IMPORTANT

If you are in any doubt about this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares Under the Global Offering :	861,300,000 H Shares (comprising 783,000,000 H Shares to be offered by the Company and 78,300,000 Sale Shares to be offered by the Selling Shareholders, subject to the H Share Over-Allotment Option)
Number of Offer Shares Under the International Offering :	818,234,800 H Shares (subject to adjustment and the H Share Over-Allotment Option)
Number of Hong Kong Offer Shares :	43,065,200 H Shares (subject to adjustment)
Maximum offer price :	HK$30.10 per Hong Kong Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus 1% brokerage, SFC transaction levy of 0.004% and a Hong Kong Stock Exchange trading fee of 0.005%
Nominal Value :	RMB1.00 each
Stock Code :	02601

Sole Global Coordinator

UBS Investment Bank

Joint Sponsors, Joint Bookrunners and Joint Lead Managers

UBS Investment Bank   CREDIT SUISSE   CICC 中金香港证券   Goldman Sachs

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix XI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 16 December 2009 and, in any event, not later than Tuesday, 22 December 2009. The Offer Price will be not more than HK$30.10 and is currently expected to be not less than HK$26.80 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK$30.10 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK$30.10.

The Joint Bookrunners (on behalf of the Underwriters, and with our consent (on behalf of ourselves and the Selling Shareholders)) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus (which is HK$26.80 to HK$30.10 per H Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, then even if the number of Offer Shares and/or the indicative offer price range is so reduced, such applications cannot be subsequently withdrawn. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

If, for whatever reason, we and the Joint Bookrunners are not able to agree on the Offer Price on or before Tuesday, 22 December 2009, the Global Offering (including the Hong Kong Public Offering) will not proceed.

We are incorporated, and substantially all of our businesses are located, in the People's Republic of China ("PRC"). Potential investors should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set forth in the sections headed "Risk Factors", "Supervision and Regulation", Appendix VIII — "Summary of Principal Legal and Regulatory Provisions" and Appendix IX — "Summary of Articles of Associations".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Lead Managers (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Hong Kong Stock Exchange. Such grounds are set forth in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

10 December 2009

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EXPECTED TIMETABLE[1]

Application lists open[2]	11:45 a.m. on Tuesday, 15 December 2009
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, 15 December 2009
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Tuesday, 15 December 2009
Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[4]	11:30 a.m. on Tuesday, 15 December 2009
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 15 December 2009
Application lists close	12:00 noon on Tuesday, 15 December 2009
Expected Price Determination Date	Wednesday, 16 December 2009
Announcement of Offer Price	Thursday, 17 December 2009
(1) Announcement of • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allotment of the Hong Kong Offer Shares expected to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 22 December 2009
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from	Tuesday, 22 December 2009
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[5] and the Company's website at **www.cpic.com.cn**[6] from	Tuesday, 22 December 2009
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Tuesday, 22 December 2009
H Share certificates in respect of wholly or partially successful applications to be dispatched on or before[7]	Tuesday, 22 December 2009
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	Tuesday, 22 December 2009
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	Wednesday, 23 December 2009

(1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 15 December 2009, the application lists will not open on that day. See the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — V. Applying by Giving Electronic Application Instructions to HKSCC" in this prospectus.

(4) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The announcement will be available for viewing on the "New Listings — Main Board — Allotment Results" page on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Applicants who apply for 100,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect refund cheques (where applicable) and H Share certificates (where applicable) in person may do so from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 December 2009. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the White Form eIPO Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) White Form e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

H Share certificates will become valid certificates of title only if the Hong Kong Public Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Purchase Agreement has been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date, which is expected to be Wednesday, 23 December 2009. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering. Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding. The English names of the PRC governmental authorities or PRC entities are translations of their Chinese names and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail. Unless otherwise specified, all references to shareholding in our Company assume no exercise of the H Share Over-Allotment Option.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares.

There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

The market share and industry data in this prospectus were derived from data prepared in accordance with PRC GAAP or other applicable local GAAP, which differs from HKFRS in certain significant respects. Unless otherwise indicated, the market share, industry and other operating data relating to our Company or our life insurance business in this prospectus do not include data relating to Pacific-Antai, and the market share, industry and other operating data relating to our property and casualty insurance business do not include data relating to CPIC HK.

OVERVIEW

We are a leading composite insurance group in the PRC, providing, through our subsidiaries and affiliates, a broad range of life and property and casualty insurance 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.

In 2008 and the first nine months of 2009, we ranked third in the PRC life insurance market with a market share of 9.0% and 8.1%, respectively, and ranked second and third in the PRC property and casualty insurance market with a market share of 11.4% and 11.6%, respectively, in terms of gross written premiums, based on PRC GAAP financial data published by the CIRC. Our gross written premiums, policy fees and deposits were RMB94,628 million in 2008, of which RMB66,704 million, or approximately 70.5%, was from the operations of CPIC Life and RMB27,875 million, or approximately 29.5%, was from the operations of CPIC Property. Our gross written premiums, policy fees and deposits were RMB54,294 million in the first six months of 2009, of which RMB35,612 million, or approximately 65.6%, was from the operations of CPIC Life and RMB18,656 million, or approximately 34.4%, was from the operations of CPIC Property.

Our net premiums earned and policy fees from the operations of CPIC Life were RMB15,540 million, RMB19,285 million, RMB23,834 million and RMB15,515 million in 2006, 2007, 2008 and the six months ended 30 June 2009, respectively. Our net premiums earned and policy fees from the operations of CPIC Property were RMB12,254 million, RMB16,753 million, RMB20,132 million and RMB11,382 million in 2006, 2007, 2008 and the six months ended 30 June 2009, respectively.

Since our establishment in 1991, we have built one of the most recognized brand names in the PRC insurance industry. We have one of the largest insurance distribution networks in the PRC. As of 30 June 2009, the key components of our distribution network in the PRC included 75 branches and 5,632 central sub-branches, sub-branches and sales outlets located substantially throughout the PRC, approximately 245,700 individual insurance agents for our individual life insurance products and approximately 18,700 employees engaged in direct sales and marketing activities for life and property and casualty insurance products as well as a large number of brokers, agents and other intermediaries for our insurance products. We believe that our prominent brand name, distribution capabilities, extensive customer base and superior customer service help us sustain our market position and capture the growing demand for insurance products and services in the PRC.

MARKET OPPORTUNITIES

The PRC insurance market is one of the fastest growing insurance markets in the world. Between 2000 and 2008, premiums received by life insurance companies and property and casualty insurance companies in the PRC increased at a compound annual growth rate of 28.3% and 19.1%, respectively, based on data published by the National Bureau of Statistics of China and the CIRC.

Despite the substantial growth in premiums in recent years, the total life and non-life insurance premiums in the PRC represented only approximately 2.2% and 1.0%, respectively, of the PRC's GDP in 2008. These penetration rates, which are significantly lower than those in the more developed markets in Asia, Europe and North America, indicate that the PRC insurance market has potential for further significant growth.

The PRC is in the midst of an economic and demographic transformation, which we believe will continue to create significant growth opportunities in the PRC insurance market. This transformation involves, among other things, the further reform of State-owned enterprises and a shift of responsibility for providing social welfare benefits to a mix of the government, enterprises and individuals. Insurance companies are expected to be responsible for providing supplemental social welfare protection by offering group and individual insurance products. Moreover, the PRC is undergoing significant demographic transformations, including an increase in life expectancy, a decrease in birth rate, an ageing population and a growth in urban population and income, all of which are expected to create substantial growth opportunities for life insurance, health insurance and pension products. At the same time, the rapid growth of the PRC economy in recent years has led to a significant increase in disposable income per capita, which has given rise to an increase in automobile ownership and household properties, among other things, and a significant growth in corporate assets. The rapid growth of the PRC economy has resulted in a higher demand for insurance products and served as the primary driver of the increase in insurance premiums in the PRC. With the economic and demographic transformation, the Chinese public has also become increasingly aware of the need and attractiveness of insurance products, further fostering the demand for insurance products.

OUR STRENGTHS

We are a leading composite insurance group with a prominent brand name and a strong market position in the PRC. We have ranked among the top three in the PRC insurance industry in terms of market shares in life insurance and in property and casualty insurance, each as measured by gross written premiums based on PRC GAAP financial data, and in terms of investment assets. We seek to create sustainable value and stable returns for our shareholders by leveraging our strong competitive advantages. Our principal strengths include:

- A leading insurance company well positioned to capture substantial growth opportunities in the PRC insurance market;
- Dedicated focus on insurance businesses and highly competitive insurance expertise, driven by a pursuit of sustainable, value-enhancing growth;
- One of the most recognized insurance brand names, coupled with an extensive customer base;
- Nationwide, extensive distribution network and integrated service platform;
- ALM-based professional and prudent insurance asset management capabilities;
- Sound corporate governance and solid risk management and internal control capabilities;
- Advanced and reliable information technology system; and
- Experienced management team and centralized group management platform.

OUR STRATEGY

Our strategic objective is to become a leading, internationally-competitive insurance financial services group focusing on insurance businesses and embracing sustained, value-enhancing growth.

We plan to undertake the following strategic initiatives:

- Continue to optimize business mix to achieve industry-leading value-enhancing growth in the PRC insurance market;
- Enhance overall business development capabilities and core competencies;
  - — Further improve centralized operational platforms to support business growth;
  - — Strengthen the management of distribution channels and sales force to steadily increase productivity;
  - — Enhance customer service quality and improve customer satisfaction;
  - — Enhance ALM-based investment management capabilities;
  - — Continue to build up our corporate culture and establish our corporate image of "a responsible insurance company"; and
- Further reform centralized management to maximize group synergy.

RISK FACTORS

There are certain risks relating to an investment in the Offer Shares. These risks can be categorized into (i) risks relating to the PRC insurance industry; (ii) risks relating to our Company; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. These risks are further described in the section headed "Risk Factors" and are listed below:

Risks Relating to the PRC Insurance Industry

- If we cannot effectively respond to the increasing competition in the PRC insurance industry, our profitability and market share could be materially and adversely affected.
- Changes in interest rates may materially and adversely affect our profitability.
- The limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments that insurance companies are permitted to make affect our ability to match closely the duration of our assets and liabilities.
- Changes in demand for automobiles in the PRC and the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability.
- Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.
- Adverse changes in the reinsurance markets or a default by our reinsurers could materially and adversely affect our results of operations and financial condition.
- Concentrated surrenders may materially and adversely affect our cash flows, results of operations and financial condition.
- Our businesses are extensively regulated and changes in laws and regulations may reduce our profitability and limit our growth.
- The rate of growth of the PRC insurance market may not be as high or as sustainable as we anticipate.

Risks Relating to Our Company

- If we cannot timely obtain capital to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on us, which may have a material and adverse effect on our business and results of operations.
- Our investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on our results of operations and financial condition.
- New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things.
- Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect our reputation, business, results of operations and financial condition.
- Our risk management and internal control systems may not be adequate or effective in all respects, and could materially and adversely affect our business and results of operations.
- Our business, results of operations and financial condition could be adversely affected if we are unable to successfully manage our growth.
- Differences in actual experience from the assumptions used in pricing and setting reserves for our insurance products may materially and adversely affect our results of operations and financial condition.
- Our group embedded value and the value of one year's sales of CPIC Life are each calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.
- We depend on our ability to attract and retain senior management as well as talented employees and individual insurance agents and the loss of their services could adversely affect our business and results of operations.
- We may not be able to timely detect or prevent fraud or other misconduct by our employees, agents, customers or other third parties.
- We may experience failures in our information technology system, which could materially and adversely affect our business, results of operations and financial condition.
- We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.
- Our large shareholders are able to exercise significant influence over us.
- We may encounter difficulties in effectively implementing centralized management and supervision of our subsidiaries and branch entities, as well as consistent application of our policies throughout our Company.
- CPIC Group's ability to pay dividends and meet other obligations depends on dividends and other payments from its operating subsidiaries, which are subject to their contractual obligations and other limitations.

Risks Relating to the PRC

- The PRC's economic, political and social conditions and government policies could affect our business.

- An economic slowdown in the PRC, such as the one experienced following the recent global financial crisis, may reduce the demand for our products and services and have a material adverse effect on our results of operations, financial condition and profitability.
- The PRC legal system has inherent uncertainties that could limit the legal protections available to you.
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.
- Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our results of operations and financial condition, and may reduce the value of, and dividends payable on, our H Shares in foreign currency terms.
- Dividends received by individual holders of our H Shares who are foreign nationals and gains derived from the disposition of our H Shares by such holders may become subject to PRC taxation, and there are uncertainties as to the collection of PRC enterprise income tax on gains derived by holders of our H Shares that are foreign enterprises from their disposition of our H Shares.
- Payment of dividends is subject to restrictions under PRC law.
- Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and their economies and insurance industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.
- The outbreak of Severe Acute Respiratory Syndrome, or SARS, and the potentially more widespread outbreak of avian flu and influenza A (H1N1) in the PRC, and concerns over health hazards in Asia and elsewhere have caused, and may continue to cause, damages to economies, financial markets and business activities in the PRC and elsewhere.

Risks Relating to the Global Offering

- An active trading market for our H Shares may not develop or be sustained, and their trading prices may fluctuate significantly.
- Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.
- Because the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering will experience immediate dilution. Purchasers of our H Shares may experience further dilution if we issue additional Shares in the future.
- Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our H Shares by those shareholders that are currently subject to contractual and/or legal restrictions on share transfers (including the Overseas Investors) or re-registration of Shares held on our A share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.
- We conducted an A Share Offering in 2007, and the characteristics of the A share and H share markets are different.
- We strongly caution you not to place any reliance on any information contained in press articles or other media coverage regarding us, our Global Offering or our A Shares or

information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the summary historical consolidated financial information set forth below in conjunction with our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with HKFRS. The summary historical consolidated income statement information for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the summary historical consolidated balance sheet information as of 31 December 2006, 2007 and 2008 and 30 June 2009 set forth below are derived from our consolidated financial statements that have been audited by Ernst & Young and included in the Accountants' Report set forth in Appendix I. The summary historical consolidated income statement information for the six months ended 30 June 2008 set forth below are derived from our unaudited consolidated financial statements that have been reviewed by Ernst & Young and included in the Accountants' Report set forth in Appendix I.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Summary Historical Consolidated Income Statement Data					
Gross written premiums and policy fees	35,926	44,881	53,845	29,393	35,773
Less: premiums ceded to reinsurers	(6,394)	(6,762)	(8,435)	(4,690)	(5,538)
Net written premiums and policy fees	29,532	38,119	45,410	24,703	30,235
Net change in unearned premium reserves	(1,618)	(1,937)	(1,307)	(2,386)	(3,259)
Net premiums earned and policy fees	27,914	36,182	44,103	22,317	26,976
Investment income	9,534	27,230	8,110	14,452	8,878
Other operating income	284	535	816	344	165
Other income	9,818	27,765	8,926	14,796	9,043
Total income	37,732	63,947	53,029	37,113	36,019
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	(7,800)	(10,568)	(13,943)	(7,041)	(7,361)
Changes in long-term traditional insurance contract liabilities	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	(581)	(848)	(532)	(380)	(138)
Interest credited to investment contracts	(221)	(165)	(102)	(59)	(38)
Amortization on deferred acquisition costs	(3,880)	(5,155)	(5,634)	(2,517)	(3,786)
Provision for insurance guarantee fund	(211)	(275)	(318)	(176)	(213)
Change in deferred revenue	240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses	(5,742)	(7,845)	(7,246)	(3,878)	(3,603)
Total benefits, claims and expenses	(33,729)	(49,251)	(50,952)	(30,968)	(30,886)

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Share of profits/(losses) of					
A jointly-controlled entity	5	70	(52)	(2)	26
Associates	(8)	—	—	—	—
Profit before tax	4,000	14,766	2,025	6,143	5,159
Income tax	(1,363)	(2,500)	1,161	55	(1,158)
Net profit for the year/period	2,637	12,266	3,186	6,198	4,001
Attributable to:					
- Equity holders of the parent	2,019	11,238	3,086	6,082	3,937
- Minority interests	618	1,028	100	116	64
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.47	1.82	0.40	0.79	0.51

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Summary Historical Consolidated Balance Sheet Data				
Assets				
Property and equipment	3,928	4,546	6,596	6,913
Intangible assets	117	249	365	342
Prepaid land lease payments	222	217	213	210
Interests in associates	209	—	—	—
Investment in a jointly-controlled entity	322	367	391	417
Financial assets at fair value through profit or loss	4,758	2,463	1,166	416
Held-to-maturity financial assets	36,879	58,120	70,980	81,919
Available-for-sale financial assets	68,430	121,867	96,142	113,572
Investments classified as loans and receivables	7,726	13,923	16,532	22,346
Securities purchased under agreements to resell	1,744	5,500	60	—
Term deposits	53,855	59,262	82,756	91,061
Restricted statutory deposits	889	998	1,838	1,838
Policy loans	219	442	698	986
Interest receivables	2,134	3,393	4,979	6,857
Deferred acquisition costs	11,276	13,468	20,114	22,320
Reinsurance assets	7,247	8,395	9,627	11,082
Deferred income tax assets	79	6	763	705
Income tax receivable	1	408	508	—
Insurance receivables	3,177	3,711	4,303	5,017
Other assets	555	1,384	2,406	2,239
Cash and short-term time deposits	10,142	23,622	17,513	18,734
Total Assets	213,909	322,341	337,950	386,974

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Equity and Liabilities				
Equity				
Issued capital	4,300	7,700	7,700	7,700
Reserves	8,369	51,538	38,264	41,326
Retained profits	1,815	12,706	13,391	15,018
Equity attributable to equity holders of the parent	14,484	71,944	59,355	64,044
Minority interests	3,080	712	671	728
Total Equity	17,564	72,656	60,026	64,772
Liabilities				
Insurance contract liabilities	155,607	201,979	239,467	265,326
Investment contract liabilities	7,449	4,554	3,039	2,632
Subordinated debts	2,038	2,113	2,188	2,226
Securities sold under agreements to repurchase	3,120	11,788	7,020	22,435
Policyholders' deposits	11,315	6,913	576	94
Provisions	985	402	98	98
Deferred income tax liabilities	3,281	6,720	1,753	3,833
Income tax payable	194	64	8	57
Deferred revenue	3,711	4,018	9,469	9,812
Premium received in advance	1,288	2,149	2,788	1,264
Policyholder dividend payable	1,984	2,779	4,147	4,598
Payables to reinsurers	1,694	1,607	2,213	3,040
Other liabilities	3,679	4,599	5,158	6,787
Total Liabilities	196,345	249,685	277,924	322,202
Total Equity and Liabilities	213,909	322,341	337,950	386,974

NEW PRC ACCOUNTING PRONOUNCEMENTS

On 7 August 2008, the Ministry of Finance issued Interpretation No. 2, which requires companies with both A shares listed on a PRC stock exchange and H shares listed on the Hong Kong Stock Exchange to recognize, measure and report the same transactions with the same accounting policies and estimates unless an exemption is available under the interpretation. On 5 January 2009, the CIRC issued the CIRC Notice, which requires that, beginning with the financial statements for the year ending 31 December 2009, each PRC insurance company modify its existing accounting policies that may cause discrepancies in its financial reporting for purposes of A shares and H shares so as to eliminate such discrepancies.

