders' deposits	11	78	-	-	78	-	-	89
Subordinated debt	2,263	-	-	-	-	-	-	2,263
Securities sold under agreements to repurchase	9,600	50	-	-	50	150	-	9,800
Others	10,488	7,533	17	(49)	7,501	3,451	(320)	21,120
Segment liabilities	284,961	33,217	188	(133)	33,272	3,601	(320)	321,514

* Investments in securities comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.

Other segment information for the year ended 31 December 2009

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Depreciation and amortization	411	311	3	-	314	140	-	865
Capital expenditure	1,010	460	-	-	460	1,031	-	2,501
Impairment losses charges	123	44	-	-	44	2	(5)	164
Interest income	10,335	892	19	-	911	656	-	11,902
Unrealized gains/(losses) from financial assets at fair value through profit or loss	115	26	-	-	26	(1)	-	140

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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4. SEGMENT INFORMATION (continued)

Segment income statement for the year ended 31 December 2008

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Gross written premiums	47,828	27,875	171	(122)	27,924	-	-	75,752
Less: Premiums ceded to reinsurers	(2,024)	(6,505)	(28)	122	(6,411)	-	-	(8,435)
Net written premiums	45,804	21,370	143	-	21,513	-	-	67,317
Net change in unearned premium reserves	(43)	(1,015)	(6)	-	(1,021)	-	-	(1,064)
Net premiums earned	45,761	20,355	137	-	20,492	-	-	66,253
Investment income	9,587	1,179	(1)	-	1,178	(2,655)	-	8,110
Other operating income	1,510	83	-	-	83	493	(182)	1,904
Other income	11,097	1,262	(1)	-	1,261	(2,162)	(182)	10,014
Segment income	56,858	21,617	136	-	21,753	(2,162)	(182)	76,267
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(18,413)	-	-	-	-	-	-	(18,413)
Claims incurred	(696)	(13,202)	(106)	-	(13,308)	-	-	(14,004)
Changes in long-term life insurance contract liabilities	(19,417)	-	-	-	-	-	-	(19,417)
Policyholder dividends	(2,569)	-	-	-	-	-	-	(2,569)
Finance costs	(317)	(178)	-	-	(178)	(37)	-	(532)
Interest credited to investment contracts	(2,064)	-	-	-	-	-	-	(2,064)
Other operating and administrative expenses	(9,824)	(7,735)	(36)	-	(7,771)	(542)	186	(17,951)
Segment benefits, claims and expenses	(53,300)	(21,115)	(142)	-	(21,257)	(579)	186	(74,950)
Segment results	3,558	502	(6)	-	496	(2,741)	4	1,317
Share of profit of:								
A jointly-controlled entity	-	-	-	-	-	-	-	-
Profit/(loss) before tax	3,558	502	(6)	-	496	(2,741)	4	1,317
Income tax	472	35	-	-	35	843	-	1,350
Net profit/(loss) for the year	4,030	537	(6)	-	531	(1,898)	4	2,667

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4. SEGMENT INFORMATION (continued)

Segment balance sheet at 31 December 2008

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Investment in a jointly-controlled entity	-	-	-	-	-	389	-	389
Investments in securities *	161,010	16,333	70	-	16,403	7,416	(9)	184,820
Term deposits	71,418	4,703	67	-	4,770	6,568	-	82,756
Others	27,745	15,203	302	(104)	15,401	7,166	(380)	49,932
Segment assets	260,173	36,239	439	(104)	36,574	21,539	(389)	317,897
Insurance contract liabilities	171,992	22,157	170	(80)	22,247	-	-	194,239
Investment contract liabilities	50,339	-	-	-	-	-	-	50,339
Policyholders' deposits	10	566	-	-	566	-	-	576
Subordinated debt	2,188	-	-	-	-	-	-	2,188
Securities sold under agreements to repurchase	6,980	40	-	-	40	-	-	7,020
Others	8,703	5,308	6	(24)	5,290	765	(343)	14,415
Segment liabilities	240,212	28,071	176	(104)	28,143	765	(343)	268,777

* Investments in securities comprise financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and investments classified as loans and receivables.

Other segment information for the year ended 31 December 2008

	Life insurance	Property and casualty insurance				Corporate and others	Elimina-tions	Total
		Mainland China	Hong Kong	Elimina-tions	Sub-total			
Depreciation and amortization	321	268	-	-	268	75	-	664
Capital expenditure	650	454	-	-	454	1,744	-	2,848
Impairment losses charges	3,480	394	11	-	405	1,336	-	5,221
Interest income	8,825	876	9	-	885	913	-	10,623
Unrealized (losses)/gains from financial assets at fair value through profit or loss	(722)	(23)	-	-	(23)	3	-	(742)

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5. SCOPE OF CONSOLIDATION

Particulars of the Company's incorporated subsidiaries as at 31 December 2009 are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company		Registered capital (RMB unless otherwise stated, thousand)	Paid-up capital (RMB unless otherwise stated, thousand)	Principal activities	Notes
		Direct	Indirect				
China Pacific Property Insurance Co., Ltd. ("CPPIC")	The PRC	98.30	-	4,088,000	5,444,032	Property and casualty insurance	(1)
China Pacific Life Insurance Co., Ltd. ("CPLIC")	The PRC	98.29	-	5,100,000	5,100,000	Life insurance	
Pacific Asset Management Co., Ltd. ("PAMC")	Shanghai	80.00	19.66	500,000	500,000	Investment management	
China Pacific Insurance Co., (H.K.) Ltd. *	Hong Kong	100.00	-	HK$250,000	HK$250,000	Property and casualty insurance	
Shanghai Pacific Real Estate Co., Ltd. *	Shanghai	100.00	-	115,000	115,000	Management of properties	
Fenghua Xikou Garden Hotel *	Zhejiang	-	98.29	8,000	8,000	Hotel operations	
Jiaxing Taibao Insurance Agency Co., Ltd. *	Zhejiang	-	78.63	500	500	Insurance agency	
Changjiang Pension	Shanghai	-	51.00	569,000	787,610	Pension fund management business	(2)

* Not audited by Ernst & Young or other member firm of the Ernst & Young global network.

(1) Capital injection in CPPIC

On 10 November 2009, CPPIC's 2nd extraordinary shareholders' meeting resolved to further increase CPPIC's registered capital through issuance of 1,373,000,000 new ordinary shares with nominal value RMB1 per share to its then existing shareholders at a price of RMB1.82 per share. The Company subscribed for 1,349,636,851 shares in cash. Subsequently in February 2010, the Company subscribed for additional 6,354,746 shares abandoned by other shareholders. The Company's subscription has been verified by Shanghai Certified Public Accountants. Upon the completion of share subscription, CPPIC's issued and registered capital will be increased to 5,461 million and the Company's equity interests in CPPIC will be increased from 98.30% to 98.41%. The increase of the registered capital was subsequently approved by CIRC (Baojianfagai [2010]321) on 29 March 2010.

(2) Acquisition of Changjiang Pension

Pursuant to the resolution of 2nd extraordinary meeting of CPLIC's 5th term of board of directors in April 2009 and the approval of CIRC (Baojianfagai [2009]1102 and [2009]1344), CPLIC purchased 113,500,000 shares of Changjiang Pension from Shanghai International Group for a total consideration in cash of RMB170,250,000 and subscribed for 218,609,889 new shares issued by Changjiang Pension for a total consideration in cash of RMB327,914,834.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

5. SCOPE OF CONSOLIDATION (continued)

(2) Acquisition of Changjiang Pension (continued)

Up to 31 December 2009, the above transactions have been completed and the Company, through CPLIC and PAMC, indirectly held over 51% equity interests in Changjiang Pension. The acquisition date for this business combination is 22 December 2009.

Changjiang Pension was established pursuant to the approval of CIRC and obtained an insurance corporate licence. Changjiang Pension was also granted the qualifications as trustee, account manager and investment manager of enterprise annuities by Ministry of Human Resources and Social Security of the PRC.

The business combination was achieved in stages. The fair values of the identifiable assets and liabilities acquired as at the transaction dates were set out as below.

	May 2007	**November 2009**	**December 2009**	**Total**
Cash and short-term time deposits	500	280	495	
Restricted statutory deposits	-	130	130	
Securities purchased under agreements to resell	-	-	100	
Available-for-sale financial assets	-	79	88	
Others	-	37	67	
Fair value of net identifiable assets	500	526	880	
Equity interest acquired (%)	15.10	19.95	27.76	
Fair value of net assets acquired by the Group	76	105	244	425
Goodwill arising on acquisition	-	65	84	149
Total consideration	76	170	328	574

The carrying amounts of the identifiable assets and liabilities acquired as at the transaction dates approximated their fair values. All considerations were paid in cash.

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Changjiang Pension is as follows:

Cash and bank balances acquired	595
Cash consideration	(574)
Net inflow of cash and cash equivalents	21
Cash consideration paid in 2007	76
Net inflow of cash and cash equivalents in 2009	97

The operating results and cash flows of Changjiang Pension from the date of acquisition to 31 December 2009 were not significant. The carrying amounts of Changjiang Pension's net assets as at 31 December 2009 approximated their carrying amounts as at the acquisition date.

From the date of acquisition to 31 December 2009, the Group did not dispose of and did not intend to dispose of any assets or liabilities of Changjiang Pension.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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6. NET WRITTEN PREMIUMS

(a) Gross written premiums

	2009	2008 (Restated)
Long-term life insurance premiums	58,662	44,990
Short-term life insurance premiums	3,336	2,838
Property and casualty insurance premiums	34,344	27,924
	96,342	75,752

(b) Premiums ceded to reinsurers

	2009	2008
Long-term life insurance premiums ceded to reinsurers	(1,875)	(1,158)
Short-term life insurance premiums ceded to reinsurers	(870)	(866)
Property and casualty insurance premiums ceded to reinsurers	(7,046)	(6,411)
	(9,791)	(8,435)

(c) Net written premiums

	2009	2008 (Restated)
Net written premiums	86,551	67,317

7. INVESTMENT INCOME

	2009	2008
Interest and dividend income (a)	12,734	17,755
Realized gains/(losses) (b)	6,575	(3,756)
Unrealized gains/(losses) (c)	140	(742)
Charge of impairment losses on financial assets	(128)	(5,147)
Others	(5)	-
	19,316	8,110

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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7. INVESTMENT INCOME (continued)

(a) Interest and dividend income

	2009	2008
Financial assets at fair value through profit or loss		
- Fixed maturity investments	2	2
- Investment funds	3	169
- Equity securities	-	1
	5	172
Held-to-maturity financial assets		
- Fixed maturity investments	3,731	2,898
Loans and receivables		
- Fixed maturity investments	4,756	4,499
Available-for-sale financial assets		
- Fixed maturity investments	3,413	3,224
- Investment funds	649	6,800
- Equity securities	180	162
	4,242	10,186
	12,734	17,755

(b) Realized gains/(losses)

	2009	2008
Derivative financial instruments	-	5
Other financial assets at fair value through profit or loss		
- Fixed maturity investments	23	-
- Investment funds	46	258
- Equity securities	3	(11)
	72	247
Available-for-sale financial assets		
- Fixed maturity investments	857	114
- Investment funds	1,025	(3,681)
- Equity securities	4,621	(441)
	6,503	(4,008)
	6,575	(3,756)

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7. INVESTMENT INCOME (continued)

(c) Unrealized gains/(losses)

	2009	2008
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(2)	6
- Investment funds	143	(668)
- Equity securities	(1)	(80)
	140	(742)

8. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	2009		
	Gross	Ceded	Net
Life insurance death and other benefits paid	16,176	(87)	16,089
Claims incurred			
- Short-term life insurance	917	(384)	533
- Property and casualty insurance	18,642	(3,348)	15,294
Changes in long-term life insurance contract liabilities	38,369	(1,311)	37,058
Policyholder dividends	2,053	-	2,053
	76,157	(5,130)	71,027

	2008 (Restated)		
	Gross	Ceded	Net
Life insurance death and other benefits paid	18,478	(65)	18,413
Claims incurred			
- Short-term life insurance	1,013	(317)	696
- Property and casualty insurance	17,411	(4,103)	13,308
Changes in long-term life insurance contract liabilities	20,041	(624)	19,417
Policyholder dividends	2,569	-	2,569
	59,512	(5,109)	54,403

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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9. FINANCE COSTS

	2009	**2008**
Current liabilities		
- Interest expense on securities sold under agreements to repurchase	230	221
- Interest expense on policyholders' deposits	2	164
- Interest expense on policyholder dividends	88	72
- Others	1	-
	321	457
Non-current liabilities		
- Interest expense on subordinated debt	75	75
	396	532

10. PROFIT BEFORE TAX

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

	2009	**2008**
Employee benefits expense (including directors' and supervisors' emoluments) (note 11)	5,604	4,100
Auditors' remuneration	14	38
Operating lease payments in respect of land and buildings	375	331
Depreciation of property and equipment (note 17)	703	533
Amortization of other intangible assets (note 20)	144	117
Amortization of prepaid land lease payments (note 21)	5	4
Amortization of other assets	13	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(21)	(127)
(Reversal)/charge of impairment loss on insurance receivables	(22)	54
Charge of impairment loss on financial assets (note 7)	128	5,147
Foreign exchange loss, net	14	132

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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11. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	2009	**2008**
Salaries, allowances and other short-term benefits	4,767	3,323
Contributions to defined contribution plans (1)	779	675
Early retirement benefit obligation	12	23
Long-term incentive (2)	46	79
	5,604	4,100

(1) Contributions to defined contribution plans mainly include contributions made to the state pension schemes.

(2) In order to motivate senior management and certain key employees, the Group operates long-term incentive plans.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

(in RMB thousand)	**2009**	**2008**
Fees	1,250	1,250
Other remuneration		
-Salaries, allowances and other short-term benefits	7,582	7,868
-Contributions to defined contribution plans	239	478
-Long-term incentive paid (1)	142	-
	7,963	8,346
	9,213	9,596

(1) This represents amount paid under the Group's long-term incentive plans mentioned in note 11(2). 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.

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12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors

Included in the fees are amounts of RMB1,250 thousand paid to independent non-executive directors for the year ended 31 December 2009 (2008: RMB1,250 thousand). There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2009.

(in RMB thousand)	**2009**				
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
XU Shanda	250	-	-	-	250
LI Ruoshan	250	-	-	-	250
XIAO Wei	250	-	-	-	250
YUEN Tin Fan	250	-	-	-	250
CHANG Tso Tung Stephen	250	-	-	-	250
	1,250	-	-	-	1,250

(in RMB thousand)	**2008**				
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
XU Shanda	250	-	-	-	250
LI Ruoshan	250	-	-	-	250
XIAO Wei	250	-	-	-	250
YUEN Tin Fan	250	-	-	-	250
CHANG Tso Tung Stephen	250	-	-	-	250
	1,250	-	-	-	1,250

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12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

(in RMB thousand)	2009			
	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive directors:				
GAO Guofu *	-	1,284	-	1,284
HUO Lianhong *	-	1,164	-	1,164
Non-executive directors:				
CHEN Shaochang	-	83	-	83
HUANG Kongwei	-	250	-	250
SHEN Weiming	-	83	-	83
YANG Xianghai	-	250	-	250
XU Hulie	-	104	-	104
YU Yeming	-	208	-	208
ZHOU Ciming	-	250	-	250
YANG Xiangdong	-	250	-	250
FENG Junyuan, Janine	-	250	-	250
	-	4,176	-	4,176

* Part of two executive directors' remuneration is subject to regulatory approval and not included in above amounts.

(in RMB thousand)	2008			
	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive directors:				
GAO Guofu **	-	1,638	133	1,771
HUO Lianhong	-	1,520	146	1,666
Non-executive directors:				
CHEN Shaochang	-	250	-	250
HUANG Kongwei	-	250	-	250
SHEN Weiming	-	250	-	250
YANG Xianghai	-	250	-	250
YU Yeming	-	250	-	250
ZHOU Ciming	-	250	-	250
YANG Xiangdong	-	250	-	250
FENG Junyuan, Janine	-	250	-	250
	-	5,158	279	5,437

** Executive director since October 2008 in accordance with the relevant regulations.

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12. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

On 25 June 2007, the board of directors resolved to grant annual allowance of RMB250 thousand to each director, except for Mr. Huo Lianhong and Mr. Gao Guofu who have already received remuneration from the Company. This resolution was approved at the 5th extraordinary general meeting held in July 2007. There was no arrangement under which a director waived or agreed to waive any remuneration during 2009.

(c) Supervisors

(in RMB thousand)	**2009**			
	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
MA Guoqiang	-	250	-	250
ZHANG Jianwei	-	250	-	250
LIN Lichun	-	250	-	250
SONG Junxiang	142	2,068	154	2,364
YUAN Songwen	-	588	85	673
	142	3,406	239	3,787

(in RMB thousand)	**2008**			
	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
MA Guoqiang	-	250	-	250
ZHANG Jianwei	-	250	-	250
LIN Lichun	-	250	-	250
SONG Junxiang	-	1,489	127	1,616
YUAN Songwen	-	472	71	543
	-	2,711	198	2,909

On 25 June 2007, the board of directors resolved to grant annual allowance of RMB250 thousand to each supervisor, except for Mr. Song Junxiang and Mr. Yuan Songwen who have already received remuneration from the Company. This resolution was approved at the 5th extraordinary general meeting held in July 2007. There was no arrangement under which a supervisor waived or agreed to waive any remuneration during 2009.