Specifically, the CIRC Notice requires that (i) premiums income be recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of different components of a contract, which requirement we have considered in preparing our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, (ii) acquisition costs for new insurance contracts be expensed in the income statement for the current period, instead of being deferred and amortized over the expected life of such insurance contracts, and (iii) actuarial reserves be measured based on the principle of "best estimates", as opposed to our current practice of measuring reserves based on assumptions established at the inception of long-term life insurance contracts with no subsequent changes unless our liability adequacy tests reveal a deficiency in such reserves. The relevant PRC authorities are yet to issue detailed guidance to implement the requirements under Interpretation No. 2 and the CIRC Notice, and insurance companies may be required to make retrospective adjustments to their historical financial statements in accordance with such detailed guidance.

The full implementation of Interpretation No. 2 and the CIRC Notice may have a significant impact on the reporting of our financial statements, including our reported net profits and shareholders' equity. Therefore, our results of operations and financial position reflected in our financial statements to be included in our annual report for the year ending 31 December 2009 may differ materially from those reflected in our financial statements included in this prospectus, even though some of these financial statements may relate to the same fiscal years. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

SUMMARY OPERATING DATA AND FINANCIAL RATIOS

The following table sets forth certain operating data and financial ratios relating to our life insurance and property and casualty insurance operations as of or for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

	As of or for the year ended 31 December			As of or for the six months ended 30 June
	2006	2007	2008	2009
Life Insurance[1]				
Number of customers:				
Individual (in thousands)	22,722	26,906	31,365	33,820
Institutional (in thousands)	312	316	312	318
Total (in thousands)	23,034	27,222	31,677	34,138
Persistency ratio:				
13-month	84.6%	85.7%	86.0%	85.2%
25-month	75.1%	79.1%	81.6%	83.1%
Distribution channels:				
Number of individual life insurance agents	175,903	203,609	226,315	245,707
Number of group sales representatives	3,213	2,899	3,149	3,373
Bancassurance account managers	4,117	7,000	8,532	8,374
Property and Casualty Insurance[2]				
Number of customers:				
Individual (in thousands)	7,789	9,208	10,596	11,465
Institutional (in thousands)	1,687	1,877	2,146	2,394
Total (in thousands)	9,476	11,085	12,742	13,859
Distribution channels:				
Number of direct sales representatives	9,772	12,481	14,800	15,343
Number of insurance agents	34,408	25,821	30,110	30,556
Number of insurance brokers	273	747	740	935

(1) Operating data of life insurance represented those of CPIC Life.

(2) Operating data of property and casualty insurance represented those of CPIC Property.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
Financial and Operating Ratios					
Group					
Return on average equity(1)	17.46%	26.01%	4.70%	9.25%	6.38%
Return on average assets	1.37%	4.57%	0.97%	1.92%	1.10%
Investment yield(2)	5.97%	11.96%	2.92%	5.29%	3.03%
Life Insurance(3)					
Operating expense ratio(4)	12.70%	16.42%	12.16%	13.75%	10.15%
Investment yield(2)	6.12%	12.88%	4.33%	6.02%	3.15%
Property and Casualty Insurance(5)					
Retention ratio	76.18%	78.29%	76.66%	75.76%	77.32%
Loss ratio	60.36%	59.74%	65.61%	69.49%	62.97%
Expense ratio	37.87%	37.42%	35.39%	35.22%	33.90%
Combined ratio	98.23%	97.16%	101.00%	104.71%	96.86%
Investment yield(2)	5.30%	14.22%	4.62%	4.61%	2.19%

(1) Ratio of net profit attributable to equity holders of the parent to average balance of equity attributable to equity holders of the parent at the beginning and end of the period.

(2) Ratio of investment income (net of interest expense incurred for securities sold under agreements to repurchase) to average investments (net of associated liabilities relating to securities sold under agreements to repurchase) at the beginning and end of the period. The yield information for the six months ended 30 June 2008 and 2009 has not been annualized.

(3) Financial and operating ratios of life insurance represented those of CPIC Life.

(4) Ratio of operating expenses excluding acquisition cost included in deferred acquisition costs to net premiums earned.

(5) Financial and operating ratios of property and casualty insurance represented those of CPIC Property.

EMBEDDED VALUE

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed our group embedded value. We have also disclosed the value of one year's sales in respect of our new life insurance business. The estimates of value of in-force business of CPIC Life and value of one year's sales of CPIC Life have been reviewed by Towers Perrin, an independent firm of consulting actuaries. A copy of Towers Perrin's opinion regarding these values is included in the Consulting Actuaries' Report set forth in Appendix VI to this prospectus. See the section headed "Embedded Value".

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

The statistics in the following table are based on the assumption that the H Share Over-Allotment Option is not exercised.

Forecast net profit attributable to equity holders of the Company(1) no less than	RMB6,510 million
Pro forma fully diluted forecast earnings per H Share(2)(3)	RMB0.77 (HK$0.87)

(1) The bases on which the above profit forecast have been prepared are set out in Appendix III to this prospectus. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

(2) The calculation of the forecast earnings per H Share on a pro forma fully diluted basis is based on the forecast net profit attributable to equity holders of the Company for the year ending 31 December 2009, assuming that our H Shares had been listed since 1 January 2009 and a total of 8,483,000,000 Shares were issued and outstanding during the entire year ending 31 December 2009. This calculation assumes that the H Share Over-Allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering were issued on 1 January 2009.

(3) Forecast earnings per H Share are converted into Hong Kong dollars based on the PBOC Rate of HK$1.00 = RMB0.8809 prevailing on 2 December 2009.

To the extent detailed guidance for the implementation of Interpretation No. 2 and the CIRC Notice is issued and applicable to our financial statements for the year ending 31 December 2009, we will disclose in our annual report for the year ending 31 December 2009: (i) our net profit for the year ending 31 December 2009, derived using the same accounting policies as those under which our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared; and (ii) a reconciliation of such net profit to our reported net profit for the year ending 31 December 2009 derived using the accounting policies that reflect the implementation of Interpretation No. 2 and the CIRC Notice, in each case of (i) and (ii) with such financial information audited or reviewed by our auditors.

GLOBAL OFFERING

The Global Offering comprises:

- the Hong Kong Public Offering of initially 43,065,200 Offer Shares, or Hong Kong Offer Shares, for subscription by the public in Hong Kong; and
- the International Offering of an aggregate of initially 818,234,800 H Shares, consisting of the offering of our H Shares by us and the Selling Shareholders (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and (ii) outside the United States and Canada in offshore transactions in reliance on Regulation S under the U.S. Securities Act. At any time from the date we sign the International Purchase Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Bookrunners, as representatives of the International Purchasers, have an option to require us to issue and allot and the Selling Shareholders to sell up to an additional 128,700,000 H Shares, representing approximately 14.9% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

The numbers of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering are subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering".

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us (on behalf of ourselves and the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Wednesday, 16 December 2009 and, in any event, not later than Tuesday, 22 December 2009. The Offer Price will be not more than HK$30.10 and is currently expected to be not less than HK$26.80 unless otherwise announced. Furthermore, the Offer Price will not be lower than RMB23.52 (or HK$26.70, based on the PBOC Rate of HK$1.00 = RMB0.8809 prevailing on 2 December 2009), the volume-weighted average trading price of our A Shares for the twenty trading days immediately preceding 17 July 2009, the date on which we publicly announced the resolutions of our Board approving the Global Offering plan, taking into account the exchange rate differences between Hong Kong dollars and Renminbi.

A SHARE OFFERING

We conducted a public offering of our A Shares, or the A Share Offering, in the PRC in December 2007. Our A Share Offering comprised an offering of 1 billion A Shares for subscription. Our A Shares were listed on the Shanghai Stock Exchange on 25 December 2007 and are traded in Renminbi (A Share Stock Code: 601601). The offering price for our A Shares in the A Share Offering was RMB30 per A Share, and the net proceeds to us from the A Share Offering were approximately RMB29,032 million. From 25 December 2007 to 2 December 2009, the high and low closing prices for our A Shares were RMB50.31 per A Share on 27 December 2007 and RMB10.48 per A Share on 25 December 2008, respectively. See the section headed "Our A Shares". As of 2 December 2009, the closing price for our A Shares was RMB25.18 per A Share.

OFFER STATISTICS

The statistics in the following table are based on the assumption that the H Share Over-Allotment Option is not exercised.

	Based on an Offer Price of HK$26.80	**Based on an Offer Price of HK$30.10**
Market capitalization of the H Shares(1)	HK$58,547 million	HK$65,756 million
Prospective price/earnings multiple on a pro forma fully diluted basis(2)	30.8 times	34.6 times
Pro forma adjusted net tangible asset value per H Share(3)	HK$8.67	HK$8.97

(1) The calculation of market capitalization is based on a total of 2,184,600,000 H Shares expected to be outstanding following the Global Offering, taking into account the conversion of A Shares into the H Shares to be offered for sale by the Selling Shareholders and the conversion into H Shares of the A Shares held by the Overseas Investors.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per H Share on a pro forma fully diluted basis at the respective Offer Prices of HK$26.80 and HK$30.10.

(3) The pro forma adjusted net tangible asset value per H Share is arrived at after the adjustments referred to in the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets and Group Embedded Value, Adjusted for Estimated Net Proceeds from the Global Offering" in this prospectus and on the basis of 8,483,000,000 Shares expected to be in issue following the Global Offering as described in this prospectus at the respective Offer Prices of HK$26.80 and HK$30.10.

If the H Share Over-Allotment Option is exercised in full, assuming an Offer Price of HK$28.45 (being the mid-point of the estimated Offer Price range of HK$26.80 to HK$30.10), the pro forma adjusted net tangible asset value per H Share will be HK$9.08, while the earnings per H Share on a pro forma fully diluted basis will be diluted correspondingly to HK$0.86.

DIVIDEND POLICY

Subject to applicable requirements of PRC law, our Board will declare dividends, if any, in Renminbi with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any declaration of dividends for a fiscal year will be subject to shareholders' approval. The decision to make a recommendation for the payment of any dividend and the amounts of dividends to be declared and actually distributed will depend upon the following factors:

- our results of operations and cash flows;
- our financial position;
- statutory solvency requirements under CIRC rules;
- general business conditions;
- our future prospects;
- statutory and regulatory restrictions on the payment of dividends by us; and
- other factors that our Board deems relevant.

Under the PRC Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions declared by our Board. See the section headed "Financial Information — Dividend Policy".

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering of approximately HK$21,506 million (RMB18,945 million based on the PBOC Rate of HK$1.00 = RMB0.8809 prevailing on 2 December 2009), after deducting the underwriting fees and estimated expenses payable by us in the Global Offering, assuming the H Share Over-Allotment Option is not exercised and assuming an Offer Price of HK$28.45 per Offer Share, being the midpoint of the estimated Offer Price range.

We intend to use these net proceeds for strengthening our capital base, including, among other things, funding the existing operations of our subsidiaries as well as the potential future expansion of these operations. To the extent that the net proceeds of the Global Offering are not immediately applied to the above purpose, we intend to invest the net proceeds in accordance with relevant laws and regulations and our investment policy. See the section headed "Business — Asset Management and Investment Portfolio" for more information about our investment policy. Before we obtain necessary approvals from relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi.

The net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering are estimated to be approximately HK$2,172 million, after deducting the underwriting fees payable by the Selling Shareholders in the Global Offering, assuming the H Share Over-Allotment Option is not exercised and assuming an Offer Price of HK$28.45 per Offer Share, being the midpoint of the estimated Offer Price range. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. In accordance with the relevant PRC laws and regulations, the net proceeds received by the Selling Shareholders from the sale of the Sale Shares will be remitted to the NSSF Council.

See the section headed "Future Plans and Use of Proceeds from the Global Offering" for details.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain other terms are explained in the section headed "Glossary".

"A Share Offering"	the offer for subscription of 1 billion A Shares by us to the public in the PRC, which was completed on 25 December 2007
"A Shares"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"ALCO"	assets and liabilities management committee of CPIC Group
"Application Form(s)"	white application form(s), yellow application form(s) and green application form(s) or, where the context so requires, any of them
"Articles of Association"	the current articles of association of China Pacific Insurance (Group) Co., Ltd., adopted on 26 May 2009 and approved by the CIRC on 13 August 2009
"Board"	the board of directors of CPIC Group
"Board of Supervisors"	the board of supervisors of CPIC Group
"Carlyle"	The Carlyle Group, one of the largest global private equity investment firms
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Changjiang Pension"	Changjiang Pension Insurance Co., Ltd. (長江養老保險股份有限公司), a joint-stock insurance company incorporated in the PRC on 18 May 2007 engaging in pension fund management business
"China Life"	China Life Insurance (Group) Company and, except where the context otherwise requires, all of its subsidiaries
"CICC"	China International Capital Corporation Limited
"CICC HKS"	China International Capital Corporation Hong Kong Securities Limited

"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"CIRC Notice"	Circular on Insurance Industry's Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業實施《企業會計準則解釋第2號》有關事項的通知),issued by the CIRC on 5 January 2009
"Cornerstone Investors"	the cornerstone investors as described in the section headed "Our Cornerstone Investors" in this prospectus
"CPIC Asset Management"	Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司), an 80% directly owned and 19.66% indirectly owned subsidiary of CPIC Group incorporated in the PRC on 9 June 2006 engaging in asset management business
"CPIC Group"	China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), a joint-stock insurance company incorporated in the PRC on 13 May 1991
"CPIC HK"	China Pacific Insurance Co., (H.K.) Limited (中國太平洋保險(香港)有限公司), a wholly-owned subsidiary of CPIC Group incorporated in Hong Kong on 30 July 1976 engaging in general insurance business, which was formerly known as Mandarin Insurance Company Limited and changed its name to China Pacific Insurance Co., (H.K.) Limited on 21 June 1994
"CPIC Life"	China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司), an approximately 98.29% held subsidiary of CPIC Group incorporated in the PRC on 9 November 2001 engaging in life insurance business
"CPIC Property"	China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司), an approximately 98.30% held subsidiary of CPIC Group incorporated in the PRC on 9 November 2001 engaging in property and casualty insurance business
"Credit Suisse"	Credit Suisse (Hong Kong) Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the members of the Board
"Fenghua Hotel"	Fenghua Xikou Garden Hotel (奉化市溪口花園酒店), a 98.29% indirectly owned subsidiary of CPIC Group incorporated in the PRC in 2001 engaging in hotel operations
"Finance Institute"	Fudan-Pacific Institute of Finance (復旦大學太平洋金融學院)
"GDP"	gross domestic product (all references to GDP growth rates are nominal rates of GDP growth)
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider designated by the Company

"H Share Over-Allotment Option"	the option expected to be granted by us and the Selling Shareholders to the International Purchasers, exercisable by the Joint Bookrunners on behalf of the International Purchasers for up to 30 days from the last day for lodging of applications under the Hong Kong Public Offering, to require us and the Selling Shareholders (other than the Overseas Investors) to issue or sell and sell up to an aggregate of 128,700,000 additional H Shares as described in the section headed "Structure of the Global Offering"
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares in our ordinary share capital, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HKFRS"	Hong Kong Financial Reporting Standards promulgated by the HKICPA which include Hong Kong Accounting Standards and their interpretations
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Offer Shares"	the 43,065,200 Offer Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer for subscription of Offer Shares in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)
"Hong Kong Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases
"Hong Kong Underwriters"	the Underwriters listed in the section headed "Underwriting" under "Hong Kong Underwriters"

"Hong Kong Underwriting Agreement"	the underwriting agreement dated 9 December 2009 relating to the Hong Kong Public Offering entered into among us, the Joint Lead Managers and the Hong Kong Underwriters
"International Offering"	the offer by us and the Selling Shareholders for subscription and sale of certain Offer Shares to investors as further described in the section headed "Structure of the Global Offering — The International Offering"
"International Purchasers"	the group of underwriters, led by UBS, Credit Suisse, CICC HKS and Goldman Sachs, expected to enter into the International Purchase Agreement to underwrite the International Offering
"International Purchase Agreement"	the international purchase agreement relating to the International Offering, expected to be entered into among us, the Selling Shareholders and the Joint Bookrunners, as the representatives of the International Purchasers, on or around 16 December 2009 (Hong Kong time)
"Interpretation No. 2"	Interpretation No. 2 to New China Accounting Standards (企業會計準則解釋第2號), issued by the Ministry of Finance on 7 August 2008
"Jiaxing Taibao"	Jiaxing Taibao Insurance Agency Co., Ltd. (嘉興泰寶保險代理有限責任公司), an 80% indirectly owned subsidiary of CPIC Group incorporated in the PRC on 8 June 2007 engaging in insurance agency business, with the remaining 20% held in equal proportion by Jiaxing Construction Work Quality and Safety Management Society (嘉興市建設工程質量安全管理協會) and Jiaxing Road and Transportation Society (嘉興市道路運輸協會), both of which are third parties independent from CPIC Group.
"Joint Bookrunners"	UBS, Credit Suisse, CICC HKS and Goldman Sachs
"Joint Lead Managers"	UBS, Credit Suisse, CICC HKS and Goldman Sachs
"Joint Sponsors"	UBS, Credit Suisse, CICC HKS and Goldman Sachs
"Latest Practicable Date"	2 December 2009, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
"LIMRA"	Life Insurance Marketing Research Association
"Listing Date"	the date, expected to be on or about 23 December 2009, on which our H Shares are first listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"LOMA"	Life Office Management Association, Inc.
"Macau"	the Macau Special Administrative Region of the PRC
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were

	promulgated by the PRC Securities Commission, the predecessor of the CSRC, and the State Restructuring Commission on 27 August 1994, as amended and supplemented from time to time
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOF Office"	Shanghai Financial Supervision Office of the Ministry of Finance (財政部駐上海財政監察專員辦事處)
"National People's Congress" or "NPC"	the National People's Congress of the PRC (全國人民代表大會)
"NSSF Council"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which Hong Kong Offer Shares are to be sold, to be determined in the manner described in the section headed "Structure of the Global Offering"
"Offer Shares"	the H Shares offered in the Global Offering (for the purposes of this prospectus, the total number of initial Offer Shares under the Global Offering is assumed to be 861,300,000 Offer Shares)
"our Company", the "Company", the "Group", "we" or "us"	CPIC Group and, except where the context otherwise requires, all of its subsidiaries
"Overseas Investors"	Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited, investment entities controlled by Carlyle-managed funds
"Pacific-Antai"	Pacific-Antai Life Insurance Co., Ltd. (太平洋安泰人壽保險有限公司), a company incorporated in the PRC on 12 October 1998 primarily engaging in the underwriting of various types of life insurance products in Shanghai and Guangdong, in which CPIC Group holds a 50% equity interest
"Pacific Real Estate"	Shanghai Pacific Real Estate Co., Ltd. (上海太保房地產公司), a 100% directly owned subsidiary of CPIC Group incorporated in the PRC in 1993 engaging in management of its properties for use by the Group
"PBOC"	the People's Bank of China (中國人民銀行)
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the previous day's China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
"PICC"	The People's Insurance Company (Group) of China and, except where the context otherwise requires, all of its subsidiaries
"Ping An"	Ping An Insurance (Group) Company of China, Ltd. and, except where the context otherwise requires, all of its subsidiaries

"PRC", "China" or the "People's Republic of China"	the People's Republic of China, excluding, for purposes of this prospectus only (unless otherwise indicated), Hong Kong, Macau and Taiwan
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC Insurance Law"	the Insurance Law of the PRC (中華人民共和國保險法), as enacted by the Standing Committee of the Eighth National People's Congress on 30 June 1995 and effective on 1 October 1995, as amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the National People's Congress on 29 December 1998 and effective 1 July 1999, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date on which the pricing of the Offer Shares will be fixed by the Joint Bookrunners, on behalf of the Underwriters and us, expected to be on or around 16 December 2009, and in any event not later than 22 December 2009
"Promoters" or "Promoter"	Shanghai Shenergy Group Co., Ltd., Shanghai State-owned Assets Operation Co., Ltd., Yunnan Hongta Industrial Co., Ltd., Shanghai Jiushi Corporation and Shanghai Pudong Land Development (Holding) Company; a Promoter means any one of the Promoters
"PSB"	Postal Savings Bank of China (中國郵政儲蓄銀行)
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAB"	Shanghai Audit Bureau (上海市審計局)
"Sale Shares"	the 78,300,000 H Shares to be converted from an equal number of A Shares with a nominal value of RMB1.00 each held by the Selling Shareholders to be offered for sale by the Selling Shareholders as part of the Global Offering at the Offer Price, subject to any adjustments as mentioned in the section headed "Structure of the Global Offering — The Selling Shareholders" and, where relevant, any additional H Shares which may be sold pursuant to the exercise of the H Share Over-Allotment Option, and references to "Sale Shares" shall include, where the context requires, the A Shares from which the Sale Shares are converted
"SASAC"	the State-Owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

"Selling Shareholders"	the shareholders set out in Appendix X — "Statutory and General Information — The Selling Shareholders" that hold the Sale Shares as registered holders on behalf of the NSSF Council (only to the extent and in the context of the Sale Shares) and will be selling the Sale Shares in the Global Offering as further described in the section headed "Structure of the Global Offering — The Selling Shareholders"
"SFC"	the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Listing Rules"	the Stock Listing Rules of the Shanghai Stock Exchange (上海證券交易所股票上市規則)
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Shares"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Sole Global Coordinator"	UBS
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council of the PRC on 4 August 1994, as amended, supplemented or otherwise modified from time to time
"State Administration of Foreign Exchange" or "SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"State Administration of Industry and Commerce" or "SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisors"	the members of the Board of Supervisors
"Towers Perrin"	Towers, Perrin, Forster & Crosby, Inc., an independent firm of consulting actuaries
"UBS"	UBS AG, Hong Kong Branch
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Exchange Act"	the United States Securities Exchange Act of 1934, as amended
"US GAAP"	generally accepted accounting principles in the United States

"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"White Form eIPO"	applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	the World Trade Organization

GLOSSARY

The glossary contains explanations of certain terms and definitions used in this prospectus in connection with us and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"1/24 gross premium method"	A basis for estimating unearned premium reserves based on the assumption that premiums are received evenly over each month and risk is spread evenly over the year.
"ALM"	assets and liabilities management, which is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerances and other constraints.
"ancillary agent"	An insurance agent that, in addition to its own business, acts as an agent for insurance companies to conduct insurance business and collects insurance premiums within its authorization. Examples of ancillary agents include banks, PSB and car dealerships.
"annuity"	A contract that provides for periodic payments to an annuitant for a specified period of time, often until the annuitant's death.
"assumed investment return"	The investment return assumed in our group embedded value calculation.
"average cost per claim method"	A method for estimating claim reserves based on the average amount of claim payment derived from historical claim data and adjusted by projections of future trends of claim payment amounts.
"Bornhuetter-Ferguson method"	A method of determining the claim reserves for incurred but not reported claims by adjusting IBNR reserves using the actual development and projected loss of the reported claims.
"case estimate approach"	A method of determining the claim reserves for outstanding reported claims. Each outstanding claim is individually assessed to arrive at an estimate of the total payments to be made.
"cash surrender value"	The amount of cash available to a policyholder on the surrender of or withdrawal from a long-term life insurance policy.
"cede"	When an insurer reinsures its insurance risk with another insurer, it "cedes" business.
"cession ratio"	The ratio of premiums ceded to reinsurers to gross written premiums.
"chain ladder method"	A claim reserves valuation method that projects future claims based on historical development patterns of paid or incurred claims, where the claims data are generally organized by accident year for direct insurers.
"claim"	A demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which may come within the cover provided on the sum insured by the policy.

"claims adjuster"	An individual or an entity that determines insurance liabilities and the amount of claim payments, based on its review of claim materials.
"claim reserves"	Liabilities established to provide for losses and loss adjustment expenses associated with incurred but not reported claims and reported but not settled claims.
"combined ratio"	The sum of the loss ratio and the expense ratio for a property and casualty insurance company or a reinsurance company.
"commission"	A payment to an agent or broker by an insurance company for service in respect of a sale or maintenance of an insurance product.
"deferred policy acquisition costs"	Commissions and certain other underwriting, policy issuance and selling expenses that are directly related to the production of business are referred to as policy acquisition costs. Policy acquisition costs that vary based on the level of production are deferred and later amortized to achieve matching of revenues and expenses.
"embedded value"	An actuarially determined estimate of the adjusted net worth and value of in-force business of the life insurance operations of an insurance company based on a particular set of assumptions as to future experience, excluding any value attributable to any future new business.
"endowment life insurance"	Life insurance under which an insured party receives the face value of a policy if the individual survives the endowment period. If the insured party does not survive, a beneficiary receives the face value of the policy.
"expense ratio"	The ratio of property and casualty insurance operating expenses to net premiums earned.
"facultative reinsurance"	A reinsurance arrangement covering a single risk as opposed to a treaty arrangement; commonly used for very large risks or portions of risk written by a single insurer and are shared among several reinsurers.
"gross written premiums"	The amount charged on insurance policies issued, renewed or reinsured by an insurer for a given period, without deduction for premium ceded to reinsurers. Under HKFRS, for investment-type insurance contracts and investment contracts, only portions of the premiums used to cover the insured risks and associated costs are deemed as gross written premiums.
"group adjusted net worth"	The sum of the audited net assets of CPIC Group on a consolidated basis, defined as assets less policy reserves and other liabilities, all measured on the PRC statutory basis and which incorporates the shareholders' net equity of CPIC Group (including that of CPIC Life, CPIC Property and CPIC Asset Management and other businesses of CPIC Group), and the net of tax adjustments for relevant differences between the market value of assets and the

	value determined on the PRC statutory basis, together with relevant adjustment to liabilities.
"group embedded value"	The sum of the group adjusted net worth and the value of in-force business, allowing for the cost of solvency margin held of CPIC Life, attributable to the shareholders of CPIC Group.
"in-force"	A policy that is shown on records to be in-force on a given date and that has not matured by death or otherwise or been surrendered or otherwise terminated.
"incurred but not yet reported reserves" or "IBNR reserves"	Reserves for estimated losses and loss adjustment expenses which have been incurred but not yet reported to the insurer or reinsurer, including future development of claims which have been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate.
"investment-linked life insurance"	An insurance policy that provides insurance for the insured party during the policy period and an investment return linked to an investment option selected by the policyholder.
"life insurance"	All insurance business operated by a life insurance company, such as life, retirement, health and accident insurance, except where the context otherwise requires.
"long-term life insurance policies"	Life insurance policies which are intended to be greater than twelve months in duration, are not subject to unilateral changes in the contract terms and require the performance of various functions and services (including but not limited to insurance protection) for an extended period of time.
"loss"	An occurrence that is the basis for submission and/or payment of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy.
"loss adjustment expenses" or "LAE"	The expenses of settling claims from the property and casualty business, including legal and other fees and general expenses.
"loss ratio"	The ratio of an insurance or reinsurance company's loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned.
"morbidity"	Incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and computing liabilities for health insurance.
"mortality"	Rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for life and annuity products.
"net level premium method"	Under the net level premium method, insurers must set aside policy reserves assuming that the ratio of pure insurance premium to total annual premium paid remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the premium

	received in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as the Zillmer method, the pure insurance premium portion is reduced in the first few years of the policy, allowing, in effect, policy acquisition costs to be deferred.
"net premiums earned"	Net written premiums less the change in unearned premium reserves.
"net written premiums"	Gross written premiums for a given period less premiums ceded to reinsurers during such period.
"non-participating policy"	Policies under which the policyholder has no right to share distributable surplus of the account. Non-participating policies generally feature lower premiums than participating policies.
"participating policies"	Policies or annuity contracts under which the owner is eligible to share in the divisible surplus of the insurer through policyholder dividends, whether or not such dividends are currently payable.
"persistency"	The percentage of insurance policies remaining in force from year to year, as measured by premiums.
"policyholders' reserves"	Reserve liabilities established to provide for future obligations arising under life insurance products.
"premium"	Payment received on insurance policies issued or reissued by an insurance company.
"premium deficiency reserve"	With respect to property and casualty insurance and short-term life insurance, a liability recognized for the excess, if any, of (x) the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs and maintenance costs over (y) the related unearned premiums. With respect to long-term life insurance contracts, a liability recognized for the excess, if any, of (x) the present value of future benefits to be paid to or on behalf of policyholders, settlement and maintenance costs relating to a block of contracts and unamortized acquisition costs over (y) the sum of existing contract liabilities and the present value of future gross premiums.
"property and casualty insurance"	All insurance business operated by a property and casualty insurance company, such as property, casualty, short-term health and accident insurance, except where the context otherwise requires.
"regular premium products"	An insurance product with regular periodic premium payments.
"reinsurance"	The practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued.

"reserves"	Liability established to provide all future claims of policyholders net of liability ceded to reinsurance companies.
"retention amounts"	The amount of insurance coverage that the primary insurer assumes for its own account, exclusive of any amount ceded to a reinsurer.
"share premium"	Paid-in capital in addition to issued and paid-up nominal share capital.
"short-term life insurance policies"	As used in connection with our insurance businesses, life insurance policies for a fixed period of no more than twelve months.
"statutory reserves"	Amounts required to be reserved under the PRC Insurance Law as well as PRC statutory accounting standards in order for an insurance company to provide for future obligations with respect to all policies. Statutory reserves are liabilities on the balance sheet of financial statements prepared in conformity with PRC statutory accounting standards.
"surrender"	The termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.
"surrender charge"	The fee charged to a policyholder when a life insurance policy or an annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period. Such charge is intended to recover all or a portion of policy acquisition costs and makes early surrender unattractive to policyholders.
"term life insurance"	Life insurance products which provide a guaranteed benefit upon the death of the insured within a specific time period.
"treaty reinsurance"	Reinsurance that a reinsurer is obligated to accept, subject to conditions set out in a treaty.
"underwriting"	The process of examining and classifying insurance risks, in order to decide whether to accept such risks and the conditions on which the risks should be accepted.
"unearned premium reserves"	Liabilities established to reflect the portion of premiums written relating to the unexpired periods of coverage of property and casualty insurance contracts and short-term accident and health insurance contracts with an original insured period of not more than one year.
"universal life insurance"	A life insurance product that sets up an account for each policy, with each account providing guaranteed minimum investment return.
"value of in-force business"	The discounted value of the projected stream of future after-tax distributable profits for existing life insurance business of CPIC Life in force at the valuation date.
"value of one year's sales"	The discounted value of the projected stream of future after-tax distributable profits for new life insurance business of CPIC Life

	written in the twelve months immediately prior to the valuation date.
"whole life insurance"	A permanent life insurance product offering guaranteed death benefits and guaranteed cash values.
"withdrawal"	Surrender in part. Some insurance products permit the insured party to withdraw a portion of the cash surrender value of the contract. Future benefits are reduced accordingly.
"Zillmer method"	A method by which insurance companies may calculate policy reserves that in effect allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, five or ten years.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures and initiatives to implement these strategies;
- the future competitive environment for the PRC insurance industry;
- our dividend policy;
- any capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses, products and services;
- changes in the regulatory environment, including new developments in laws, rules and regulations applicable to us, as well as the general industry outlook for the PRC or global insurance industry; and
- future developments in the PRC or global insurance industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth under the section headed "Risk Factors" in this prospectus and the following:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the CIRC and other relevant government authorities relating to all aspects of our business operations;
- general economic, market and business conditions in the PRC, including the sustainability of economic growth and the conditions of securities markets in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- the effects of competition in the PRC insurance industry on the demand for and price of our products and services;
- various business opportunities that we may pursue;
- changes in population growth and other demographic trends, including mortality, morbidity and longevity rates, in the PRC;
- the occurrences of catastrophic events and their effect on our business;
- the frequency and severity of insured loss events;
- persistency levels;
- changes in the availability, cost, quality or collectibility of reinsurance;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices;

- our ability to properly price our products and services and establish reserves for future policy benefits and claims; and
- other factors beyond our control.

Subject to the requirements of the Hong Kong Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, results of operations or financial condition could be materially and adversely affected by any of the risks described below. The trading price of our H Shares could decrease due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the section headed "Supervision and Regulation", Appendix VIII — "Summary of Principal Legal and Regulatory Provisions" and Appendix IX — "Summary of Articles of Association".

RISKS RELATING TO THE PRC INSURANCE INDUSTRY

If we cannot effectively respond to the increasing competition in the PRC insurance industry, our profitability and market share could be materially and adversely affected.

We face intense competition from both domestic and foreign insurance companies. Our primary competitors are domestic insurance companies, including China Life, PICC and Ping An. With the gradual opening up of the PRC insurance market, we also face increasing competition from foreign-invested insurance companies. Some of our competitors may have advantages over us in one or more areas, such as financial strength, management capabilities, resources, operating experience, market share, distribution channels and capabilities in pricing, underwriting and claims settlement. In addition, we face potential competition from commercial banks, some of which have reportedly obtained approvals to invest in, or form alliances with, existing insurance companies to offer insurance products and services that compete against those offered by us. These commercial banks may also establish subsidiaries of their own to engage in insurance business directly. Such potential competitors may further increase the competitive pressures we experience.

In recent years, financial institutions in the PRC have expanded their efforts in developing new types of investment products in response to the increasing public demand for diversified financial investments. Changes in PRC laws and regulations have also relaxed rules on the formation of equity investment funds and securities offerings, among others, and have led to a greater availability and variety of financial investment products. These products may be more attractive to the public and adversely affect the sale of some of our insurance products that offer similar investment features.