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13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration was the highest in the Group include no director for the years ended 31 December 2009 and 2008.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	2009	**2008**
Nil to RMB1,000,000	-	-
RMB1,000,001 to RMB2,000,000	-	-
RMB2,000,001 to RMB3,000,000	-	1
RMB3,000,001 to RMB4,000,000	-	2
RMB4,000,001 to RMB5,000,000	3	-
RMB5,000,001 to RMB6,000,000	-	1
RMB6,000,001 to RMB7,000,000	1	1
RMB7,000,001 to RMB8,000,000	1	-
Total	5	5

Details of the remuneration of the highest paid non-director individuals are as follows:

(in RMB thousand)	**2009**	**2008**
Salaries, allowances and other short-term benefits	25,166	18,206
Contributions to defined contribution plans	188	411
Long-term incentive paid (1)	1,188	2,886
	26,542	21,503
The number of non-director for the above remuneration	5	5

(1) This represents amount paid under the Group's long-term incentive plans mentioned in note 11(2). 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.

In 2009 and 2008, no emoluments were paid by the Group to any of these non-director individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

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14. INCOME TAX

(a) Income tax

	2009	**2008** (Restated)
Current income tax	814	-
Deferred income tax (note 32)	1,219	(1,350)
	2,033	(1,350)

(b) Tax recorded in other comprehensive income

	2009	**2008** (Restated)
Deferred income tax (note 32)	780	(4,443)

(c) Reconciliation of tax expense

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

	2009	**2008** (Restated)
Profit before tax	9,506	1,317
Tax computed at the statutory tax rate	2,377	329
Adjustments to income tax in respect of previous periods	(127)	(20)
Income not subject to tax	(300)	(1,880)
Expenses not deductible for tax	104	221
Attributable to a jointly-controlled entity and an associate	(21)	-
Tax expense at the Group's effective rate	2,033	(1,350)

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

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15. EARNINGS PER SHARE

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

	2009	2008 (Restated)
Consolidated net profit for the year attributable to equity holders of the parent	7,356	2,569
Weighted average number of ordinary shares in issue (million)	7,717	7,700
Basic earnings per share	RMB0.95	RMB0.33
Diluted earnings per share	RMB0.95	Not applicable

The Company's dilutive potential ordinary shares for 2009 relate to the H share over-allotment option. The Company had no dilutive potential ordinary shares during 2008, hence no diluted earnings per share amount is presented.

16. OTHER COMPREHENSIVE INCOME/(LOSS)

	2009	2008 (Restated)
Exchange differences on translation of foreign operations	(2)	(6)
Available-for-sale financial assets		
Gains/(losses) arising during the year	9,490	(26,953)
Reclassification adjustments for (gains)/losses included in profit or loss	(6,503)	4,008
Impairment charges reclassified to the income statement	128	5,143
	3,115	(17,802)
Income tax relating to available-for-sale financial assets	(780)	4,443
	2,335	(13,359)
Other comprehensive income/(loss)	2,333	(13,365)

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17. PROPERTY AND EQUIPMENT

Group	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2008	3,958	454	503	1,755	348	7,018
Additions	18	1,976	86	348	167	2,595
Transfers	379	(379)	-	-	-	-
Disposals	(15)	-	(55)	(64)	-	(134)
At 31 December 2008	4,340	2,051	534	2,039	515	9,479
Acquisition of a subsidiary	-	-	2	19	3	24
Additions	16	1,269	68	830	128	2,311
Transfers	165	(165)	-	-	-	-
Disposals	(6)	-	(39)	(124)	-	(169)
At 31 December 2009	4,515	3,155	565	2,764	646	11,645
Accumulated depreciation and impairment						
At 1 January 2008	(809)	-	(301)	(1,130)	(232)	(2,472)
Depreciation charge	(129)	-	(54)	(302)	(48)	(533)
Disposals	3	-	55	64	-	122
At 31 December 2008	(935)	-	(300)	(1,368)	(280)	(2,883)
Acquisition of a subsidiary	-	-	(1)	(9)	-	(10)
Depreciation charge	(143)	-	(64)	(417)	(79)	(703)
Impairment charge	(73)	-	-	-	-	(73)
Disposals	10	-	38	121	-	169
At 31 December 2009	(1,141)	-	(327)	(1,673)	(359)	(3,500)
Net book value						
At 1 January 2008	3,149	454	202	625	116	4,546
At 31 December 2008	3,405	2,051	234	671	235	6,596
At 31 December 2009	3,374	3,155	238	1,091	287	8,145

The Group was in the process of making necessary arrangements to obtain legal title in respect of the ownership of buildings with aggregate net book values of approximately RMB98 million as at 31 December 2009 (31 December 2008: RMB155 million). The Group considered that not possessing the legal title in respect of the ownership of the buildings will not affect the Group to use the buildings for the relevant business activities, and there was no significant negative impact on the Group's operating results and financial status.

In addition, as at 31 December 2009, buildings of the Group with a net book value of RMB22 million (31 December 2008: RMB26 million) are situated on parcels of allocated land. In accordance with the prevailing rules and regulations, there are restrictions on the transfer of such properties.

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17. PROPERTY AND EQUIPMENT (continued)

Company	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2008	278	-	9	159	4	450
Additions	-	1,539	1	99	49	1,688
Disposals	-	-	(1)	(1)	-	(2)
At 31 December 2008	278	1,539	9	257	53	2,136
Additions	-	780	-	172	60	1,012
Transfer from investment property (note 18)	20	-	-	-	-	20
At 31 December 2009	298	2,319	9	429	113	3,168
Accumulated depreciation and impairment						
At 1 January 2008	(60)	-	(5)	(99)	(1)	(165)
Depreciation charge	(9)	-	(1)	(37)	(1)	(48)
Disposals	-	-	2	-	-	2
At 31 December 2008	(69)	-	(4)	(136)	(2)	(211)
Depreciation charge	(9)	-	(1)	(74)	(12)	(96)
Impairment charge	(2)	-	-	-	-	(2)
Transfers from investment property (note 18)	(4)	-	-	-	-	(4)
At 31 December 2009	(84)	-	(5)	(210)	(14)	(313)
Net book value						
At 1 January 2008	218	-	4	60	3	285
At 31 December 2008	209	1,539	5	121	51	1,925
At 31 December 2009	214	2,319	4	219	99	2,855

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18. INVESTMENT PROPERTY

Company	**2009**	**2008**
Cost		
Beginning of year	270	270
Transfer to property and equipment	(20)	-
End of year	250	270
Accumulated depreciation and impairment losses		
Beginning of year	(59)	(51)
Transfer to property and equipment	4	-
Depreciation charge	(8)	(8)
End of year	(63)	(59)
Net book value		
Beginning of year	211	219
End of year	187	211

The Company leases certain floors of its office building to CPPIC, CPLIC and PAMC and charges rentals based on the areas occupied by the respective entities. These floors which are held for rental are recorded aggregately as an investment property of the Company. Rental transactions are eliminated upon consolidation and the property is categorized as a building of the Group in the consolidated balance sheet.

19. GOODWILL

Group	Changjiang Pension
Cost	
At 1 January 2008 and 31 December 2008	-
Acquisition of a subsidiary	149
31 December 2009	149
Accumulated impairment loss	
At 1 January 2008 and 31 December 2008	-
Charge for the year	-
31 December 2009	-
Net book value	
1 January 2008 and 31 December 2008	-
31 December 2009	149

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20. OTHER INTANGIBLE ASSETS

Group	Software
Cost	
At 1 January 2008	390
Additions	234
Disposal	(14)
At 31 December 2008	610
Acquisition of a subsidiary	21
Additions	151
Disposal	(28)
At 31 December 2009	754
Accumulated amortization	
At 1 January 2008	(141)
Amortization	(117)
Disposal	13
At 31 December 2008	(245)
Acquisition of a subsidiary	(12)
Amortization	(144)
Disposal	23
At 31 December 2009	(378)
Carrying amount	
At 1 January 2008	249
At 31 December 2008	365
At 31 December 2009	376

21. PREPAID LAND LEASE PAYMENTS

	Group	**Company**
Cost		
At 1 January 2008, 31 December 2008, and 31 December 2009	241	213
Accumulated amortization		
At 1 January 2008	(24)	(21)
Amortization	(4)	(4)
At 31 December 2008	(28)	(25)
Amortization	(5)	(4)
At 31 December 2009	(33)	(29)
Carrying amount		
At 1 January 2008	217	192
At 31 December 2008	213	188
At 31 December 2009	208	184

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21. PREPAID LAND LEASE PAYMENTS (continued)

Land use rights are acquired under the PRC laws for fixed periods, and the related costs are amortized on the straight-line basis. All of the Group's land use rights are related to pieces of land located in the PRC. The costs of the land use rights are amortized over the lease terms ranging from 30 to 50 years.

The Company's land use rights with a cost of RMB213 million have been provided for use by Fudan Pacific Institute of Finance free of charge.

22. INVESTMENTS IN SUBSIDIARIES

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Unlisted shares, at cost	33,037	30,581	13,874

Particulars of the Company's subsidiaries as at 31 December 2009 are set out in note 5.

The amounts due from and to subsidiaries are disclosed in note 34 or on the face of the Company's balance sheet. The amounts are unsecured, interest-free and are repayable on demand or within one year. The carrying amounts of the amounts due from and to subsidiaries approximate their fair values.

23. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	31 December 2009	**31 December 2008**	**1 January 2008**
		(Restated)	(Restated)
Group			
Share of net assets	464	389	362

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Unlisted shares, at cost	400	400	350

Particulars of the jointly-controlled entity as at 31 December 2009 are as follows:

Name	Place of incorporation	Percentage of equity attributable to the Company		Registered and paid-up capital (RMB thousand)	Principal activity
		Direct	Indirect		
Pacific-Antai Life Insurance Co., Ltd. ("Pacific Antai")	Shanghai	50.00	-	800,000	Life insurance

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23. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

The following table illustrates the financial information of the Group's jointly-controlled entity:

	31 December 2009	31 December 2008	1 January 2008
		(Restated)	(Restated)
Share of the jointly-controlled entity's assets and liabilities:			
Assets	1,866	1,630	1,346
Liabilities	(1,402)	(1,241)	(984)
Net assets	464	389	362

	2009	2008
		(Restated)
Share of the jointly-controlled entity's results:		
Revenue	377	377
Net profit	82	-

As Pacific Antai also changed its accounting policies for insurance contracts in 2009 by referring to the principles of Caikuai (2009) No. 15 and Baojianfa (2010) No. 6, the Group's investment in the jointly-controlled entity has been restated.

Pursuant to a resolution made at the Company's board of directors meeting held on 17 August 2007, the directors agreed to implement a plan to sell the Company's entire 50% equity interest in Pacific Antai. As of the date of this report, no binding agreements have been reached yet.

The financial statements prepared in accordance with HKFRSs for the years ended 31 December 2009 and 2008 of the jointly-controlled entity were not audited by Ernst & Young or other member firm of the Ernst & Young global network.

24. 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:

Group	31 December 2009	31 December 2008	1 January 2008
Listed			
Equity securities	-	17	162
Investment funds	14	226	152
Debt securities			
- Government bonds	32	33	39
- Corporate bonds	15	54	15
	61	330	368
Unlisted			
Investment funds	272	836	2,095
	333	1,166	2,463

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Listed			
Debt securities			
- Government bonds	32	33	39

25. HELD-TO-MATURITY FINANCIAL ASSETS

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

Group	**31 December 2009**	**31 December 2008**	**1 January 2008**
Listed			
Debt securities			
- Government bonds	3,041	3,955	3,935
- Finance bonds	55	58	-
- Corporate bonds	8,868	6,193	5,498
	11,964	10,206	9,433
Unlisted			
Debt securities			
- Government bonds	9,679	1,601	808
- Finance bonds	35,717	18,331	15,373
- Corporate bonds	47,258	40,842	32,506
	92,654	60,774	48,687
	104,618	70,980	58,120

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Listed			
Debt securities			
- Corporate bonds	610	582	27
Unlisted			
Debt securities			
- Finance bonds	649	-	-
- Corporate bonds	100	100	-
	749	100	-
	1,359	682	27

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26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group	**31 December 2009**	**31 December 2008**	**1 January 2008**
Listed			
Equity securities	24,190	5,307	34,427
Investment funds	6,841	4,033	14,049
Debt securities			
- Government bonds	6,099	11,239	13,168
- Corporate bonds	13,111	12,319	2,751
	50,241	32,898	64,395
Unlisted			
Other equity investments	5,154	1,622	84
Investment funds	11,832	2,886	14,174
Debt securities			
- Government bonds	530	4,457	6,103
- Finance bonds	29,884	39,328	23,853
- Corporate bonds	20,834	14,951	13,258
	68,234	63,244	57,472
	118,475	96,142	121,867

At 31 December 2009, certain unlisted equity investments with a carrying amount of RMB5,154 million (31 December 2008: RMB1,622 million) were stated at cost because their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Listed			
Equity securities	654	55	3,134
Investment funds	25	581	644
Debt securities			
- Corporate bonds	1,727	1,328	2
	2,406	1,964	3,780
Unlisted			
Investment funds	-	15	4,526
Debt securities			
- Government bonds	-	-	4,573
- Finance bonds	2,386	1,675	1,396
- Corporate bonds	596	636	5,589
	2,982	2,326	16,084
	5,388	4,290	19,864

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27. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

Group	31 December 2009	31 December 2008	1 January 2008
Debt securities			
-Finance	7,655	11,537	9,227
-Corporate	14,544	4,995	4,696
	22,199	16,532	13,923

Company	31 December 2009	31 December 2008	1 January 2008
Debt securities			
-Finance	1,199	1,876	704

28. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Group	31 December 2009	31 December 2008	1 January 2008
Securities-bonds			
Stock exchange	115	60	-
Inter-bank market	-	-	5,500
	115	60	5,500

Company	31 December 2009	31 December 2008	1 January 2008
Securities-bonds			
Inter-bank market	-	-	5,500

The Group does not sell or re-pledge the collateral underlying the securities purchased under agreements to resell.

29. TERM DEPOSITS

Group	31 December 2009	31 December 2008	1 January 2008
Within 1 year (including 1 year)	8,997	212	20,381
1 to 3 years (including 3 year)	34,160	20,929	7,886
3 to 5 years (including 5 year)	42,910	61,260	29,260
More than 5 years	304	355	1,735
	86,371	82,756	59,262

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29. TERM DEPOSITS (continued)

Company	31 December 2009	31 December 2008	1 January 2008
Within 1 year (including 1 year)	28	25	25
1 to 3 years (including 3 year)	4,000	-	-
3 to 5 years (including 5 year)	2,500	6,500	4,000
More than 5 years	-	41	553
	6,528	6,566	4,578

30. INTEREST RECEIVABLE

Group	31 December 2009	31 December 2008	1 January 2008
Interest receivable from deposits	3,379	2,214	1,386
Interest receivable from bonds	3,263	2,742	2,001
Interest receivable from loans	38	24	7
	6,680	4,980	3,394
Less: Bad debt provision	(1)	(1)	(1)
	6,679	4,979	3,393

31. REINSURANCE ASSETS

Group	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
Reinsurers' share of insurance contracts (note 38)	9,147	7,780	6,737

32. 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.

Group	2009	2008 (Restated)
Net deferred income tax assets/(liabilities), at beginning of year	2,643	(3,150)
Recognized in profit or loss (note 14(a))	(1,219)	1,350
Recognized in other comprehensive income (note 14(b))	(780)	4,443
Net deferred income tax assets, at end of year	644	2,643

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32. DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

Group	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
Insurance contract liabilities	(354)	(206)	(153)
Impairment of assets	97	719	167
Commissions and handling fees	206	-	183
Tax losses carried forward	658	1,629	813
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	(366)	449	(4,181)
Others	403	52	21
Net deferred income tax assets/(liabilities)	644	2,643	(3,150)
Represented by:			
Deferred tax assets	839	2,672	5
Deferred tax liabilities	(195)	(29)	(3,155)

33. INSURANCE RECEIVABLES

Group	31 December 2009	31 December 2008	1 January 2008
Insurance receivables	3,995	4,499	3,859
Provision for impairment of insurance receivables	(131)	(196)	(148)
	3,864	4,303	3,711

An aged analysis of the insurance receivables is as follows:

Group	31 December 2009	31 December 2008	1 January 2008
Within 3 months (including 3 months)	2,923	3,251	2,813
Over 3 months and within 1 year (including 1 year)	627	846	641
Over 1 year	314	206	257
	3,864	4,303	3,711

Insurance receivables include premium receivables from policyholders or agents and receivables from reinsurers.

The credit terms for premium receivables from life insurance policyholders are 60 days. CPPIC normally collects premium receivables from agents on a monthly or quarterly basis, and certain premiums are collected by CPPIC in installments. According to the Group's credit policy, the credit terms for premium receivables cannot be longer than the insurance coverage period. The Group and reinsurers normally settle receivables and payables on a quarterly basis.

The Group's insurance receivables relate to a large number of counterparties, and there is no significant concentration of credit risk. Insurance receivables are non-interest bearing.

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33. INSURANCE RECEIVABLES (continued)

The following insurance receivables are individually determined to be impaired mainly because they are past due and were not collected before the end of the insurance coverage period. The Group does not hold any collateral or other enhancements over these balances.