Our competitiveness depends on a number of factors, including our:

- brand name and reputation;
- product mix and features;
- scope of distribution and cooperative arrangements;
- quality of service;
- risk management and internal control;
- pricing techniques and price;
- investment performance and perceived financial strength;
- ability to innovate; and
- claims settlement ability.

A decline in our competitive position as to one or more of these factors may materially and adversely affect our results of operations, financial condition and business prospects, including reducing our market share, losing our existing customers, impairing our ability to attract new customers and decreasing our profitability.

Changes in interest rates may materially and adversely affect our profitability.

The profitability of some of the products and investment returns of insurance companies are highly sensitive to interest rate fluctuations, and changes in interest rates could adversely affect our investment returns and results of operations. In periods of rising interest rates, while the increased investment yield will increase the returns on newly added assets in our investment portfolios, surrenders and withdrawals of existing insurance policies may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realized investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income. Moreover, a rise in interest rates would adversely affect our shareholders' equity in the immediate fiscal year due to a decrease in the fair value of our fixed income investments.

Conversely, a decline in interest rates could result in reduced investment returns on our newly added assets and have an adverse impact on our profitability. During periods of declining interest rates, our average investment yield will decline as our maturing investments, as well as bonds that are redeemed or prepaid to take advantage of the lower interest rate environment, are replaced with new investments carrying lower yields, which would adversely affect our profitability. In addition, the liabilities associated with our life insurance policies tend to have a longer duration than our investment assets, which may result in the re-investment returns of our maturing investments being lower than the average guaranteed pricing rate for our insurance policies in a declining interest rate environment. For example, in light of the global financial crisis that unfolded in 2008 and continued during 2009, the PBOC has reduced the benchmark interest rate on one-year term deposits several times, from 4.14% in 2007 to 2.25% in 2008 and 2009, in an effort to bolster the economy. The PRC government may take further measures in response to changes in the macroeconomic environment, including further reducing interest rates, which may reduce our return on investments and materially and adversely affect our results of operations.

From 1996 through 2002, the PBOC made a series of reductions in the interest rates PRC financial institutions could pay on their deposits or charge on their loans. The interest rate on one-year term deposits, a key benchmark rate, was reduced eight times, from 10.98% in April 1996 to 1.98% in February 2002 and remained at this low level until October 2004 when it was raised to 2.25%. Primarily as a result of the then prevailing high market interest rates, we, and many other PRC life insurance companies, offered long-term life insurance products with relatively high guaranteed rates of return from 1995 to June 1999, when the CIRC reduced the maximum pricing rate that life insurance companies could use for new policies to 2.50%. Due to the general low interest rate environment in the PRC in the ensuing periods, these high guaranteed return products have exposed us to a "negative interest spread", or the extent to which the rate of return we are able to earn on our investments intended to support our insurance obligations falls short of our pricing rates for such products, and have adversely affected our results of operations. To the extent our future investment returns remain lower than the average guaranteed pricing rate for our high guaranteed return insurance products, our results of operations may continue to be adversely impacted by those insurance products. See "Business — Life Insurance — Negative Interest Rate Spread on Legacy High Guaranteed Return Products" and "Financial Information — Overview — Negative Interest Rate Spread on Legacy High Guaranteed Return Products".

The limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments that insurance companies are permitted to make affect our ability to match closely the duration of our assets and liabilities.

Like other insurance companies, we seek to manage interest rate risk through matching, to the extent possible, the average duration of our investment assets and the corresponding insurance policy liabilities they support. Matching the duration of our assets to their related liabilities reduces our exposure to changes in interest rates, because the effect of the changes will largely be offset against each other. However, restrictions under the PRC Insurance Law and related regulations on the asset classes in which we may invest, as well as the limited availability in the PRC markets of long-duration investment assets capable of matching the duration of our liabilities, have resulted in the duration of our assets being shorter than that of our liabilities, in particular, our liabilities in life insurance operations. Moreover, the PRC financial markets currently do not yet provide financial derivative products for us to hedge our interest rate risk. We believe that, with the gradual easing of the investment restrictions imposed on insurance companies in the PRC and the increase in the types of investment products available in the PRC capital markets, our ability to match the duration of our assets to that of our liabilities will improve. If we are unable to match closely the duration of our assets and liabilities, however, we will continue to be exposed to risks related to interest rate changes, which would materially and adversely affect our results of operations and financial condition.

Changes in demand for automobiles in the PRC and the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we derived approximately 63.8%, 70.2%, 70.6% and 72.0%, respectively, of the gross written premiums for our property and casualty insurance business from automobile insurance products. The growth in our gross written premiums from automobile insurance products in recent years has been largely driven by the rapid growth in consumer demand for automobiles in the PRC. We cannot assure you that the rapid growth in consumer demand for automobiles in the PRC will continue in the future. As a result of the high percentage of the premiums in our property and casualty insurance business being derived from automobile insurance products, adverse changes in consumer demand for automobiles in the PRC could have a material adverse effect on our results of operations.

The growth of our automobile insurance business in terms of gross written premiums since the second half of 2006 was also attributable, to a significant extent, to the introduction of compulsory auto liability insurance in the PRC on 1 July 2006, which is required for all automobiles in operation in the PRC. We are one of the first PRC insurance companies approved by the CIRC to provide such insurance products. Compulsory auto liability insurance carries uniform insurance terms and uniform basic premium rates that are determined based on an overall principle of break-even for insurance companies engaged in providing such insurance, in each case as approved by the CIRC. Eligible insurance companies in the PRC generally may not reject or delay the processing of an application from the owner of an automobile for compulsory auto liability insurance coverage or adjust premium rates based on the policyholder's driving history. On 11 January 2008, the CIRC announced adjustments to premium rates and liability limits for compulsory auto liability insurance, which became effective on 1 February 2008. Under these adjustments, the maximum liability coverage of this insurance has increased from RMB60,000 per accident to RMB122,000 per accident, while the basic premium rates for such insurance covering a variety of types of automobiles have been reduced by, depending on the type of automobile, 5% to 39% from those as previously in effect.

We compiled a financial report and an actuarial report in April 2009 based on PRC GAAP data, as required by the CIRC, regarding our offering of the compulsory auto liability insurance product between 1 July 2006 and 31 December 2008, along with 25 other PRC insurance companies engaged in the offering of such product. Although, based on such reports, we were able to generate cumulative operating profits from this product during the covered period, our loss ratio for this product had been increasing over time. In part due to the CIRC's adjustments to premium rates and liability limits for compulsory auto liability insurance in 2008 and the ability of drivers with a favorable driving history to enjoy discounts of up to 30% in premium rates for compulsory auto liability insurance, we expect that our overall premium rates for compulsory auto liability insurance may decrease, whereas our claims and related costs in connection with our offering of this insurance product may increase, in 2009. Depending on our volume, loss ratio and expense ratio of the compulsory auto liability insurance product and any potential further regulatory changes affecting such product, the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability.

Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition.

Both our life insurance and property and casualty insurance businesses expose us to risks arising out of catastrophic events, which are unpredictable by nature. Catastrophes can be caused by various natural hazards, including hurricanes, typhoons, floods, earthquakes, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks, wars and industrial or engineering accidents. In addition, a health epidemic or pandemic such as severe acute respiratory syndrome, or SARS, the H5N1 Strain of bird flu, or avian flu, and influenza A(H1N1) can adversely affect our business in respect of health, life and property insurance. Catastrophes could also result in losses in our investment portfolios, due to, among other things, the failure of our counterparties to perform or significant volatility or disruption in financial markets, and could in turn adversely affect our profitability.

Over the last several years, changing climate conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world, including the PRC, and have created additional uncertainties as to future trends and exposures. It is possible that both the frequency and severity of natural disasters may increase in the future. For example, in January and February 2008, parts of the PRC, in particular its southern, central and eastern regions, experienced what was reportedly the most severe winter weather in the country in half a century, which resulted in significant and extensive damages to factories, power lines, homes, automobiles, crops and other properties, blackouts, transportation and communications disruptions and other losses in the affected areas. Furthermore, in May 2008, a major earthquake registering 8.0 on the Richter scale struck Sichuan Province and certain other parts of the PRC, devastating much of the affected areas and causing tens of thousands of fatalities and widespread injuries and property damages. In part due to the occurrence of these natural disasters, our total claims incurred and benefits paid in 2008 increased significantly compared to the prior year.

The frequency and severity of catastrophes are inherently unpredictable. We establish reserves only after an assessment of potential losses relating to catastrophes that have taken place. However, we cannot assure you that such reserves will be sufficient to pay for all related claims. Although we carry some reinsurance to reduce our catastrophe loss exposures, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as difficulties in assessing our exposures to catastrophes, this reinsurance may not be sufficient to protect us adequately against losses. As a result, one or more catastrophic events could materially reduce our profits and cash flows and harm our financial condition.

Adverse changes in the reinsurance markets or a default by our reinsurers could materially and adversely affect our results of operations and financial condition.

We cede a portion of the business we underwrite to a number of PRC and international reinsurance companies to reduce our underwriting risk. Reinsurance, however, may not protect us completely against losses. Although a reinsurer is liable to us to the extent of the ceded reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, although we seek to enter into reinsurance arrangements only with reputable and creditworthy reinsurers, we are subject to credit risks of our reinsurers, which could increase our financial losses arising out of a risk we have insured.

In addition, the availability and cost of reinsurance are subject to prevailing market conditions, which are beyond our control and may affect our business and profitability. For example, in part as a result of the occurrence in the PRC of the severe winter weather in early 2008 and the Sichuan earthquake in May 2008 as well as the adverse impact of the global financial crisis on some reinsurers, we have experienced, and may continue to experience, an increased cost or other more stringent terms and conditions in our reinsurance arrangements. If we are not able to maintain reinsurance coverage in adequate amounts and on reasonable terms, either our net risk exposures would increase or, if we are unwilling to bear an increase in net risk exposures, our overall underwriting capacity would decrease. This could materially and adversely affect our business, results of operations and financial condition.

Concentrated surrenders may materially and adversely affect our cash flows, results of operations and financial condition.

Under normal circumstances, it is generally possible for insurance companies to estimate the overall amount of surrenders in a given period. However, the occurrence of emergency events that have significant impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in relevant government policies, loss of customer confidence in the insurance industry due to the weakening of the financial strength of one or more insurance companies, or the severe weakening of our financial strength, may trigger massive surrenders of insurance policies. If this were to occur, we would have to dispose of our investment assets, possibly at unfavorable prices, in order to make the significant amount of surrender payments. This could materially and adversely affect our cash flows, results of operations and financial condition.

Our businesses are extensively regulated and changes in laws and regulations may reduce our profitability and limit our growth.

We are subject to the PRC Insurance Law and related rules and regulations. Our businesses in life insurance, property and casualty insurance and asset management are extensively regulated by the CIRC, which has been given wide discretion in its administration of these laws, rules and regulations as well as the authority to impose regulatory sanctions on us. Under the amendments to the PRC Insurance Law promulgated in 2009, the CIRC has been granted greater regulatory oversight over the PRC insurance industry, in part to afford policyholders more protection.

The terms and premium rates of our insurance products are subject to regulations. Changes in these regulations may affect our profitability on the products we sell. For example, the CIRC has limited the maximum guaranteed rate that insurance companies may commit to pay on life insurance policies to 2.50%. If the CIRC were to change this rate in the future, this could have a material adverse effect on our profitability.

Failure to comply with any of the laws, rules and regulations to which we are subject could result in fines, restrictions on business expansion or, in extreme cases, revocation of business license, which could materially and adversely affect us. As some of the laws, rules and regulations that we are subject to are relatively new, there is uncertainty regarding their interpretation and application. In addition, the laws, rules and regulations under which we are regulated may change from time to time. For example, our operations are affected by the PRC tax laws and regulations. The PRC tax authorities are conducting a reform of the tax system, which may result in changes to the tax laws and regulations that we are currently subject to. We cannot assure you that this reform will not have a material adverse effect on our business, results of operations or financial condition. We also cannot assure you that future legislative or regulatory changes, including deregulation, would not have a material adverse effect on our business, results of operations and financial condition.

The rate of growth of the PRC insurance market may not be as high or as sustainable as we anticipate.

We expect the insurance market in the PRC to expand and the insurance penetration rate to rise with the continued growth of the PRC economy and household wealth, the reform of the social welfare system, demographic changes and the opening up of the PRC insurance market to foreign participants. Our judgments regarding the anticipated drivers of such growth and their impact on the PRC insurance industry are prospective. We cannot assure you that such prospective judgments will be consistent with actual developments.

RISKS RELATING TO OUR COMPANY

If we cannot timely obtain capital to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on us, which may have a material adverse effect on our business and results of operations.

We are subject to the CIRC regulations regarding the maintenance of solvency margin. If our solvency margin does not satisfy the relevant requirements, the CIRC may impose a range of regulatory sanctions depending on the degree of deficiency in our solvency margin. For additional information, see the section headed "Supervision and Regulation — Insurance Business — Solvency Margin". For example, as a result of CPIC Life's failure to meet the CIRC's minimum solvency margin requirement during a period prior to 2007, CPIC Life was restricted from expanding its branch network and CPIC Group was restricted from declaring and distributing dividends to its shareholders. Since 2007, CPIC Life has met the CIRC's minimum solvency margin requirement.

The solvency margin ratio is affected by such factors as the size of capital, business growth and profitability. We may need additional capital to improve our solvency margin if our profits are not sufficient to support our business growth. In addition, the regulatory regime governing solvency margin is subject to change, which may lead to stricter requirements on our capital base. We cannot assure you that we will be able to obtain additional capital in a timely manner or on acceptable terms or at all. Our failure to meet the solvency margin requirements may have a material adverse effect on our business and results of operations.

Our investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on our results of operations and financial condition.

We primarily invest in fixed income products such as term deposits, government bonds, policy finance bonds, bonds and subordinated bonds issued by financial institutions and corporate bonds. We primarily arrange our term deposits with State-owned commercial banks and joint-stock commercial banks with nationwide operations in the PRC while investing in bonds and subordinated bonds issued by State-owned commercial banks, joint-stock commercial banks with nationwide operations and large insurance companies. In particular, while the majority of the corporate bonds owned by us carry credit ratings no lower than AA by CIRC-recognized domestic rating agencies and are generally guaranteed by commercial banks or large institutions, these domestic rating agencies may not use the same approaches or have the same analytical capabilities as internationally recognized rating agencies, such as Standard and Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. Therefore, domestic credit ratings, even with the same rating symbols, may not reflect the same creditworthiness as a rating by an internationally recognized rating agency. As a result, we may be subject to credit risks with respect to our fixed income investments. Although we attempt to minimize the risks associated with these investments that are only rated by domestic rating agencies through diversification, credit analysis and attention to current trends in interest rates and other factors, we cannot assure you that we will be successful in identifying all related risks and making our investment decisions appropriately. To the extent we suffer significant losses on our fixed income investments that are only rated by domestic rating agencies, our results of operations and financial condition would be materially and adversely affected.

A significant portion of our investments are in stocks, equity investment funds and other equity securities in the PRC securities markets. The PRC securities markets are in their early stage of development and, like other emerging markets, are subject to a variety of uncertainties. The regulatory, accounting and disclosure requirements of the PRC securities markets are still evolving. In addition, the development of the PRC securities markets may be significantly affected by changes in laws, rules, regulations and government policies. Furthermore, any potential market and economic downturns or geopolitical uncertainties in the PRC, its neighboring countries or regions or the rest of the world may exacerbate the risks relating to the PRC securities markets. These and other factors may from time to time result in significant price volatility, unexpected losses and lack of liquidity, including potentially more substantial fluctuations in the prices and trading volumes of listed securities compared to more mature securities markets in the world, such as those in the United States and the European Union, and could cause us to incur significant losses on our investments in equity securities. In particular, the PRC securities markets have experienced substantial fluctuations in the prices and trading volumes of listed securities, including significant price declines, from time to time in recent years. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at 1,706.70 points on 4 November 2008, representing a 72% decline from its all-time high closing of 6,092.06 points on 16 October 2007, before rebounding by another 73% to a closing of 2,959.36 points on 30 June 2009. As of 30 June 2009, 3.4% of our investment portfolio was invested in equity investment funds, which are primarily invested in the A shares that are issued by PRC companies and traded on PRC securities exchanges, and 5.3% of our investment portfolio was directly invested in PRC equity securities. In 2008 and the six months ended 30 June 2009, our investment income declined 70.2% and 38.6% from that in 2007 and the six months ended 30 June 2008, respectively. Our investment income in 2008 and the six months ended 30 June 2009 accounted for approximately 15.3% and 24.7%, respectively, of our total income, with a significant contribution from our investments in equity investment funds and equity securities in the PRC securities markets. Any decrease in the value of our equity investment funds or the underlying equity securities, or in the value of the equity securities in which we have invested directly, may materially and adversely affect the value of our investment portfolio or our shareholders' equity. In addition, as a large institutional investor in the PRC, we may, from time to time, hold significant positions in many securities in which we invest, and any decision to sell or any perception in the market that we are a major seller of a security could adversely affect the liquidity and market price of that security and, in turn, the value of or return from our investment in that security.

In recent years, the PRC regulatory authorities, including the CIRC, have significantly expanded the asset classes and sub-classes in which PRC insurance companies are permitted to invest. However, the asset classes and sub-classes that we are permitted to invest in remain limited, as compared to those available to many international insurance companies. Even with the broadened investment channels, our ability to diversify our investment portfolio is affected by limitations on the amount of funds that we may invest in some of these asset classes or sub-classes. Some of these limitations are tied to a percentage of our total assets. A detailed discussion of these restrictions and limitations is set forth in the section headed "Supervision and Regulation — Insurance Business — Use of Insurance Funds". If the restrictions under current PRC insurance regulations on our ability to diversify our investment portfolio are not further lessened in the future, we will be limited in our ability to reduce unsystematic risks and improve our risk-adjusted rate of return through diversification, which may materially and adversely affect our profitability.