Group	**31 December 2009**	**31 December 2008**	**1 January 2008**
Insurance receivables that are individually determined to be impaired	64	63	67
Related provision for impairment	(64)	(63)	(67)
	-	-	-

34. OTHER ASSETS

Group	**31 December 2009**	**31 December 2008**	**1 January 2008**
Foreclosed assets	878	873	843
Receivable from securities clearance	215	337	-
Due from agents	31	46	54
Co-insurance receivable	21	339	-
Tax receivable other than income tax	-	384	-
Others	617	428	487
	1,762	2,407	1,384

Company	**31 December 2009**	**31 December 2008**	**1 January 2008**
Foreclosed assets	876	871	840
Dividends receivable	8	8	956
Due from subsidiaries	3	-	11
Others	45	59	113
	932	938	1,920

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35. CASH AND SHORT-TERM TIME DEPOSITS

Group	31 December 2009	31 December 2008	1 January 2008
Cash at banks and on hand	6,330	5,991	13,248
Time deposits with original maturity of no more than three months	23,370	10,997	2,044
Other monetary assets	423	525	8,330
	30,123	17,513	23,622

Company	31 December 2009	31 December 2008	1 January 2008
Cash at banks and on hand	421	316	6,175
Time deposits with original maturity of no more than three months	20,548	1,970	1,650
Other monetary assets	74	252	8,246
	21,043	2,538	16,071

The Group's balances denominated in RMB amounted to RMB8,438 million as at 31 December 2009 (31 December 2008: RMB15,810 million). RMB is not freely convertible into other currencies; however, under PRC's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

36. ISSUED CAPITAL

Group and Company	31 December 2009	31 December 2008	1 January 2008
Number of shares issued and fully paid at RMB1 each (million)	8,483	7,700	7,700

Please refer to note 1 for details of changes in issued capital.

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37. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein during the year 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 CPLIC 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 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, RMB1,692 million as at 31 December 2009 (31 December 2008: RMB1,020 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.

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37. RESERVES AND RETAINED PROFITS (continued)

(c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company's insurance subsidiaries in the PRC would need to make appropriations for such reserve based on their respective year end 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, RMB1,686 million as at 31 December 2009 (31 December 2008: RMB1,017 million) represents the Company's share of its subsidiaries' general reserve.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 12th meeting of the Company's 5th term of board of directors held on 16 April 2010, a final dividend of approximately RMB2,580 million (equivalent to RMB0.3 per share) was proposed after the appropriation of statutory surplus reserve and is subject to the approval of the forthcoming annual general meeting.

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37. RESERVES AND RETAINED PROFITS (continued)

(f) The movements in reserves and retained profits of the Company are set out below:

Company	Capital reserve	Surplus reserves	Available-for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2008					
As previously reported	37,771	591	322	38,684	5,763
Changes in accounting policies (note 2.3)	-	21	-	21	(21)
As restated	37,771	612	322	38,705	5,742
Total comprehensive income for the year	-	-	(78)	(78)	900
Dividends declared	-	-	-	-	(2,310)
Appropriations to surplus reserve	-	90	-	90	(90)
At 31 December 2008	37,771	702	244	38,717	4,242
At 1 January 2009					
As previously reported	37,771	682	244	38,697	4,262
Changes in accounting policies (note 2.3)	-	20	-	20	(20)
As restated	37,771	702	244	38,717	4,242
Total comprehensive income for the year	-	-	(248)	(248)	3,812
Issue of shares	17,870	-	-	17,870	-
Dividends declared	-	-	-	-	(2,310)
Appropriations to surplus reserve	-	389	-	389	(389)
At 31 December 2009	55,641	1,091	(4)	56,728	5,355

Dividends from subsidiaries amounting to RMB3,329 million were included in the Company's net profit for 2009 (2008: RMB2,816 million).

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38. INSURANCE CONTRACT LIABILITIES

Group

	As at 31 December 2009		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
Long-term life insurance contracts	208,810	(3,704)	205,106
Short-term life insurance contracts			
- Unearned premiums	1,229	(226)	1,003
- Claim reserves	470	(136)	334
	1,699	(362)	1,337
Property and casualty insurance contracts			
- Unearned premiums	14,634	(2,372)	12,262
- Claim reserves	11,009	(2,709)	8,300
	25,643	(5,081)	20,562
	236,152	(9,147)	227,005
IBNR included in claim reserves	1,821	(474)	1,347

Group

	As at 31 December 2008 (Restated)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
Long-term life insurance contracts	170,459	(2,393)	168,066
Short-term life insurance contracts			
- Unearned premiums	1,051	(243)	808
- Claim reserves	482	(143)	339
	1,533	(386)	1,147
Property and casualty insurance contracts			
- Unearned premiums	12,105	(2,071)	10,034
- Claim reserves	10,142	(2,930)	7,212
	22,247	(5,001)	17,246
	194,239	(7,780)	186,459
IBNR included in claim reserves	1,685	(495)	1,190

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38. INSURANCE CONTRACT LIABILITIES (continued)

Group	As at 1 January 2008 (Restated)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
Long-term life insurance contracts	152,729	(1,770)	150,959
Short-term life insurance contracts			
- Unearned premiums	996	(232)	764
- Claim reserves	415	(160)	255
	1,411	(392)	1,019
Property and casualty insurance contracts			
- Unearned premiums	10,757	(1,740)	9,017
- Claim reserves	8,694	(2,835)	5,859
	19,451	(4,575)	14,876
	173,591	(6,737)	166,854
IBNR included in claim reserves	1,455	(509)	946

(a) Long-term life insurance contract reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2008	152,729	(1,770)	150,959
Valuation premiums	44,990	(1,158)	43,832
Liabilities released for payments on benefits and claims	(18,478)	65	(18,413)
Other movements	(8,782)	470	(8,312)
At 31 December 2008	170,459	(2,393)	168,066
Valuation premiums	58,662	(1,875)	56,787
Liabilities released for payments on benefits and claims	(16,176)	87	(16,089)
Other movements	(4,135)	477	(3,658)
At 31 December 2009	208,810	(3,704)	205,106

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38. INSURANCE CONTRACT LIABILITIES (continued)

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2008	996	(232)	764
Premiums written	2,838	(866)	1,972
Premiums earned	(2,783)	855	(1,928)
At 31 December 2008	1,051	(243)	808
Premiums written	3,336	(870)	2,466
Premiums earned	(3,158)	887	(2,271)
At 31 December 2009	1,229	(226)	1,003

Movements of claim reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2008	415	(160)	255
Claims incurred	1,013	(317)	696
Claims paid	(946)	334	(612)
At 31 December 2008	482	(143)	339
Claims incurred	917	(384)	533
Claims paid	(929)	391	(538)
At 31 December 2009	470	(136)	334

(c) Property and casualty insurance contracts liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2008	10,757	(1,740)	9,017
Premiums written	27,924	(6,411)	21,513
Premiums earned	(26,576)	6,080	(20,496)
At 31 December 2008	12,105	(2,071)	10,034
Premiums written	34,344	(7,046)	27,298
Premiums earned	(31,815)	6,745	(25,070)
At 31 December 2009	14,634	(2,372)	12,262

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38. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contracts liabilities (continued)

Movements of claim reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 31)	Net
At 1 January 2008	8,694	(2,835)	5,859
Claims incurred	17,411	(4,103)	13,308
Claims paid	(15,963)	4,008	(11,955)
At 31 December 2008	10,142	(2,930)	7,212
Claims incurred	18,642	(3,348)	15,294
Claims paid	(17,775)	3,569	(14,206)
At 31 December 2009	11,009	(2,709)	8,300

39. INVESTMENT CONTRACT LIABILITIES

Group	
At 1 January 2008	36,087
Deposits received	18,876
Deposits withdrawn	(5,173)
Fees deducted	(1,077)
Interest credited	2,064
Others	(438)
At 31 December 2008	50,339
Deposits received	6,328
Deposits withdrawn	(5,440)
Fees deducted	(384)
Interest credited	1,870
Others	(623)
At 31 December 2009	52,090

40. SUBORDINATED DEBT

With CIRC's approval, CPLIC issued callable subordinated debt of RMB2,000 million to Agricultural Bank of China on 29 June 2006. These are 10-year fixed rate subordinated debt maturing in 2016, bearing a coupon rate of 3.75% per annum. CPLIC has the option to redeem all or part of the debt at face value on 29 June 2011. If CPLIC does not exercise this option on that date, the annual coupon rate will increase to 5.75% thereafter. CPLIC expects to redeem the debt in full on 29 June 2011.