We have established CPIC Asset Management, a professional asset management company, to achieve centralized management and professional investment of our insurance funds. We also strive to continue to improve our investment decision-making mechanism, investment management process and investment risk control system. However, we cannot assure you that our investment policies and strategies will always be effective or that we will always achieve expected investment returns while effectively controlling our risk exposures.

Furthermore, the value of our investment assets and our investment returns are affected by such factors as political, economic, social and market conditions as well as the design and execution of our investment strategies. In particular, to the extent we explore new investment channels, such as overseas investment channels, we may face new and heightened risks due in part to our limited experience with these new investment channels and new markets, as evidenced by losses, declines in asset value or other setbacks suffered by some PRC companies in connection with some of their overseas investments in recent years. Furthermore, the risk and liquidity profiles of new asset classes such as real estate, unguaranteed bonds, and debt investments in infrastructure projects are significantly different from those of the assets classes that we traditionally invest in, and investments in these and other new asset classes may increase the overall risk exposures of our investment portfolio. Any adverse change in political, economic, social and market conditions and other factors may result in declines in our investment returns and cause significant losses in our investment assets, which would in turn materially and adversely affect our results of operations and financial condition.

New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things.

On 7 August 2008, the Ministry of Finance issued Interpretation No. 2, which requires companies with both A shares listed on a PRC stock exchange and H shares listed on the Hong Kong Stock Exchange to recognize, measure and report the same transactions with the same accounting policies and estimates unless an exemption is available under the interpretation. The CIRC issued the CIRC Notice on 5 January 2009, which requires that, beginning with the financial statements for the year ending 31 December 2009, each PRC insurance company modify its existing accounting policies that may cause discrepancies in its financial reporting for purposes of A shares and H shares so as to eliminate such discrepancies.

The relevant PRC authorities are yet to issue detailed guidance to implement the requirements under Interpretation No. 2 and the CIRC Notice, and insurance companies may be required to make retrospective adjustments to their historical financial statements in accordance with such detailed guidance.

The full implementation of Interpretation No. 2 and the CIRC Notice may have a significant impact on the reporting of our financial statements, including our reported net profits and shareholders' equity. Therefore, our results of operations and financial position reflected in our financial statements to be included in our annual report for the year ending 31 December 2009 may differ materially from those reflected in our financial statements included in this prospectus, even though some of these financial statements may relate to the same fiscal years. In addition, our reported net profits for the year ending 31 December 2009 to be included in our annual report for the year ending 31 December 2009 may differ materially from our profit forecast included in this prospectus.

It is difficult for us to evaluate the precise impact of Interpretation No. 2 and the CIRC Notice on our financial reporting generally, or our financial statements for the year ending 31 December 2009 or any prior years, pending the issuance of detailed implementation guidance for the insurance sector. Moreover, it is unclear how Interpretation No. 2, the CIRC Notice and their implementing rules may impact the reporting of our group embedded value or affect the trading prices of our Shares. In particular, our group adjusted net worth, which forms a part of our group embedded value, is measured on the PRC statutory basis. To the extent Interpretation No. 2, the CIRC Notice and their implementing rules result in new or revised standards or other rule changes affecting the calculation of our group adjusted net worth, the reporting of our group embedded value may produce materially different outcomes.

Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect our reputation, business, results of operations and financial condition.

Legal actions are inherent in our businesses and operations, and we may also be subject to regulatory actions from time to time. A substantial legal liability or a significant regulatory action could have an adverse effect on us or cause us reputational harm, which in turn could harm our business prospects.

We are subject to periodic examinations by PRC and overseas regulatory authorities, which may impose sanctions, fines and other penalties on us. In 2006, 2007 and 2008 and the first six months of 2009, we were fined a total of approximately RMB2.95 million, RMB4.58 million, RMB3.87 million and RMB1.00 million, respectively, by PRC regulatory authorities. While these sanctions, fines or other penalties have not had a material adverse effect on our business, results of operations or financial condition, we cannot assure you that future examinations by PRC regulatory authorities would not result in sanctions, fines or other penalties, or result in the issuance of negative reports or opinions, that could materially and adversely affect our reputation, business, results of operations or financial condition.

For example, as a company headquartered in Shanghai whose equity interests are substantially held by State-owned entities, we are subject to audits from time to time by the SAB, and examinations by the MOF Office. Past audits and examinations by the SAB and the MOF Office identified accounting and other violations in respect of our operations, which required us to take certain corrective measures. If these regulators, in connection with their future audits or examinations, require us to take corrective measures or impose administrative penalties on us or if as a result we become the target of negative publicity, our corporate image and reputation and the credibility of our management may be materially and adversely affected.

Material pending litigation and regulatory matters affecting us, and the resultant risks to our businesses, are discussed under "Business — Legal and Regulatory Proceedings". Given the uncertainties, complexity and scope of these litigation and regulatory matters, their outcome generally cannot be predicted with any reasonable certainty. Therefore, our reserves for litigation and regulatory matters may prove to be inadequate. It is possible that our results of operations could be materially affected by an ultimate unfavorable resolution of pending litigation or regulatory matters.

Our risk management and internal control systems may not be adequate or effective in all respects and could materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems will be able to identify, prevent and manage all risks. In addition, as some of our risk management and internal control policies and procedures are relatively new, we require more time to fully evaluate and assess their adequacy and effectiveness. As a result, we may need to establish and implement additional risk management and internal control policies and procedures to further improve our systems from time to time.

We implement our risk management and internal controls by using a series of risk management methods. However, these methods also have their inherent limitations, as risk management methods are generally based on statistical analysis of historical data as well as assumptions that risks in future periods share similar characteristics as risks in past periods. We cannot assure you that such assumptions are always reliable. In addition, although we have established what we believe to be an advanced information technology system and have the benefit of industry and company data accumulated in our 18 years of operation, our information technology system may not be adequate in the collection, analysis and processing of these data, and our historical data and experience may not be able to adequately reflect risks that may emerge from time to time in the future. As a result, our risk management methods and techniques may not be effective in directing us to take timely and appropriate measures in risk management and internal controls.

Insurance companies typically utilize various financial instruments to manage risks associated with their businesses. Current conditions of financial markets in the PRC and current PRC rules and regulations, however, restrict the types of financial instruments we may use. As a result, the risk management tools available to us are limited. This limits our risk management capabilities and effectiveness.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations and the large number of our branch entities, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations.

As the regulatory framework of the PRC insurance industry continues to be liberalized and the PRC insurance market continues to develop, we are likely to offer a broader and more diverse range of insurance products and invest in a significantly broader range of asset classes in the future. The diversification of our insurance product offerings and investments will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

Our business, results of operations and financial condition could be adversely affected if we are unable to successfully manage our growth.

Our growth in the future may place significant demands on our managerial, operational and capital resources. The expansion of our business activities exposes us to various challenges, including, but not limited to:

- continuing to expand and train actuarial staff and to enhance actuarial capabilities;
- developing adequate underwriting and claims settlement capabilities and skills;
- recruiting, training and retaining personnel with proper experience and knowledge;
- meeting higher requirements for cost controls, meeting the demand for more capital base as well as satisfying an ongoing need to meet the minimum solvency margin requirements stipulated by the CIRC; and
- strengthening and expanding our risk management and information technology systems to effectively manage the risks associated with existing and new lines of insurance products and services and increased marketing and sales activities.

We cannot assure you that we will manage our growth successfully. In particular, we may not be able to rapidly recruit and effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of our business. In addition, we may not be able to exercise effective centralized management and supervision over our subsidiaries and branch entities if our internal control and information technology systems are not developed quickly enough to accommodate our growing business needs.

In addition, to the extent we pursue our growth strategy through acquisitions, we cannot assure you that we will be able to identify and secure suitable acquisition opportunities. Furthermore, any particular acquisition may not produce the intended benefits. For example, we may not be successful in integrating an acquisition with our existing operations and personnel, and the process of integration may cause unforeseen operating difficulties and expenditures and may require significant attention from our management that would otherwise be available for the ongoing development of our business. If we encounter difficulty in integrating an acquisition, our business and results of operations may be adversely affected.

Differences in actual experience from the assumptions used in pricing and setting reserves for our insurance products may materially and adversely affect our results of operations and financial condition.

Our earnings depend significantly on the extent to which our actual benefits and claims results are consistent with the assumptions and estimates we use, such as expected investment return, loss ratio, expense ratio, mortality, morbidity and lapse and surrender rates, in setting the prices of and establishing the reserves for our products. If our actual experience differs unfavorably from the estimates and assumptions used in our pricing and reserving, the profitability of our insurance products may be materially and adversely affected.

We price our products based on a number of assumptions and estimates that we derive from our historical experience data, industry data, past and then current market conditions and relevant CIRC regulations, among others. If the actual market conditions following the launch of our products are significantly less favorable than our assumptions and estimates used in pricing, the distribution and the profitability of our products may be materially and adversely affected, which may, in turn, materially and adversely affect our results of operations and financial condition.

We establish reserves for our insurance products based on relevant regulatory requirements and experience data of the insurance industry and our Company. However, estimation of insurance reserves is a complex process, involving many variables and subjective judgments, due to the nature of the underlying risks and the high degree of uncertainty associated with the determination of the liabilities for unpaid policy benefits and claims. The estimated amounts may deviate significantly from the actual amounts. If the reserves originally established prove to be inadequate, we must incur additional expenses in the form of claims and payments, to the extent the actual amounts exceed the estimated amounts, or we may be required to increase our reserves for future policy benefits, resulting in additional expenses in the period during which the reserves are established or re-estimated, which may have a material adverse effect on our results of operations and financial condition.

Our group embedded value and the value of one year's sales of CPIC Life are each calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed.

The information set forth in the section headed "Embedded Value" includes an estimate of our group embedded value (excluding any value attributed to future new business) and an estimate of the value of one year's sales of CPIC Life. The estimates of value of in-force business and value of one year's sales of CPIC Life have been prepared by the Company and reviewed by Towers Perrin. The related report of Towers Perrin is set forth in Appendix VI to this prospectus. The calculation of these values necessarily makes numerous assumptions with respect to industry performance, general business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. Specifically, these assumptions include risk discount rate, investment yield, mortality, morbidity, lapse and surrender, expense ratio, commissions, policyholder dividends and tax rates, among other things. As a result, actual future experience may differ from those assumed in the calculations, and these differences may be material.

Since our actual market value is determined by investors based on a variety of information available to them, these values should not be construed to be a direct reflection of our actual market value and performance, and should not be construed to have any correlation with the price of our H Shares. For these reasons, you should only consider these values after carefully evaluating all of the risks described in this prospectus, including the risks described in this section. The inclusion of these values in this prospectus should not be regarded as a representation by us, Towers Perrin, the Underwriters or any other person of our future profitability.

We depend on our ability to attract and retain senior management as well as talented employees and individual insurance agents and the loss of their services could adversely affect our business and results of operations.

Successful execution of our business plans depends on the continued service of our senior management and various professionals and specialists. As a result of the increase in the number of insurance institutions and other financial institutions and the expansion of their business operations, the market demand and competition for talented management personnel and technical staff have been intensifying. Our business and results of operations could suffer if we lose the services of our senior management and other talented personnel and cannot adequately and timely replace them.

For the distribution of our life insurance products, we depend heavily on skilled individual insurance agents. We compete with other insurance companies for talented individual insurance agents based primarily on our brand name, career planning, training support, product innovation, compensation and support services. While we have undertaken various measures to attract and retain talented individual insurance agents, we cannot assure you that we will be successful in attracting new talented agents or retaining our existing agents with high productivity amid the intense competition for talented individual insurance agents as a result of the rapid development of the PRC insurance industry. Our failure to do so may adversely affect the distribution of our products and the quality of our services, which may in turn materially and adversely affect our business and results of operations.

We may not be able to timely detect or prevent fraud or other misconduct by our employees, agents, customers or other third parties.

Similar to many other PRC insurance companies, we are subject to fraud and other misconduct committed by our employees, agents, customers or other third parties. In particular, since 2006, the State Council and various PRC regulatory authorities, including the CIRC, have intensified their efforts to combat commercial bribery in the PRC. While we are implementing measures aimed at detecting and preventing employees' and outside parties' fraud and other misconduct, we may not be able to timely detect or prevent such fraud or misconduct. If we are unable to effectively manage and supervise our subsidiaries and branch entities, we may not be able to timely detect or prevent fraud or other misconduct of our employees, agents, customers or other third parties, which may harm our reputation and adversely affect our business, results of operations or financial condition.

We may experience failures in our information technology system, which could materially and adversely affect our business, results of operations and financial condition.

We depend heavily on our information technology system to record and process our operational and financial data and to provide reliable services. We may be subject to severe failures in our information technology system arising from natural disasters or failures of public infrastructure, our information technology infrastructure or our applications software systems that are wholly or partially beyond our control. For example, the operation of our information technology system and related business operations were disrupted following the occurrence of the Sichuan earthquake in May 2008. Although we back up our business data daily and have an emergency disaster recovery center located at a site different from our production data center, any material disruption to the operation of our information technology system could have a material adverse effect on our business. Our failure to address these problems could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or our failure to comply with regulatory requirements, which could materially and adversely affect our business operations, customer service and risk management, among others. This could in turn materially and adversely affect our business, results of operations and financial condition.

We have been implementing an information technology strategic plan, or ITSP, that we have developed in collaboration with a renowned international information technology company. See the section headed "Business — Information Technology". The implementation of ITSP is ongoing and we cannot assure you that we will be able to complete the full implementation on time or that ITSP will be successful upon its full implementation in addressing our various needs that it has been designed for.

We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our rights to use such properties.

As of 30 September 2009, we had not obtained full ownership title certificates to approximately 6.3% of the properties, in terms of gross floor area, that we occupied and used. We may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates. We will also need to pay transfer fees and incur other relevant expenses in order to obtain the full title certificates to such properties. Our failure to obtain the full title certificates to such properties may require us to seek alternative premises for our business operations, which may lead to disruptions in our business operations.

As of 30 September 2009, we leased an aggregate lettable area of approximately 1,690,333 square meters from third parties in the PRC. In respect of 2,904 buildings leased by us with an aggregate lettable area of approximately 1,103,017 square meters, our landlords have not provided us with the relevant land use right certificates, building ownership certificates and/or real estate certificates. With respect to approximately 79.7% of the number of properties covered by such defective leases, the relevant lessors have undertaken to indemnify us for losses arising from their defective legal titles or other rights to such properties. If any of our leases were terminated as a result of being challenged by third parties or failure of the lessors to renew upon expiration, we might need to seek alternative premises and incur additional costs relating to such relocations. In addition, we have not registered the lease agreements with the relevant PRC authorities for 3,649 buildings and units with an aggregate lettable area of approximately 1,490,863 square meters. Although the lack of registration of the lease agreements may not affect the legality of such lease agreements, we may suffer penalties charged by relevant PRC authorities.

Our large shareholders are able to exercise significant influence over us.

As of the Latest Practicable Date, our eight existing largest shareholders, namely our substantial shareholders, Shanghai Jiushi Corporation and Yunnan Hongta Industrial Co., Ltd., owned, directly or indirectly, approximately 70.79% of our entire issued share capital. Accordingly, our largest shareholders, if acting collectively, may have the ability to exercise significant influence over our business, including matters relating to:

- our management, especially the composition of our senior management;
- our business strategies and plans;
- the distribution of dividends;
- any plans relating to major corporate activities, such as strategic investments, mergers, acquisitions, joint ventures, investments or divestitures; and
- the election of our Directors and Supervisors.

Our largest shareholders may collectively take actions that we may not agree with or that are not in our or our other shareholders' best interests.

We may encounter difficulties in effectively implementing centralized management and supervision of our subsidiaries and branch entities, as well as consistent application of our policies throughout our Company.

As of 30 June 2009, we had 75 branches and 5,632 central sub-branches, sub-branches and sales outlets substantially throughout the PRC. Our subsidiaries and branch entities are geographically dispersed and have a certain degree of flexibility in their operation and management within our group management framework. We may not be able to ensure that CPIC Group's policies are implemented effectively and consistently within each subsidiary and branch entity. In addition, due to limitations in our information systems and other factors, we have not always been able to effectively detect or prevent on a timely basis operational or management problems at these subsidiaries and branch entities. If we are unable to effectively implement our centralized management and supervision of our subsidiaries and branch entities, or apply our policies consistently throughout our Company, our business, results of operations and financial condition may be materially and adversely affected.

CPIC Group's ability to pay dividends and meet other obligations depends on dividends and other payments from its operating subsidiaries, which are subject to their contractual obligations and other limitations.

As a holding company, CPIC Group depends upon dividends and other payments from its operating subsidiaries, in particular, CPIC Life, CPIC Property and CPIC Asset Management, for its funding of shareholders' dividends and other payment obligations. We cannot assure you that these subsidiaries will generate sufficient funds to support dividend payments and other distributions in an amount sufficient to meet CPIC Group's cash requirements. In addition, CPIC Group's subsidiaries may incur debt to third parties, the terms of which may restrict CPIC Group's ability to obtain funds from the applicable subsidiaries. CPIC Group's ability to pay dividends or make other payments may be further restricted by regulatory authorities or covenants contained in agreements governing CPIC Group's current or future debt. See the section headed "Supervision and Regulation" and Appendix IX — "Summary of Articles of Association — Dividends and Other Methods of Profit Distribution".