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41. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Group	31 December 2009	31 December 2008	1 January 2008
Bonds			
Stock exchange	900	3,020	428
Inter-bank market	8,900	4,000	11,360
	9,800	7,020	11,788

As at 31 December 2009, bond investments of approximately RMB9,866 million (31 December 2008: RMB7,020 million) were pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

42. OTHER LIABILITIES

Group	31 December 2009	31 December 2008	1 January 2008
Annuity and other insurance payables	2,079	1,644	1,234
Payables for proceeds from shares sold by selling shareholders	1,882	-	-
Salary and staff welfare payable	1,414	993	1,065
Commission and brokerage payable	1,163	829	804
Payables for purchase of office buildings	499	48	163
Tax payable other than income tax	348	265	191
Accrued expenses	279	183	210
Insurance guarantee fund	142	120	105
Provisions	98	98	402
Co-insurance payable	48	291	-
Dividend payable	33	25	14
Others	1,078	760	812
	9,063	5,256	5,000

Company	31 December 2009	31 December 2008	1 January 2008
Payables for proceeds from shares sold by selling shareholders	1,882	-	-
Payables for purchase of office buildings	444	-	-
Salary and staff welfare payable	161	101	132
Provisions	94	94	87
Others	362	140	167
	2,943	335	386

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Judgements are required in the process of determining the liabilities and making the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Life insurance contract estimates are based on current assumptions. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Discount rates

  For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined by reference to the 750-day moving average bond yield curve. A premium is added by considering the liquidity, tax and the volatility of the yield curve. The range of discount rates used in 2009 is from 2.89% to 5.55% (2008: from 3.26% to 5.5%).

  For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates. The range of discount rates used in 2009 is from 4.65% to 5.2% (2008: from 4.5% to 5.2%).

- Mortality and morbidity rates

  Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides, reflecting recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. Assumptions are differentiated by sex, underwriting class and contract type.

  For long-term life insurance policies, an increase in rates will lead to a larger number of claims and claims that could occur sooner than anticipated, which will increase long-term life insurance contract liabilities and reduce profits for the shareholders.

  For annuity contracts, a high mortality will decrease payments, thereby decreasing long-term life insurance contract liabilities and increasing profits for the shareholders.

  A risk adjustment is considered when determining mortality and morbidity rates

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Key assumptions (continued)

- Expenses

  Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and a risk adjustment is considered. The assumption for policy administration expenses is determined based on expected unit costs. Unit costs have been based on an analysis of actual experience.

  An increase in the level of expenses would result in an increase in long-term life insurance contract liabilities, thereby reducing profits for the shareholders.

- Surrender rates

  Surrender rates are determined based on product type, the Group's past experience and future expectation, and vary by interest rate, product type sale trend. The Group uses information currently available as at the balance sheet date to determine surrender rates and a risk adjustment is considered.

- Policy dividend

  Policy dividend assumption is determined based on expected investment return rates of participating accounts, the Group's participating dividend policy, reasonable expectations of policyholders, etc and a risk adjustment is considered.

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(a) Long-term life insurance contracts (continued)

Sensitivities

The analysis below is performed to show the reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross long-term life insurance contract liabilities. The correlation of assumptions will have a significant effect in determining the ultimate liabilities; however, for the purpose of demonstrating the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	As at 31 December 2009		
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(7,855)	-3.76%
	-25 basis points	8,422	4.03%
Mortality and morbidity rates	+10%	638	0.31%
	-10%	(606)	-0.29%
Surrender rates	+10%	728	0.35%
	-10%	(763)	-0.37%
Expenses	+10%	1,369	0.66%
Policy dividend	+5%	1,845	0.88%

	As at 31 December 2008 (Restated)		
	Change in assumptions	Impact on gross long-term life insurance contract liabilities	Impact of assumption change as a percentage of relevant gross long-term life insurance contract liabilities
Discount rates	+25 basis points	(6,489)	-3.81%
	-25 basis points	6,967	4.09%
Mortality and morbidity rates	+10%	480	0.28%
	-10%	(460)	-0.27%
Surrender rates	+10%	808	0.47%
	-10%	(884)	-0.52%
Expenses	+10%	1,092	0.64%
Policy dividend	+5%	967	0.57%

The sensitivity analysis also does not take into account the fact that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Other limitations in the above analysis include the use of hypothetical market movements to demonstrate potential risk and the assumption that interest rates move in identical fashion.

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claim development experience. This includes assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as changes in internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include explicit margin, delays in settlement, etc.

Sensitivities

The property and casualty and short-term life insurance claim reserves are sensitive to the above key assumptions. The sensitivity of certain variables like legislative changes, uncertainty in the estimation process, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim reserves are not known with certainty at the balance sheet date.

To illustrate the sensitivities of ultimate claim costs, for example, a respective percentage change in average claim costs or the number of claims alone results in a similar percentage change in claim reserves. In other words, while other assumptions remain unchanged, a 5% increase in average claim costs would increase net claim reserves for property and casualty insurance and short-term life insurance as at 31 December 2009 by RMB415 million and RMB17 million (31 December 2008: RMB361 million and RMB17 million), respectively.

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross property and casualty insurance claim reserves:

	Accident year at end of			
Estimate of ultimate claim cost	**31 December 2007**	**31 December 2008**	**31 December 2009**	**Total**
Accident year	13,270	18,631	19,144	
One year later	12,725	18,473		
Two years later	12,520			
Current estimate of cumulative claims	12,520	18,473	19,144	50,137
Cumulative payments to date	(12,073)	(16,793)	(10,819)	(39,685)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin				557
Total gross claim reserves included in the consolidated balance sheet				11,009

Net property and casualty insurance claim reserves:

	Accident year at end of			
Estimate of ultimate claim cost	**31 December 2007**	**31 December 2008**	**31 December 2009**	**Total**
Accident year	10,459	14,036	15,280	
One year later	10,108	14,055		
Two years later	9,989			
Current estimate of cumulative claims	9,989	14,055	15,280	39,324
Cumulative payments to date	(9,675)	(12,891)	(8,866)	(31,432)
Liability in respect of prior years, unallocated loss adjustment expenses, discount and risk adjustment margin				408
Total net claim reserves included in the consolidated balance sheet				8,300

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43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS – ASSUMPTIONS AND SENSITIVITIES (continued)

(b) Property and casualty and short-term life insurance contracts (continued)

Claim development tables (continued)

Gross short-term life insurance claim reserves:

	Accident year at end of			
Estimate of ultimate claim cost	**31 December 2007**	**31 December 2008**	**31 December 2009**	**Total**
Accident year	909	1,005	1,002	
One year later	920	990		
Two years later	876			
Current estimate of cumulative claims	876	990	1,002	2,868
Cumulative payments to date	(859)	(920)	(630)	(2,409)
Liability in respect of prior years and risk adjustment margin				11
Total gross claim reserves included in the consolidated balance sheet				470

Net short-term life insurance claim reserves:

	Accident year at end of			
Estimate of ultimate claim cost	**31 December 2007**	**31 December 2008**	**31 December 2009**	**Total**
Accident year	545	711	725	
One year later	558	692		
Two years later	524			
Current estimate of cumulative claims	524	692	725	1,941
Cumulative payments to date	(516)	(644)	(457)	(1,617)
Liability in respect of prior years and risk adjustment margin				10
Total net claim reserves included in the consolidated balance sheet				334

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44. RISK MANAGEMENT

(a) Insurance risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk could occur due to any of the following factors:

Occurrence risk – the possibility that the number of insured events will differ from that expected.

Severity risk – the possibility that the cost of the events will differ from that expected.

Development risk – the possibility that changes may occur in the amount of an insurer's obligation at the end of the contract period.

The above risk exposure is mitigated by the diversification across a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines, as well as the use of reinsurance arrangements.

The businesses of the Group mainly comprise long-term life insurance contracts, short-term life insurance contracts and property and casualty insurance contracts. For contracts where death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity. For property and casualty insurance contracts, claims are often affected by natural disasters, calamities, terrorist attacks, etc.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. Insurance risk is also affected by the policyholders' rights to terminate the contract, to pay reduced premiums, to refuse to pay premiums or to avail the guaranteed annuity option. Thus, the resultant insurance risk is subject to the policyholders' behaviour and decisions.

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44. RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

The Group manages insurance risks through reinsurance to reduce the effect of potential losses to the Group. Two major types of reinsurance agreements, ceding on a quota share basis or a surplus basis, are usually used to cover insurance liability risk, with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claim provisions and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that neither it is dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Currently, the Group's insurance risk does not vary significantly in relation to the locations of the risks insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Group's concentration of insurance risk is reflected by its major lines of business as analyzed by premium income in note 6.

(b) Financial risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, which arise from foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Group's exposure to market risk:

- A group market risk policy setting out the assessment and determination of what constitutes market risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk management committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Asset allocation and portfolio limit structure, which ensures that assets back specific policyholder liabilities and that assets are held to deliver income and gains for policyholders which are in line with expectations of the policyholders.
- Strict control over hedging activities.

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44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain foreign currency insurance policies, bank deposits and securities denominated in United States dollar ("USD") or Hong Kong dollar ("HKD").

The following tables summarize the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorizing all financial assets and liabilities by major currencies.