Furthermore, under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. If our solvency margin ratio does not satisfy the relevant requirements, the CIRC may impose a range of regulatory sanctions on us, depending on the degree of deficiency in our solvency margin, including restricting our ability to declare and distribute dividends to our shareholders. For a detailed description of the solvency margin requirements, please see the section headed "Supervision and Regulation — Insurance Business — Solvency Margin". For example, for a period prior to 2007, CPIC Life did not meet the CIRC's minimum solvency margin requirement, which led to the CIRC imposing a restriction on CPIC Group from declaring and distributing dividends to its shareholders. Although we believe we are in compliance with the CIRC's solvency margin requirements, we cannot assure you that we will always be able to meet these requirements on an ongoing basis. Our failure to meet the solvency margin requirements may materially and adversely affect our ability to declare and distribute dividends to you.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions and government policies could affect our business.

Substantially all of our assets are located in the PRC, and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our business development, results of operations and financial condition will be affected to a significant extent by economic, political and legal developments in the PRC.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than two decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in the economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have an adverse effect on us. For example, our operating results may be adversely affected by government control over capital investments or changes in applicable tax regulations.

Macroeconomic policies implemented by the PRC government, including fiscal and monetary policies, may affect the economy of the PRC. For instance, in an effort to control the growth rate of certain industries and limit inflation, the PBOC raised the benchmark interest rates several times between 2004 and 2007. In 2008, when the PRC started to experience a significant decline in its economic growth due in part to the global financial crisis, the PBOC implemented measures to encourage corporate and consumer spending and bolster the economy and reduced the benchmark interest rate on one-year term deposits several times from 4.14% to 2.25%. Certain of those policies may materially and adversely affect our business development, results of operations and financial condition.

An economic slowdown in the PRC, such as the one experienced following the recent global financial crisis, may reduce the demand for our products and services and have a material adverse effect on our results of operations, financial condition and profitability.

We conduct most of our business and generate substantially all of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our results of operations and financial condition, as well as our future prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued during 2009 has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC in the first half of 2009 had dropped to 7.1%, the lowest since 1992. The adverse impact of the global financial crisis on the PRC economy may continue or be exacerbated in the future. As the economic growth of the PRC slows down, we may also experience a decrease in the rate of growth of our revenues.

Factors such as consumer, corporate and government spending, business investment, volatility and strength of the capital markets and inflation all affect the business and economic environment and ultimately, the profitability of our business. In addition, any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our insurance products and services could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may also choose to defer paying insurance premiums or stop paying insurance premiums altogether.

If the PRC economy experiences or continues to experience a slower growth or a significant downturn, our results of operations and financial condition would be materially and adversely affected.

The PRC legal system has inherent uncertainties that could limit the legal protections available to you.

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors or senior officers or holders of A Shares, arising out of our Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or the PRC. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H shares to enforce an arbitral award, and no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares. Moreover, to our knowledge, there has not been any published report of judicial enforcement in the PRC by holders of H shares of their rights under the Articles of Association of any PRC issuer or the PRC Company Law.

In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections and our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. Federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other Western countries. In addition, our Hong Kong counsel, Freshfields Bruckhaus Deringer, has advised us that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

In addition, although we will be subject to the Hong Kong Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Hong Kong Listing Rules and the Hong Kong Takeovers Code do not have the force of law.

Government control of currency conversion and future fluctuation of Renminbi exchange rates could have a material adverse effect on our results of operations and financial condition, and may reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

Substantially all of our revenues and costs and expenses are denominated in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations, including our payments of declared dividends, if any, for our H Shares.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. However, the PRC government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our shareholders if the PRC government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The value of the Renminbi fluctuates, is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to that of US dollar. Under the policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies determined by the PBOC. On 18 May 2007, the PBOC increased the floating band of Renminbi trading prices against the US dollar in the inter-bank spot foreign currency exchange market from 0.3% to 0.5%. With increased floating range of the Renminbi's value against foreign currencies, the Renminbi may further appreciate or depreciate significantly in value against the US dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the US dollar or other foreign currencies. Fluctuations of the Renminbi could adversely affect the value of our foreign currency-denominated investments and the value in foreign currency terms of cash flow generated from our operations or any dividends payable on our H Shares, and therefore the price of our shares. In 2008 and the first six months of 2009, our currency translation losses were approximately RMB132 million and RMB3 million, respectively. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert the same into Renminbi. On the other hand, future Renminbi devaluations could increase our costs and expenses or lead to fluctuations in the exposure of our foreign currency-denominated liabilities, thereby adversely affecting our profitability.

Dividends received by individual holders of our H Shares who are foreign nationals and gains derived from the disposition of our H Shares by such holders may become subject to PRC taxation, and there are uncertainties as to the collection of PRC enterprise income tax on gains derived by holders of our H Shares that are foreign enterprises from their disposition of our H Shares.

Under the Notice of the PRC State Administration of Taxation Concerning the Taxation of Gains on Transfer of Share (Equity) and Dividends Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Individuals, or the Tax Notice, which was promulgated in 1993, and other relevant notices issued by the PRC tax authority subsequently, dividends received by individual holders of H shares who are foreign nationals and the gains derived from the disposition of H shares by such holders are temporarily exempt from PRC individual income tax.

If such exemptions were to be withdrawn in the future, individual holders of our H Shares who are foreign nationals would be required to pay PRC individual income tax on dividends received from us at the rate of 20% and we would be required to withhold such tax from our dividend payments, unless the applicable tax treaties between the PRC and the jurisdictions in which such foreign nationals reside reduce or exempt the individual income tax. Similarly, individual holders of our H shares who are foreign nationals would be required to pay PRC individual income tax on gains from the dispositions of our H shares at the rate of 20%, unless the applicable tax treaties between the PRC and the jurisdictions in which such foreign nationals reside reduce or exempt the individual income tax.

Under the Enterprise Income Tax Law and its implementing rules, a foreign enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of equity interests in a PRC company, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC, subject to further reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence.

As the Enterprise Income Tax Law and its implementation rules are relatively new, there remains significant uncertainty as to their interpretation and application by the PRC tax authorities, including whether and how enterprise income tax on gains derived by holders of our H Shares that are foreign enterprises from their disposition of our H Shares may be collected. If such tax is collected, the value of such foreign enterprise holders' investments in our H shares may be materially and adversely affected.

For additional information, see Appendix VII — "Taxation and Foreign Exchange" in this prospectus.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits means our after-tax profits as determined under PRC GAAP or HKFRS, whichever is lower, less any replenishment of accumulated losses and allocations to statutory funds as well as total reserves that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, the CIRC has the discretionary authority to prohibit any insurance company that has a solvency margin of below 100% from paying dividends and other forms of distributions. See "Supervision and Regulation — Insurance Business — Solvency Margin".

The calculation of distributable profits for an insurance company under PRC GAAP differs in a few respects from the calculation under HKFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have distributable profits for that year as determined under HKFRS, or vice versa. Payment of dividends by us is also regulated by the relevant PRC insurance laws and regulations. The amount of dividends we distributed in the past may not be indicative of our dividend policy in the future and we cannot assure you that we will pay dividends in the future.

Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and their economies and insurance industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.

Some of the facts, forecasts and statistics in this prospectus relating to the PRC, Hong Kong and their economies and insurance industries are derived from various official or third-party sources. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information complied within or outside these jurisdictions and may not be complete or up to date. Moreover, the statistics in this prospectus may be inaccurate or are less developed than statistics produced for other economies and should not be unduly relied upon.

The outbreak of Severe Acute Respiratory Syndrome, or SARS, and the potentially more widespread outbreak of avian flu and influenza A(H1N1) in the PRC, and concerns over health hazards in Asia and elsewhere have caused, and may continue to cause, damages to economies, financial markets and business activities in the PRC and elsewhere.

In early 2003, certain areas of the PRC and certain other Asian countries and regions encountered an outbreak of SARS, a highly contagious disease. The SARS outbreak had a significant negative impact on the economy of the PRC and the Asia-Pacific region while it was in full force. Moreover, certain countries and regions, including the PRC, have encountered incidents of avian flu over the past six years and, more recently in 2009, the outbreak of influenza A(H1N1). Any future adverse public health development may, among other things, significantly disrupt our ability to adequately staff our business and may generally disrupt our operations. Furthermore, such health hazards may severely restrict the level of economic activity in affected areas or cause the health or other governmental authorities of the PRC or other countries and international organizations to impose transportation restrictions between countries and regions. These developments would directly or indirectly have an adverse impact on the PRC's economy, which may adversely affect demand for our products and services.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop or be sustained, and their trading prices may fluctuate significantly.

Prior to the Global Offering, no public market for our H Shares existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which the H Shares are publicly traded. We cannot assure you that an active trading market for our H Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our H Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the H Shares is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Hong Kong Underwriters and the International Purchasers) and us, and may not be indicative of the market price of the H Shares following the completion of the Global Offering. If an active trading market for our H Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, such as a decline in our A Share price, that could occur between the time of sale and the time trading begins.

Because the Offer Price of our H Shares is higher than our net tangible book value per share, purchasers of our H Shares in the Global Offering will experience immediate dilution. Purchasers of our H Shares may experience further dilution if we issue additional Shares in the future.

The Offer Price of our H Shares is higher than the net tangible asset value per share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in net tangible asset value of HK$19.63 per H Share assuming an Offer Price of HK$28.45 (being the mid-point of the stated offer price range of HK$26.80 and HK$30.10). If the Underwriters exercise their H Share Over-Allotment Option or if we issue additional Shares in the future, purchasers of our H Shares may experience further dilution.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future sale of our H Shares by those shareholders that are currently subject to contractual and/or legal restrictions on share transfers (including the Overseas Investors) or re-registration of Shares held on our A share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholding in our Company.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Certain amounts of our Shares (including without limitation 1,323,300,000 Shares held by the Overseas Investors) currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section headed "Share Capital — Share Lock-Up" and "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings" for details. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares could negatively impact the market price of our H Shares and our ability to raise capital in the future.

Subject to the approval of the State Council securities regulatory authority, holders of our domestic shares may transfer their domestic shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the listing and trading of the transferred Shares on an overseas stock exchange. Therefore, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of our domestic shares may transfer their domestic shares to overseas investors, which Shares may then trade on the Hong Kong Stock Exchange as H Shares. This could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

We conducted an A Share Offering in 2007, and the characteristics of the A share and H share markets are different.

We conducted an offering of our A Shares, or the A Share Offering, in the PRC and listed such shares on the Shanghai Stock Exchange in 2007. Our A Share Offering comprised an offering of 1 billion A shares, representing approximately 11.8% of our total issued and outstanding shares immediately following the completion of the Global Offering, assuming no exercise of the H Share Over-Allotment Option.

Our A Shares have been listed and have traded on the Shanghai Stock Exchange since 25 December 2007. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws and regulations, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. The H share and A share markets have different characteristics, including different trading volume and liquidity, and investor bases, including different levels of retail and institutional participation. As a result of these differences, the trading prices of our H Shares and A Shares may not be the same. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the A share and H share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

We strongly caution you not to place any reliance on any information contained in press articles or other media coverage regarding us, our Global Offering or our A Shares or information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us, the Global Offering and our A Shares, including related coverage in Apple Daily, Ming Pao and Hong Kong Economic Journal. Such press and other media coverage may include references to certain events or information that do not appear in this prospectus, or those disclosed by us in the PRC as part of our A Share listing or trading requirements under PRC laws. The information announced by us in connection with our A Share listing or trading is based on regulatory requirements and market practices in the PRC, which are different from those applicable to the Global Offering. You should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in Hong Kong with respect to the Global Offering in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media or other sources regarding our H Shares or A Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our H Shares or in the Global Offering.

Following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC and, as a result, may publicly release information relating to us in the PRC from time to time. However, such information does not and will not form part of this prospectus. Prospective investors in H Shares are reminded that, in making their decisions as to whether to purchase our H Shares, they should rely only on the financial, operational and other information included in this prospectus and the application forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the application forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to our Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this prospectus misleading.

APPROVAL OF THE CIRC AND THE CSRC

The CIRC and the CSRC have given their approval for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on 21 September 2009 and 23 November 2009, respectively. In granting such approval, neither the CIRC nor the CSRC accepts any responsibility for the financial soundness of our Company or the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Bookrunners. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Purchase Agreement is expected to be entered into on or about 16 December 2009, subject to agreement on the Offer Price among us, the Selling Shareholders and the Joint Bookrunners (on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed among the parties to the International Purchase Agreement, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting".

SELLING RESTRICTIONS

Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his acquisition of Hong Kong Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with

Regulation S, and in the United States to Qualified Institutional Buyers in reliance on Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the Global Offering, an offer or sale of the Offer Shares within the United States by any dealer, whether or not participating in the Global Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from the registration requirements of the U.S. Securities Act.

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus relating to the International Offering. Any representation to the contrary is a criminal offense in the United States.

Australia

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material may be distributed relating to, any Offer Shares in the Commonwealth of Australia, its territories and possessions or to any resident of Australia except where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 (Commonwealth) or is otherwise in compliance with all applicable Australian laws and regulations.

Canada

The Offer Shares may not be offered, sold or distributed, directly or indirectly, in any province or territory of Canada or to or for the benefit of any resident of any province or territory of Canada, except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer, sale or distribution is made, and only through a dealer duly registered under the applicable securities laws of that province or territory in circumstances where no exemption from the applicable registered dealer requirement is available.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive or for which the provisions of the Prospectus Directive have direct effect under local law because that member state failed to implement the Prospectus Directive in time, each referred to as a Relevant Member State, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, the Offer Shares have not been and will not be offered in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of Offer Shares may be made in a Relevant Member State under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) in the period beginning on the date of publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive; or

(b) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or

(c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000 and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriters; or

(e) at any time in any other circumstances which do not require the publication of a prospectus under article 3 of the Prospectus Directive.

Each subscriber for or purchaser of Offer Shares described in this prospectus located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of Offer Shares" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares, as the same may be varied in the member state by any measure implementing the Prospectus Directive in that member state and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

This prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French Code *monétaire et financier* and has therefore not been submitted to the Autorité des marches financiers, or the AMF, for clearance or otherwise.

Accordingly, each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, other Underwriters and the Company has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, the Offer Shares to the public in France and neither this prospectus nor any other offering material relating to the Offer Shares has been distributed or caused to be distributed or will be distributed or caused to be distributed to the public in France, except to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided that such investors are acting for their own account, and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined and in accordance with Article L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier.*

The Offer Shares may only be offered or sold, directly or indirectly, to the public in the Republic of France in accordance with applicable laws relating to public offerings (which are in particular set forth in Article L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code *monétaire et financier*).

Ireland

This prospectus does not constitute a prospectus as defined in Regulation 2(1) of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, or the Irish Prospectus Regulations, or the Investment Funds, Companies and Miscellaneous Provisions Act 2005. The Offer Shares have not been and will not be offered to the public in Ireland except for the Offer Shares that have been or will be offered (a) to legal entities which are authorized or regulated to operate in the financial markets, including credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies and commodity dealers; (b) to legal entities which are neither authorized nor regulated to operate in the financial markets, but whose corporate purpose is solely to invest in securities; (c) to corporates or other bodies which, according to their last annual or consolidated accounts, meet any of two of the following criteria: (i) an average number of employees during the financial year of at least 250, (ii) a total balance sheet of more than Euro 43,000,000 and (iii) and annual net turnover of more than Euro 50,000,000; (d) to natural persons, corporates or other bodies provided that they are entered on the register maintained by the Irish Financial Services Regulatory Authority pursuant to Regulation 3 of the Irish Prospectus Regulations; or (e) in any other circumstances which do not require the publication of a prospectus under Regulation 12 of the Irish Prospectus Regulations. Prospective Irish investors are recommended to seek their own financial advice from their stockbroker, accountant or other independent financial adviser who is duly authorized or exempted under the Investment Intermediaries Act 1995 or the Stock Exchange Act 1995 of Ireland.

Italy

This prospectus has not been and will not be filed with or cleared by the Italian securities exchange commission (*Commissione Nazionale per le società e la Borsa*, or the CONSOB) pursuant to Legislative Decree No. 58 of 24 February 1998, as amended, or the Finance Law, and to CONSOB Regulation No. 11971 of 14 May 1999, as amended, or the Issuers Regulation. Accordingly, copies of this prospectus or any other document relating to the Offer Shares may not be distributed, made available or advertised in Italy, nor may the Offer Shares be offered, purchased, sold, promoted, advertised or delivered, directly or indirectly, to the public other than (i) to Professional Investors (as defined pursuant to article 31(2) of CONSOB Regulation No. 11522 of 1 July 1998, as amended, or the Intermediaries Regulation) pursuant to article 100 of the Finance Law; (ii) to prospective investors where the offer of the Offer Shares relies on the exemption from the investment solicitation rules pursuant to, and in compliance with the conditions set out by article 100 of the Finance Law and article 33 of the Issuers Regulation, or by any applicable exemption; provided that any such offer, sale, promotion, advertising or delivery of the Offer Shares or distribution of the prospectus, or any part thereof, or of any other document or material relating to the Offer Shares in Italy is made: (a) by investment firms, banks or financial intermediaries authorized to carry out such activities in the Republic of Italy in accordance with the Finance Law, the Issuers Regulation, Legislative Decree No. 385 of 1 September 1993, as amended, the Intermediaries Regulation, and any other applicable laws and regulations; and (b) in compliance with any applicable notification requirement or duty which may, from time to time, be imposed by CONSOB, Bank of Italy or by any other competent authority.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended, or the FIEL, and disclosure under the FIEL has not been and will not be made with respect to the Offer Shares. Each Underwriter has represented and agreed that the Offer Shares which it purchases will be purchased by it as principal and that, in connection with the Global Offering and distribution of the Offer Shares, neither such Underwriter nor any person acting on its behalf has offered or sold, or will offer or sell, any Offer Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (1) pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and (2) in compliance with any other applicable laws, regulations and governmental guidelines of Japan. As part of the Global Offering, the International Purchasers may offer the Offer Shares in Japan to a list of 49 offerees in accordance with the above provisions.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Qatar

This prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, any other relevant Qatar governmental body or securities exchange. This prospectus is being issued to a limited number of sophisticated investors and should not be provided to any person other than the original recipient. It is not for general circulation in the State of Qatar and should not be reproduced or used for any other purpose.