	As at 31 December 2009			
	RMB	**USD**	**HKD**	**Total**
Financial assets at fair value through profit or loss	333	-	-	333
Held-to-maturity financial assets	104,413	192	13	104,618
Available-for-sale financial assets	116,953	120	1,402	118,475
Investments classified as loans and receivables	22,199	-	-	22,199
Term deposits	86,274	67	30	86,371
Reinsurance assets	9,147	-	-	9,147
Cash and short-term time deposits	8,438	504	21,181	30,123
Others	14,263	357	17	14,637
	362,020	1,240	22,643	385,903
Insurance contract liabilities	236,152	-	-	236,152
Investment contract liabilities	52,090	-	-	52,090
Policyholders' deposits	89	-	-	89
Subordinated debt	2,263	-	-	2,263
Securities sold under agreements to repurchase	9,800	-	-	9,800
Others	15,098	347	8	15,453
	315,492	347	8	315,847

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44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

	As at 31 December 2008 (Restated)			
	RMB	**USD**	**HKD**	**Total**
Financial assets at fair value through profit or loss	1,166	-	-	1,166
Held-to-maturity financial assets	70,912	13	55	70,980
Available-for-sale financial assets	95,738	2	402	96,142
Investments classified as loans and receivables	16,532	-	-	16,532
Term deposits	82,556	138	62	82,756
Reinsurance assets	7,780	-	-	7,780
Cash and short-term time deposits	15,810	863	840	17,513
Others	11,589	1,271	7	12,867
	302,083	2,287	1,366	305,736
Insurance contract liabilities	194,239	-	-	194,239
Investment contract liabilities	50,339	-	-	50,339
Policyholders' deposits	576	-	-	576
Subordinated debt	2,188	-	-	2,188
Securities sold under agreements to repurchase	7,020	-	-	7,020
Others	9,877	996	4	10,877
	264,239	996	4	265,239

The Group has no significant concentration of currency risk.

Sensitivities

The analysis below is performed to show the reasonably possible movements in foreign currency exchange rate with all other assumptions held constant, showing the pre-tax impact on profit before tax of the Group (due to changes in fair value of currency sensitive monetary assets and liabilities) and equity of the Group when the foreign exchange rate of USD and HKD vary. The correlation of variables will have a significant effect in determining the ultimate impact on currency risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

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NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivities (continued)

Currency	**Changes in exchange rate**	**31 December 2009**	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	1,108	1,108
USD and HKD	- 5%	(1,108)	(1,108)

Currency	**Changes in exchange rate**	**31 December 2008**	
		Impact on profit before tax	Impact on equity
USD and HKD	+ 5%	112	112
USD and HKD	- 5%	(112)	(112)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest risk policy requires it to manage interest rate risk by maintaining an appropriate match of fixed and variable rate instruments. The policy also requires it to manage the maturity of interest-bearing financial assets and interest-bearing financial liabilities. Interest on floating rate instruments is repriced when benchmark interest rates change. Interest on other instruments is either fixed during its term or repriced at intervals of less than one year if the benchmark interest rates change.

The Group has no significant concentration of interest rate risk.

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NOTES TO FINANCIAL STATEMENTS (continued)
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44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The analysis below is performed to show the reasonably possible movements in interest rate with all other assumptions held constant, showing the impact on profit before tax of the Group (due to change in interest income and change in fair values of financial assets and liabilities whose fair value are recorded in the consolidated income statement) and equity of the Group (that reflects adjustments to profit before tax and changes in fair value of available-for-sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Since almost all financial instruments of the Group that bear interest rate risks are financial instruments denominated in RMB, the sensitivity analysis below only shows the pre-tax impact of RMB financial instruments on the Group's profit before tax and equity when RMB interest rate changes.

Changes in RMB interest rate	**31 December 2009**	
	Impact on profit before tax	Impact on equity
+ 50 basis points	337	(430)
- 50 basis points	(337)	466

Changes in RMB interest rate	**31 December 2008**	
	Impact on profit before tax	Impact on equity
+ 50 basis points	302	(468)
- 50 basis points	(301)	541

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Market risk (continued)

(iii) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans, and limits on investment type.

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment funds and equity securities. The Group uses 5-day market price value-at-risk ("VAR") technique to estimate its risk exposure for listed equity securities and equity investment funds. The Group adopts 5 days as the holding period on the assumption that not all the investments can be sold in one day. Moreover, the VAR calculation is made based on normal market condition and a 95% confidence level impact on equity for listed equity securities and equity investments funds with 5-day reasonable market fluctuation and with 95% confidence level.

As at 31 December 2009, the estimated impact on equity for listed equity securities and equity investment funds, using the VAR technique and the assumptions above in the normal market is RMB2,473 million (31 December 2008: RMB1,194 million).

Credit risk

Credit risk is the risk that one party to a financial instrument (debt instrument) or reinsurance asset will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, investments in bonds, reinsurance arrangements with reinsurers, premium receivables, securities purchased under agreements to resell and policy loans.

Majority of the Group's financial assets are bond investments which include government bonds, finance bonds and corporate bonds. The finance bonds have high domestic credit rating and the corporate bonds are guaranteed mainly by financial institutions with high domestic credit rating. Hence, the related credit risk should be regarded as relatively low.

For securities purchased under agreements to resell and policy loans, there is security pledge and the maturity period is less than one year. Hence, the related credit risk should not have significant impact on the Group's financial statements.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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(All amounts expressed in RMB million unless otherwise specified)

44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Credit risk (continued)

The Group mitigates credit risk by utilizing credit control policies, undertaking credit analysis on potential investments, and imposing aggregate counterparty exposure limits.

The table below shows the maximum exposure to credit risk for the assets subject to credit risk. The maximum exposure is shown gross, before the effect of mitigation through any collateral held or other credit enhancements.

	31 December 2009	**31 December 2008**
		(Restated)
Financial assets at fair value through profit or loss	47	87
Held-to-maturity financial assets	104,618	70,980
Available-for-sale financial assets	70,458	82,294
Investments classified as loans and receivables	22,199	16,532
Term deposits	86,371	82,756
Reinsurance assets	9,147	7,780
Insurance receivables	3,864	4,303
Cash and short-term time deposits	30,120	17,508
Others	10,773	8,564
Total credit risk exposure	337,597	290,804

The above asset account balances did not include equity investment balances.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or a counterparty failing to repay a contractual obligation; or an insurance liability falling due for payment earlier than expected; or the inability to generate cash inflows as anticipated.

The Group is exposed to liquidity risk on insurance policies that permit surrenders, withdrawals or other forms of early termination. The Group seeks to manage its liquidity risk by matching, to the extent possible, the duration of its investment assets with the duration of its insurance policies and ensuring that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The following policies and procedures are in place to mitigate the Group's exposure to liquidity risk:

- Implementing group liquidity risk policy by setting out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group risk management committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting out guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure that sufficient funding is available to meet insurance and investment contract obligations.
- Setting up contingency funding plans which specify the minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

The tables below summarize the maturity profiles of the financial liabilities of the Group based on remaining undiscounted contractual obligations and insurance contract liabilities of the Group based on the estimated timing of the net cash outflows. Repayments which are subject to notices are treated as if notices were to be given immediately.

	As at 31 December 2009			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	33,704	14,904	187,544	236,152
Investment contract liabilities	1,109	1,571	49,410	52,090
Policyholders' deposits	89	-	-	89
Subordinated debt	-	2,375	-	2,375
Securities sold under agreements to repurchase	9,811	-	-	9,811
Others	14,821	595	31	15,447
Total	59,534	19,445	236,985	315,964

	As at 31 December 2008 (Restated)			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	35,257	28,475	130,507	194,239
Investment contract liabilities	1,672	625	48,042	50,339
Policyholders' deposits	576	-	-	576
Subordinated debt	-	2,375	-	2,375
Securities sold under agreements to repurchase	7,021	-	-	7,021
Others	10,352	510	15	10,877
Total	54,878	31,985	178,564	265,427

* Either due up to one year or payable on demand.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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44. RISK MANAGEMENT (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

The table below summarizes the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2009		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	333	-	333
Held-to-maturity financial assets	1,718	102,900	104,618
Available-for-sale financial assets	49,753	68,722	118,475
Investments classified as loans and receivables	4,038	18,161	22,199
Term deposits	8,959	77,412	86,371
Cash and short-term time deposits	30,123	-	30,123
Others	14,345	20,723	35,068
Total assets	109,269	287,918	397,187
Liabilities			
Insurance contract liabilities	33,704	202,448	236,152
Investment contract liabilities	1,109	50,981	52,090
Policyholders' deposits	89	-	89
Subordinated debt	-	2,263	2,263
Securities sold under agreements to repurchase	9,800	-	9,800
Others	20,574	546	21,120
Total liabilities	65,276	256,238	321,514

	As at 31 December 2008 (Restated)		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	1,166	-	1,166
Held-to-maturity financial assets	2,406	68,574	70,980
Available-for-sale financial assets	22,674	73,468	96,142
Investments classified as loans and receivables	4,435	12,097	16,532
Term deposits	212	82,544	82,756
Cash and short-term time deposits	17,513	-	17,513
Others	15,650	17,158	32,808
Total assets	64,056	253,841	317,897
Liabilities			
Insurance contract liabilities	35,257	158,982	194,239
Investment contract liabilities	1,672	48,667	50,339
Policyholders' deposits	576	-	576
Subordinated debt	-	2,188	2,188
Securities sold under agreements to repurchase	7,020	-	7,020
Others	13,649	766	14,415
Total liabilities	58,174	210,603	268,777

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
31 December 2009

(All amounts expressed in RMB million unless otherwise specified)

44. RISK MANAGEMENT (continued)

(c) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Group is exposed to many types of operational risks in the conduct of its business, from inadequate or failure to obtain proper authorizations or supporting documentation to comply with operational and informational security procedures that prevent frauds or errors by employees.

The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

(d) Mismatching risk of assets and liabilities

Assets and liabilities mismatching risk is the risk of loss due to the Group's inability to match its assets with its liabilities on the basis of duration, cash flow and investment return. Under the current regulatory and market environment, the Group is unable to invest in assets with a duration of sufficient length to match the duration of its life insurance liabilities. When the current regulatory and market environment permits, the Group will lengthen the duration of its assets and increase the profile of securities with fixed investment returns to narrow the gap of duration and investment returns of the existing liabilities.

In order to further enhance the management of matching of assets and liabilities, the Group set up, in April 2009, an Asset-Liability Management Committee. The committee has an asset-liability working group which analyzes the extent of assets and liabilities matching.

(e) Capital management risks

Externally imposed capital requirements are set and regulated by CIRC. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy solvency margin capital ratios in order to support its business objectives and maximize shareholders' value.

The Group manages its capital requirements by assessing shortfalls, if any, between reported and required capital levels on a regular basis. The Group has stepped up efforts to maintain a platform for sustained financing in order to meet solvency margin needs arising from future expansion in business activities. The Group continuously and proactively adjusts the business mix, optimizes the asset allocation, improves the asset quality and enhances the operating efficiency so as to underscore the role of profitability in relation to solvency margin.

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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44. RISK MANAGEMENT (continued)

(e) Capital management risks (continued)

In practice, the Group manages its capital requirements mainly through monitoring the solvency margins of its major insurance subsidiaries. The solvency margins are computed based on the relevant regulations issued by CIRC; actual solvency margins are the excess of admitted assets over admitted liabilities as determined under the regulations.

The table below summarizes the minimum and actual solvency margins of the major insurance subsidiaries of the Group determined according to CIRC's solvency rules.

CPPIC	31 December 2009	31 December 2008 (Restated)
Actual solvency margin	7,023	5,959
Minimum solvency margin	4,049	3,200
Surplus	2,974	2,759
Solvency margin ratio	173%	186%

CPLIC	31 December 2009	31 December 2008 (Restated)
Actual solvency margin	25,702	23,626
Minimum solvency margin	12,361	10,402
Surplus	13,341	13,224
Solvency margin ratio	208%	227%

According to the relevant regulations, if the actual solvency margin of an insurance company falls below the minimum solvency margin, CIRC may put the insurance company under special supervision and take additional necessary measures depending on the circumstances, until the minimum solvency margin requirement is satisfied.

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45. 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 (note 3.2(2)).

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, policyholders' deposits, subordinated debt issued and other liabilities.

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

The following table summarizes the carrying values and the fair values of held-to-maturity debt securities, subordinated debt, finance bonds and corporate bonds whose fair values are not presented in the consolidated balance sheet.

	As at 31 December 2009	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	104,618	103,794
Investments classified as loans and receivables	22,199	22,174
Financial liabilities:		
Subordinated debt	2,263	2,271

	As at 31 December 2008	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	70,980	75,371
Investments classified as loans and receivables	16,532	17,189
Financial liabilities:		
Subordinated debt	2,188	2,217

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

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

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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45. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Determination of fair value and fair values hierarchy

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

The levels of the fair value hierarchy are as follows:

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

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

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Investment funds	286	-	-	286
- Debt securities	47	-	-	47
	333	-	-	333
Available-for-sale financial assets				
- Equity securities	24,190	-	-	24,190
- Investment funds	18,673	-	-	18,673
- Debt securities	19,210	51,248	-	70,458
	62,073	51,248	-	113,321
Total	62,406	51,248	-	113,654

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

Determination of fair value and fair values hierarchy (continued)

	As at 31 December 2008			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Equity securities	17	-	-	17
- Investment funds	1,062	-	-	1,062
- Debt securities	87	-	-	87
	1,166	-	-	1,166
Available-for-sale financial assets				
- Equity securities	5,307	-	-	5,307
- Investment funds	6,919	-	-	6,919
- Debt securities	23,558	58,736	-	82,294
	35,784	58,736	-	94,520
Total	36,950	58,736	-	95,686

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy in 2009 and 2008.

46. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2009	**2008** (Restated)
Profit before tax	9,506	1,317
Investment income	(19,316)	(8,110)
Foreign currency losses, net	14	132
Finance costs	306	296
Charge of impairment losses on insurance receivables and other assets, net	36	74
Depreciation of property and equipment	703	533
Amortization of other intangible assets	144	117
Amortization of prepaid land lease payments	5	4
Amortization of other assets	13	10
Gain on disposal of items of property and equipment, intangible assets and other long-term assets, net	(21)	(127)
Reversal of provision for lawsuits	-	(280)
Share of profits of a jointly-controlled entity and an associate	(85)	-
	(8,695)	(6,034)
Increase in reinsurance assets	(1,367)	(1,043)
Decrease/(Increase) in insurance receivables	461	(646)
Decrease/(increase) in other assets	102	(1,549)
Increase in insurance contract liabilities	41,933	22,964
Increase in investment contract liabilities	1,751	14,252
Increase/(decrease) in other operating liabilities	4,331	(2,726)
Cash generated from operating activities	38,516	25,218

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
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47. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

(a) Sale of insurance contracts

	2009	2008
Equity holders who individually own more than 5% of equity interests of the Company	52	49

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

	2009	2008
Equity holders who individually own more than 5% of equity interests of the Company	2	-

(c) Asset management income

	2009	2008
Pacific Antai	2	-

(d) Compensation of key management personnel of the Group

	2009	2008
Salaries, allowances and other short-term benefits	41	30
Long-term incentive paid (1)	2	1
Total compensation of key management personnel	43	31

(1) This represents amount paid under the Group's long-term incentive plans mentioned in note 11(2). 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.

Further details of directors' emoluments are included in note 12.

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48. COMMITMENTS

(a) Capital commitments

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

	2009	**2008**
Contracted, but not provided for	1,722	6,863
Authorized, but not contracted for	461	461
	2,183	7,324

(1) In June 2008, CIRC approved Ping An Asset Management Co., Ltd, PAMC, Taikang Asset Management Co., Ltd. and Taiping Asset Management Co., Ltd. to jointly establish Beijing-Shanghai High-speed Railway Equity Investment Scheme and to raise RMB16 billion for acquisition of 13.913% equity interest in Beijing-Shanghai High-speed Railway Corporation Limited. CPLIC's share of this investment scheme amounts to RMB4 billion in total. As at 31 December 2009, RMB149 million has not yet been paid.

(2) In March 2008, the Company's shareholders' general meeting, the Company approved to establish IT Backup Center and Customer Support Center in Chengdu High-tech Zone. The expected total investment amounts to RMB1,000 million. Due to the earthquake in Sichuan, the scheme was delayed. As at 31 December 2009, RMB998 million has not yet been paid.

(b) Operating lease commitments

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

	2009	**2008**
Within 1 year	309	256
1 to 2 years	218	200
2 to 3 years	144	127
More than 3 years	504	499
	1,175	1,082

CHINA PACIFIC INSURANCE (GROUP) CO., LTD.
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49. 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.

In addition to the above legal proceedings, as at 31 December 2009, 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.

50. POST BALANCE SHEET EVENT

On 14 January 2010, the H share over-allotment option described in the Prospectus dated 10 December 2009 was exercised in full by UBS AG Hong Kong Branch, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and Goldman Sachs (Asia) L.L.C. on behalf of the International Purchasers in respect of an aggregate of 128,700,000 H Shares (the "Over-Allotment Shares"). The Over-Allotment Shares were issued and allotted by the Company and sold by the selling shareholders (excluding the Overseas Investors). Listing of and dealings in such Over-Allotment Shares commenced on 27 January 2010. In this regard, the net proceeds from the Over-Allotment Shares approximated HK$3,450,000,000, and the paid-up capital of the Company was increased to RMB8,600 million in January 2010. The change of registered capital is still in progress.

51. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to current year's presentation.

52. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Company's directors on 16 April 2010.

中國上海市銀城中路190號交銀金融大廈南樓
190 Central Yincheng Road, Shanghai, China
郵編(Zip): 200120
電話(Tel): +8621-58767282
傳真(Fax): +8621-68870791