Singapore

This prospectus has not been and will not be lodged with or registered by the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or the invitation for subscription or purchase of the Offer Shares may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person as defined under Section 275(2) and pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of any other applicable provision of the SFA.

Where the Offer Shares are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor as defined under Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 of the SFA except:

    (i) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

    (ii) where no consideration is given for the transfer; or

    (iii) where the transfer is by operation of law.

State of Kuwait

The Offer Shares have not been registered, authorized or approved for offering, marketing or sale in the State of Kuwait pursuant to Securities and Investment Funds Law of Kuwait No. 31/1990, as amended, and its executive by-law, and as such the Offer Shares shall not be offered or sold in the State of Kuwait. Interested investors from the State of Kuwait who approach us or any of the Underwriters acknowledge this restriction and that this offering and any related materials shall be subject to all applicable foreign laws and rules; therefore, such investors must not disclose or distribute such materials to any other person.

Switzerland

This prospectus does not constitute a public offering prospectus as that term is understood pursuant to Article 652a of the Swiss Code of Obligations, or CO. The Company has not applied for a listing of the Offer Shares on the SWX Swiss Exchange and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the relevant listing rules.

The Offer Shares may not be publicly offered or sold in Switzerland. The Offer Shares may be offered or sold only to a selected number of individual investors in Switzerland, under circumstances which will not result in the Offer Shares being a public offering within the meaning of Article 652a of the CO.

United Arab Emirates

The Global Offering of the Offer Shares has not been approved or licensed by the UAE Central Bank or any other relevant licensing authority in the United Arab Emirates, and does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. Accordingly, the Offer Shares may not be offered to the public in the United Arab Emirates.

The Offer Shares may be offered, and this prospectus may be issued, only to a limited number of investors in the United Arab Emirates who qualify as sophisticated investors under the relevant laws of the United Arab Emirates. Each of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and other Underwriters represents and warrants that the Offer Shares will not be offered, sold, transferred or delivered to the public in the United Arab Emirates.

United Kingdom

This prospectus does not constitute an offer document or an offer of transferable securities to the public in the United Kingdom (the "UK") to which section 85 of the Financial Services and Markets Act 2000 of the UK (as amended, the "FSMA") applies, and should not be considered as a recommendation that any person should subscribe for or purchase any of the Offer Shares. The Offer Shares will not be offered or sold to any person in the UK save in the circumstances which have not resulted and will not result in an offer to the public in the UK in contravention of section 85(1) of the FSMA.

This prospectus is not being distributed by, nor has it been approved for the purposes of section 21 of FSMA by, a person authorised under the FSMA. This prospectus is being communicated only to (i) persons outside the UK; or (ii) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended, the "FPO"); or (iii) persons described in Article 49(2) of the FPO (together, the "relevant persons"). The Offer Shares are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. No part of this prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without prior written consent of each of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and other International Purchasers. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and persons who do not fall within (i), (ii) or (iii) above should not rely on or act upon this communication.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares, including (i) the Offer Shares; (ii) the Sale Shares; (iii) any H Shares which may be issued or sold pursuant to the exercise of the H Share Over-Allotment Option; and (iv) any H Shares converted from A Shares held by the Overseas Investors. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on 23 December 2009.

Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H Share Register and Stamp Duty

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered on our H Share register will be subject to Hong Kong stamp duty. See Appendix VII — "Taxation and Foreign Exchange".

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in H Shares. It is emphasized that none of us, the Selling Shareholders, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or the Underwriters, none of their respective directors, nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding or disposal of H Shares.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our shareholders, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations, and the Articles of Association;

(ii) agrees with us, each of our shareholders, Directors, Supervisors, managers and officers, and each of us acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our shareholders to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See Appendix IX — "Summary of Articles of Association";

(iii) agrees with us and each of our shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors and officers whereby such Directors, Supervisors and officers undertake to observe and comply with their obligations to our shareholders as stipulated in the Articles of Association.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, UBS, as stabilizing manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date; provided that the H Share Over-Allotment Option shall only be exercised in consultation with the other Joint Bookrunners. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on UBS, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of UBS, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

UBS, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

(A) (1) over-allocate the Offer Shares; or

(2) sell or agree to sell the Offer Shares so as to establish a short position in them,

(B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the H Share Over-Allotment Option in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

UBS, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by UBS, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on which trading of the Offer Shares commences on the Hong Kong Stock Exchange and ends on the earlier of the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering or the commencement of trading of the Offer Shares. The stabilization period is expected to expire on 14 January 2010. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by UBS, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 128,700,000 additional H Shares and cover such over-allocations by exercising the H Share Over-Allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Joint Bookrunners may borrow up to 128,700,000 H Shares from our Cornerstone Investors, equivalent to the maximum number of H Shares to be issued on a full exercise of the H Share Over-Allotment Option.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set forth in the section headed "How to Apply for Hong Kong Offer Shares" and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering".

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into US dollars and of Hong Kong dollars into US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar or US dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars, of Renminbi into US dollars and of Hong Kong dollars into US dollars have been made at the rate of RMB0.8809 to HK$1.00, the PBOC Rate prevailing on 2 December 2009, RMB6.8271 to US$1.00 and HK$7.7499 to US$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on 30 November 2009, respectively. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding. Further information on exchange rates is set forth in Appendix VII — "Taxation and Foreign Exchange".

Name	Address	Nationality
DIRECTORS		
GAO Guofu *Chairman and Executive Director*	Room 1601, No. 42, Lane 3200 Hong Mei Road Shanghai PRC	Chinese
HUO Lianhong *Executive Director*	Room 904, Building 4, 555 Nanchang Road Shanghai PRC	Chinese
YANG Xianghai *Vice-Chairman and Non-Executive Director*	Room 501, No. 10, Lane 8 Wanping Road Shanghai PRC	Chinese
ZHOU Ciming *Non-Executive Director*	Room 1802 567 Tai Xing Road Shanghai PRC	Chinese
HUANG Kongwei *Non-Executive Director*	Room 1202, No. 6, Lane 1515 Zhang Yang Road Shanghai PRC	Chinese
YANG Xiangdong *Non-Executive Director*	House N No. 33 Cape Road Hong Kong	Chinese (Hong Kong)
FENG Junyuan, Janine *Non-Executive Director*	19/F, Hong Villa 12 Bowen Road Hong Kong	Chinese (Hong Kong)
XU Hulie *Non-Executive Director*	Room 1701, No. 18, Lane 289 Ou Yang Road Shanghai PRC	Chinese
XU Shanda *Independent Non-Executive Director*	Room 401, Unit 2, Building 19 9 Yu Yuan Tan Road South Hai Dian District Beijing PRC	Chinese
XIAO Wei *Independent Non-Executive Director*	Room 1145A, Block B, You Shan Mei Di 4 Yu Yang Road Hou Sha Yu Town Shunyi District Beijing PRC	Chinese
LI Ruoshan *Independent Non-Executive Director*	Room 1101, No. 7, Lane 655 Yi Xian Road Shanghai PRC	Chinese

Name	Address	Nationality
YUEN Tin Fan *Independent Non-Executive Director*	Room 307, Block C Viking Villas 70 Tin Hau Temple Road Hong Kong	British
CHANG Tso Tung Stephen *Independent Non-Executive Director*	Flat C, 3/F, Shouson Garden 6A Shouson Hill Road Hong Kong	Chinese
SUPERVISORS		
MA Guoqiang	Room 1102, No. 6, Lane 100 Yin Xiao Road Shanghai PRC	Chinese
ZHANG Jianwei	Room 1703, Building 2 5 Fan Yu Road Shanghai PRC	Chinese
LIN Lichun	22B, Building 4 Ren Heng Square 88 Mao Xing Road Shanghai PRC	Chinese
YUAN Songwen	Room 1404, No. 20, Lane 366 Ning Xia Road Shanghai PRC	Chinese
SONG Junxiang	Room 1704, No. 2, Lane 185 Rui Jin South Road Shanghai PRC	Chinese

PARTIES INVOLVED

Sole Global Coordinator	UBS AG, Hong Kong Branch 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Sponsors, Joint Bookrunners and Joint Lead Managers	UBS AG, Hong Kong Branch 52/F Two International Finance Centre 8 Finance Street Central Hong Kong
	Credit Suisse (Hong Kong) Limited 45th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor Cheung Kong Center 2 Queen's Road Central Hong Kong
Auditors and Reporting Accountants	Ernst & Young *Certified Public Accountants* 18th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
Legal Advisers to Our Company	*as to Hong Kong and United States laws:* Freshfields Bruckhaus Deringer 11th Floor Two Exchange Square Central Hong Kong

	as to PRC law: King & Wood PRC Lawyers 40th Floor, Tower A, Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing 100020 PRC
Legal Advisers to the Underwriters	*as to Hong Kong law:* Slaughter and May 47th Floor, Jardine House One Connaught Place Central Hong Kong
	as to United States law: Sullivan & Cromwell LLP 28th Floor Nine Queen's Road Central Hong Kong
	as to PRC law: Commerce & Finance Law Offices 6F NCI Tower A12 Jianguomenwai Avenue Beijing 100022 PRC
Property Valuer	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House, Tai Koo Place 979 King's Road Quarry Bay Hong Kong
Actuarial Consultants	Towers, Perrin, Forster & Crosby, Inc. Suite 2106, Central Plaza 18 Harbour Road Wanchai Hong Kong
Receiving Bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

Industrial and Commercial Bank of China
(Asia) Limited
33/F ICBC Tower
3 Garden Road
Central, Hong Kong

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central, Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office and Headquarters	South Tower Bank of Communications Financial Building 190 Central Yincheng Road Pudong New District Shanghai 200120 PRC
Place of Business in Hong Kong	Room 203-208 Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Joint Company Secretaries	CHEN Wei NGAI Wai Fung
Authorized Representatives	HUO Lianhong Room 904, Building 4 555 Nanchang Road Shanghai PRC CHEN Wei Room 2402, No. 3, Lane 28 North Zhang Jia Bang Road Pu Dong New District Shanghai PRC
Audit Committee	LI Ruoshan (Chairman) CHANG Tso Tung Stephen ZHOU Ciming
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	Bank of Communications, Shanghai Branch 99 Zhong Shan Road South Shanghai PRC Industrial and Commercial Bank of China, Shanghai Branch 9 Pudong Avenue Shanghai PRC Agricultural Bank of China, Shanghai Branch 599 Xujiahui Road Shanghai PRC

	China Construction Bank, Shanghai Branch 900 Lujiazui Ring Road Shanghai PRC
	Bank of China, Shanghai Branch Bank of China Building 200 Central Yincheng Road Shanghai PRC
Compliance Adviser	UBS AG, Hong Kong Branch 52/F Two International Finance Centre 8 Finance Street Central Hong Kong

The information presented in this section is derived from various official or publicly available sources, unless indicated otherwise. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholders, the Underwriters, our or their affiliates or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy.

OVERVIEW

The PRC insurance market is the second largest in Asia after Japan in terms of total premiums and the sixth largest worldwide, based on Sigma Report No. 3, a non-commissioned report published by Swiss Reinsurance Company, an independent third party, in 2009. According to data published by the CIRC, total gross written premiums in the PRC in 2008 reached RMB978.4 billion, of which RMB733.8 billion was from life insurance business and RMB244.6 billion was from property and casualty insurance business. The PRC insurance market is also one of the fastest growing insurance markets in the world. Between 2000 and 2008, premiums received by life insurance companies and property and casualty insurance companies in the PRC increased at a compound annual growth rate of 28.3% and 19.1%, respectively, based on data published by the National Bureau of Statistics of China and the CIRC. Key factors in the dramatic expansion of the PRC insurance market include economic reform initiatives undertaken by the PRC government over the past three decades, leading to significant increases in disposable income per capita, which have given rise to increases in automobile ownership and household properties, and leading to significant increases in corporate assets, as well as significant changes in a number of demographic trends, in the PRC.

HISTORY AND DEVELOPMENT OF THE PRC INSURANCE MARKET

The PRC commercial insurance industry resumed its presence in 1979, and the People's Insurance Company of China re-started its operations as an independent insurance company under the supervision of the PBOC in 1983. Subsequently, other PRC commercial insurance companies, including us, were established. In response to developments in the insurance industry, the PRC Insurance Law was promulgated in 1995, which sets forth the legal framework for regulating the PRC insurance industry. In 1998, the CIRC was established and assumed the regulatory functions for supervising the insurance industry previously vested in the PBOC. In 2002 and 2009, the PRC Insurance Law was amended in response to further developments in the PRC insurance industry.

Since American International Assurance Company gained approval to establish its first PRC branch in Shanghai in 1992, foreign insurers have also taken an active role in the development of the PRC insurance industry. As of 31 December 2008, there were 26 life insurance joint ventures and 16 foreign insurers in the property and casualty insurance sector.

CURRENT CONDITION OF PRC INSURANCE INDUSTRY

Industry Development and International Comparison

The PRC life insurance market has been expanding rapidly in recent years. Gross written premiums from life insurance business (excluding accident and health insurance) grew at a compound annual growth rate of approximately 29.6% between 2000 and 2008, compared to 4.1% in Asia, 9.7% in Europe and 3.8% in North America (in each case as classified in Sigma Report No. 6 (2001) and No. 3 (2009) published by Swiss Reinsurance Company) over the same period. As of

31 December 2008, the PRC was the second largest life insurance market in Asia after Japan and the sixth largest in the world.

The PRC non-life insurance (including accident and health insurance) market is also one of the fastest growing insurance markets in the world. Gross written premiums from non-life insurance business grew at a compound annual growth rate of 25.7% between 2000 and 2008, compared to 6.4% in Asia, 12.2% in Europe and 6.2% in North America (in each case as classified in Sigma Report No. 6 (2001) and No. 3 (2009) published by Swiss Reinsurance Company) over the same period. As of 31 December 2008, the PRC was the second largest non-life insurance market in Asia after Japan and the tenth largest in the world.

The following table sets forth the insurance premiums received by life insurance and property and casualty insurance companies in the PRC and related growth rates from 2000 to 2008:

	2000	2001	2002	2003	2004	2005	2006	2007	2008
	(in billions of RMB, except growth rates)								
Life insurance	100.3	142.5	227.5	298.3	319.8	364.5	405.9	494.7	733.8
Growth rate	13.3%	42.7%	59.7%	31.1%	7.2%	14.0%	11.4%	21.9%	48.3%
Property and casualty insurance	60.6	69.1	77.3	86.6	112.5	128.4	158.1	208.7	244.6
Growth rate	8.4%	14.0%	11.9%	12.0%	29.9%	14.1%	23.1%	32.0%	17.2%

Source: the CIRC.

While the PRC insurance market has experienced rapid growth, it remains relatively under-penetrated, in terms of insurance penetration rate, when compared to the developed markets. In 2008, total life insurance premiums and total non-life insurance premiums as a percentage of GDP were approximately 2.2% and 1.0%, respectively, in the PRC, compared to 7.6% and 2.2%, respectively, in Japan and 4.1% and 4.6%, respectively, in the United States (in each case as classified in Sigma Report No. 3 (2009) published by Swiss Reinsurance Company). The PRC insurance market also has a relatively low insurance density rate for both of its life insurance and non-life insurance businesses, compared to the developed markets. As of 31 December 2008, the PRC life insurance density and non-life insurance density rates were US$72 and US$34, respectively, compared to US$2,870 and US$829 in Japan and US$1,901 and US$2,177 in the United States (in each case as classified in Sigma Report No. 3 (2009) published by Swiss Reinsurance Company). These comparatively low insurance penetration and density rates, coupled with favorable economic development, regulatory environment and demographic trends, suggest potential for further growth in the PRC insurance market.

The following table presents certain economic and insurance premium data for the PRC, the United States and certain selected countries and regions in Asia and Europe in 2008:

	Economic indicator			Life insurance			Non-life insurance[(1)]		
Market	GDP	GDP per capita	GDP real growth	Premiums	Insurance penetration[(2)]	Insurance density[(2)]	Premiums	Insurance penetration[(2)]	Insurance density[(2)]
	(in billions of US$, except per capita and percentages)			(premiums in billions of US$ and insurance density in US$)			(premiums in billions of US$ and insurance density in US$)		
China	4,324	3,237	9.1%	95.8	2.2%	71.7	45.0	1.0%	33.7
United States	14,265	46,893	1.1%	578.2	4.1%	1,900.6	662.4	4.6%	2,177.4
Japan[(3)]	4,845	37,881	(0.7)%	367.1	7.6%	2,869.5	106.1	2.2%	829.2
Germany	3,659	44,513	1.3%	111.3	3.0%	1,346.5	131.8	3.5%	1,572.7
France	2,865	44,836	0.7%	181.1	6.2%	2,791.9	91.9	3.0%	1,339.2
United Kingdom	2,667	43,436	0.7%	342.8	12.8%	5,582.1	107.4	2.9%	1,275.7
India[(3)]	1,218	1,028	7.4%	48.9	4.0%	41.2	7.3	0.6%	6.2
South Korea[(3)]	826	16,755	2.7%	66.4	8.0%	1,347.7	30.6	3.7%	621.0
Switzerland	491	64,605	1.6%	27.1	5.5%	3,551.5	21.6	4.4%	2,827.9
Taiwan	396	17,143	0.3%	52.7	13.3%	2,288.1	11.5	2.9%	499.6
Hong Kong	216	29,589	2.7%	21.3	9.9%	2,929.6	2.8	1.3%	380.8
Singapore	182	40,444	1.2%	11.4	6.3%	2,549.0	5.1	1.6%	630.0

(1) Including property and casualty insurance, accident insurance and health insurance.

(2) Insurance penetration rate is defined as gross premiums as a percentage of GDP, and insurance density rate is defined as gross premiums per capita (in each case, with gross premiums excluding cross-border business for the calculation).

(3) Financial year 1 April 2008 to 31 March 2009.

Source: Sigma Report No. 3 (2009), Swiss Reinsurance Company.

Geographical Distribution

The PRC insurance market exhibits significant geographical variations in its development. According to data published by the CIRC, in 2008, gross written premiums generated in each of Guangdong, Jiangsu, Shandong, Beijing, Shanghai, Henan, Sichuan, Hebei and Zhejiang for life insurance (including accident and health insurance) business exceeded RMB35 billion, accounting in the aggregate for approximately 59.5% of the total gross written premiums in the PRC for life insurance (including accident and health insurance) business in that period. In the same period, gross written premiums generated in each of Guangdong, Zhejiang, Jiangsu, Shandong, Beijing, Shanghai, Sichuan and Hebei for property and casualty insurance (excluding accident and health insurance) business exceeded RMB10 billion, accounting in the aggregate for approximately 56.5% of the total gross written premiums for property and casualty insurance (excluding accident and health insurance) business in the PRC in the same period.

General Condition of Insurance Fund Deployment

As of 31 December 2008, the aggregate balance of insurance fund investments in the PRC were RMB3,055.3 billion, approximately 57.9% of which were invested in bonds. At the same time, insurance companies became the second largest group of institutional investors in bond markets and important institutional investors in equity investment funds and equity securities. As of 31 December 2008, insurance funds invested directly and indirectly in the PRC equity securities and investment fund markets by insurance companies in the PRC reached RMB407.2 billion, according to data published by the CIRC.

In addition, the CIRC has been steadily promoting the reform of insurance asset management system, which has led to the establishment of a number of insurance asset management companies. As of 31 December 2008, there were nine domestically invested insurance asset management companies and one foreign-invested insurance asset management center.

Principal Participants in the PRC Insurance Market

Based on PRC GAAP financial data published by the CIRC, China Life, Ping An and we together held approximately 64.6% of the market share, in terms of gross written premiums, in life insurance in the first nine months of 2009, while PICC, Ping An and we together held approximately 65.0% of the market share, in terms of gross written premiums, in property and casualty insurance in the first nine months of 2009.

The following table sets forth the market shares in terms of gross written premiums (excluding premiums assumed from other insurers), based on PRC GAAP financial data published by the CIRC, held by the top insurers in life and property and casualty segments of the PRC insurance industry in 2008:

Life insurance			Property and casualty insurance		
Rank	Company	Market Share	Rank	Company	Market Share
1	China Life Insurance (Group) Company(1)	42.7%	1	PICC Property and Casualty Co., Ltd.	41.6%
2	Ping An Life Insurance Company of China Limited(2)	14.0	2	China Pacific Property Insurance Co., Ltd.	11.4
3	China Pacific Life Insurance Co., Ltd.	9.0	3	Ping An Property & Casualty Insurance Company of China Limited	10.9
4	Taikang Life Insurance Co., Ltd.	7.9	4	China United Property Insurance Company	7.8
5	New China Life Insurance Co., Ltd.	7.6	5	China Continent Property & Casualty Insurance	3.9
6	PICC Life Insurance Company Limited	3.9	6	Tianan Insurance Company Limited of China	2.7
7	Tai Ping Life Insurance Company, Ltd.	2.6	7	Yong An Property Insurance Company, Ltd.	2.3
8	PICC Health Insurance Company Limited	1.9	8	China Life Property & Casualty Insurance Company Limited	2.2
9	Sino Life Insurance Co., Ltd.	1.1	9	Sunshine Property and Casualty Insurance Co., Ltd.	2.2
10	American International Assurance Co., Ltd.	1.0	10	AB Property & Casualty Insurance	2.0
11	Others	8.4	11	Others	13.1
	Total	100.0%		Total	100.0%

(1) Including premiums from China Life Insurance Company Limited.
(2) Including premiums from Ping An Annuity Company Limited and Ping An Health Insurance Company Limited.

Source: the CIRC.

The following table sets forth the market shares in terms of gross written premiums (excluding premiums assumed from other insurers), based on PRC GAAP financial data published by the CIRC, held by the top insurers in life and property and casualty segments of the PRC insurance industry in the first nine months of 2009:

Life insurance			Property and casualty insurance		
Rank	Company	Market Share	Rank	Company	Market Share
1	China Life Insurance (Group) Company(1)	39.7%	1	PICC Property and Casualty Co., Ltd.	41.1%
2	Ping An Life Insurance Company of China Limited(2)	16.8	2	Ping An Property & Casualty Insurance Company of China Limited	12.3
3	China Pacific Life Insurance Co., Ltd.	8.1	3	China Pacific Property Insurance Co., Ltd.	11.6
4	New China Life Insurance Co., Ltd.	7.9	4	China United Property Insurance Company	7.0
5	Taikang Life Insurance Co., Ltd.	7.6	5	China Continent Property & Casualty Insurance	3.6
6	PICC Life Insurance Company Limited	6.6	6	China Life Property & Casualty Insurance Company Limited	2.6
7	Tai Ping Life Insurance Company, Ltd.	2.6	7	Tianan Insurance Company Limited of China	2.3
8	American International Assurance Co., Ltd.	0.9	8	Sunshine Property and Casualty Insurance Co., Ltd.	2.1
9	Sino Life Insurance Co., Ltd.	0.8	9	Yong An Property Insurance Company, Ltd.	1.8
10	Union Life Insurance Co., Ltd.	0.7	10	China Export and Credit Insurance Corporation	1.5
11	Others	8.3	11	Others	14.1
	Total	100.0%		Total	100.0%

(1) Including premiums from China Life Insurance Company Limited.
(2) Including premiums from Ping An Annuity Company Limited and Ping An Health Insurance Company Limited.

Source: the CIRC.

FACTORS AFFECTING INSURANCE INDUSTRY DEVELOPMENT

Rapid Economic Growth

In 1978, the PRC government initiated a policy of economic reform and started to open the country gradually to the outside world. Principal reforms that the PRC government has undertaken or initiated since 1978 include, among others, rural reforms, State-owned enterprise reforms, social security system reforms, price reforms, fiscal and tax reforms, monetary and financial sector reforms, foreign trade and investment related reforms and housing reforms. Overall, the reform programs aim at transforming the centrally planned economy of the PRC into a more market-oriented economy with a more effective system of macroeconomic management, a modern enterprise system, a modern financial system and an equitable system of income distribution and social security. In addition, the PRC's accession to the WTO in December 2001 has contributed to the growth in foreign trade and foreign direct investment, while further intensifying the domestic corporate restructuring process.

Rapid economic growth has resulted in substantial wealth creation and accumulation in the PRC. Since the beginning of its economic reform, the PRC had experienced rapid increases in GDP and GDP per capita, although it has witnessed a slowdown in its economic growth since the global financial crisis that unfolded in 2008. GDP per capita in the PRC increased 188.1% from RMB7,858 to RMB22,640 from 2000 to 2008, and GDP in the PRC increased at a nominal compound annual growth rate of 14.9% from 2000 to 2008, based on data published by the National Bureau of Statistics of China.

The following table sets forth GDP and GDP per capita in the PRC from 2000 to 2008:

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP (RMB billion)	9,921	10,966	12,033	13,582	15,988	18,322	21,192	24,953	30,067
GDP per capita (RMB) . . .	7,858	8,622	9,398	10,542	12,336	14,053	16,165	18,934	22,640

Sources: National Bureau of Statistics of China; China Statistical Yearbook for 2008; Statistical Communique of the People's Republic of China on the 2008 National Economic and Social Development.

The generally rapid growth of the PRC economy since the beginning of its economic reform has led to a significant increase in disposable income per capita as well as significant growth in corporate assets. On the one hand, the increase in disposable income per capita has resulted in a higher demand for life insurance products as investment options and for protection-type and health insurance products. On the other hand, the increase in disposable income per capita has led to an increase in automobile ownership and household properties, prompting a higher demand for automobile insurance and homeowners insurance, among others. The growth in corporate assets has also driven the increase in demand for commercial property insurance. The rapid growth of the PRC economy has thus been the primary driver of the increase in insurance premiums in the PRC. The increase in disposable income, coupled with the expansion in the overall economy, the size of investments and the trade volume from imports and exports, has laid a solid foundation for the development of the PRC insurance industry.

Favorable Government Policies

The State Council promulgated its Certain Opinions on the Development and Reform of the Insurance Industry, or the Certain Opinions, in June 2006. Under the Certain Opinions, the insurance industry is a key component of the financial services sector and social security system of the PRC and plays an important role in the development of a stable and harmonious society. In this regard, the development of agricultural insurance, pension (including annuity) insurance, health insurance, liability insurance and insurance companies specialized in those products is strongly encouraged by the PRC government. Under the Certain Opinions, the investment channels for insurance funds are expected to be further broadened. PRC insurance companies are encouraged to invest their insurance funds into capital markets, including asset-backed securities, and gradually increase the percentage of such investments. Investments by insurance companies in real estate and venture capital companies will be implemented on a pilot basis, while investments in commercial banks and overseas assets will be supported. Under the Certain Opinions, the PRC insurance industry will expand insurance coverage to a larger population to meet the insurance needs of both urban and rural residents of different income levels and different occupations.

In addition, in an effort to combat the global financial crisis that unfolded in 2008 and to stimulate the PRC economy, the State Council promulgated the Several Opinions on Promoting Economic Development with Financial Policies, or the Financial Policy Opinions, in December 2008. The Financial Policy Opinions, among other things, seek to promote the roles played by the PRC insurance industry in risk protection as well as investment and financing. Under the Financial Policy Opinions, PRC insurance companies are encouraged to further develop pension insurance and to invest in a variety of bond instruments, including participating in transportation, telecommunications, energy and rural infrastructure projects in the form of debt investment, as well as investing in a prudent manner in equities of leading State-owned enterprises.

We believe that the guiding principles, overall objectives and major tasks set forth in the Certain Opinions and the Financial Policy Opinions indicate strong governmental support to the insurance industry and present unprecedented development opportunities for PRC insurance companies.

Moreover, the State Council has issued its opinions on transforming Shanghai into an international financial center and an international shipping center. The Shanghai municipal government has also announced relevant policies to implement the State Council's opinions. These opinions and policies are likely to create a favorable environment and new business opportunities for financial services industries, including the insurance industry, in Shanghai.

Social Welfare Reform

The PRC is in the midst of a social welfare reform, which gradually reduces or eliminates benefits that the government or State-owned enterprises have traditionally provided to their employees, such as housing, medical and retirement benefits, and shifts the responsibility for providing social welfare benefits to a mix of the government, enterprises and individuals. A multitiered social welfare and security system is gradually being established to provide basic pension insurance, corporate pension insurance and individual commercial insurance. In March 2009, the State Council released a series of social medical reform opinions and launched a related implementation plan, which encourage commercial insurance companies to develop diversified health insurance products and simplify claims handling procedures to better serve different healthcare needs of the population. The PRC government also supports insurance companies in their participation in basic social medical security services and prudent investment in medical institutions. In addition to offering group and individual insurance products to supplement the social welfare system, insurance companies are also permitted to cooperate with medical institutions in providing innovative medical service models and managing medical risks and to benefit financially from such cooperation.

Moreover, the PRC government is in the process of setting up a pension system that comprises basic social pension insurance, supplementary corporate pension insurance, or corporate annuities, and commercial pension insurance. To this end, the PRC government may adopt preferential tax policies and other measures to support the development of corporate annuity products and commercial pension insurance products. The State Council's opinions on turning Shanghai into an international financial center and an international shipping center, issued in April 2009, have also indicated that tax-deferred pension insurance products may be introduced on a pilot basis in Shanghai.

These social welfare reform initiatives are expected to stimulate demand for life insurance, health insurance, pension plans and other insurance-related products, which will create new opportunities for the further development of the PRC insurance industry.

Change in Savings Habits

The traditionally high savings rate in the PRC, coupled with the wealth generated by the economic reforms, has resulted in significant increases in individual savings. Traditionally, households in the PRC have generally placed most of their savings in bank deposits and have invested relatively small amounts of their savings in life insurance products and pension funds. In contrast, households in the United States and United Kingdom have generally invested a substantially higher portion of their savings in life insurance products and pension funds. As disposable incomes rise, PRC consumers are expected to look to insurance products with investment-like features as well as other investment products as alternatives to savings accounts.

Demographic Transformations

The PRC is undergoing significant demographic transformations, including an increase in life expectancy, a decrease in birth rate, an ageing population and a growth in urban population and income, all of which are expected to create substantial growth opportunities for life insurance, health insurance and pension products.

For example, the percentage of the population aged 65 or older in the PRC is expected to increase from 7.7% in 2005 to approximately 11.2% by 2020, according to the National Development and Reform Commission. As a result of an increase in life expectancy and a decrease in birth rate, a typical family in the PRC would now have fewer income-earning members to support the elderly, which would further increase the demand for insurance products. The continued increase in rural residents' income in recent years, coupled with higher risk and insurance awareness among the rural population, has also made the vast rural area in the PRC an increasingly relevant insurance market and a potential driving force of long-term industry growth.

Global Financial Crisis

Since 2008, the PRC insurance industry has been affected by a profound global financial crisis accompanied by, among other things, substantial declines in the global and domestic stock markets. While total premiums of the life and property and casualty sectors in the PRC continued to grow in 2008, investment performance of PRC insurance companies suffered. The resultant volatile equity markets and low interest rate environment have added to the difficulty and complexity of insurance fund investment. Economic growth in the PRC has also experienced a marked slowdown in 2008, in particular with respect to those sectors of the economy that rely significantly on exports, thus adversely affecting the demand for certain insurance products such as cargo insurance and hull insurance.

While these recent developments have had an adverse impact on the PRC insurance industry, we believe that they have also led to a growing public awareness of risk and insurance and caused the PRC insurance regulators and many PRC insurance companies to re-focus on risk protection and risk management, to optimize product offerings and to embrace sustainable, value-enhancing growth. In particular, the CIRC has encouraged PRC life insurance companies to further adjust their product mix and shift their focus onto risk protection-type and long-term savings-type life insurance products. As a result, some PRC life insurance companies have started to focus more on long-term protection-type and long-term regular premium life insurance products. The PRC government's RMB4 trillion stimulus package in response to the economic slowdown is also expected to generate additional demand for property insurance products. Furthermore, we believe that the low interest rate environment in the wake of the global financial crisis has helped promote the sale of certain participating life insurance products. We believe that, aided by continued economic growth, favorable government policies, ongoing social welfare reform and favorable demographic transformations, among other things, the PRC insurance industry remains well positioned to benefit from substantial growth potentials over the long term.

INDUSTRY TREND

Diversification in Insurance Needs

As the PRC insurance market develops, customers have become more aware of their insurance needs. At the same time, the continued growth of the PRC economy has contributed to the consumptive power in the PRC insurance market. As a result, the demand for a greater variety of insurance products increases. In addition to traditional insurance products, liability insurance, health insurance and long-term savings-type insurance products have experienced a higher demand.

Increasingly Sophisticated Product and Service Offerings

PRC insurance companies have become increasingly sophisticated in their product and service offerings in recent years. Major insurers in the PRC have shifted their product development and marketing strategy from the one-size-fits-all single-product approach to a demand-oriented approach, with products tailored to different segments of their customer base, such as customers belonging to different age groups or income levels. Some PRC insurance companies have also started to train their sales forces to identify and offer customized products, which are of higher added value, to their customers. Consumers of insurance products in the PRC have also become more sophisticated. While they have generally started to become less price-sensitive than before, they are increasingly focused on an insurance company's ability to provide integrated and consistent end-to-end services from sales to claims payment. As a result, the competitive environment of the PRC insurance industry has become more complex, as insurance companies seek to differentiate themselves by offering value-added products and integrated services.

Diversification in Distribution Channels

Insurance distribution channels have been proliferating in the PRC. Insurance companies in the PRC have primarily relied on exclusive agents, ancillary agents such as banks and direct sales representatives to market their products. In recent years, there has been an increase in the use of new sales methods. Institutional agents and brokers have expanded rapidly as important distribution channels. In addition, alternative distribution channels such as Internet and telemarketing are emerging in the PRC insurance industry, in particular with respect to certain products, such as automobile insurance products.

Increased Investment Channels

Insurance companies in the PRC generally have limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the ongoing development of the capital markets. The CIRC has traditionally allowed PRC insurance companies to invest in corporate bonds issued by PRC companies that are rated AA or above by a CIRC-recognized credit rating agency. In 2004 and 2005, the CIRC further broadened the investment channels of PRC insurance companies to permit investment in government bonds, financial bonds (including central bank notes, policy bank financial bonds and subordinated bonds, commercial bank financial bonds and subordinated bonds, commercial bank subordinated term debts, insurance company subordinated term debts, RMB-denominated bonds issued by international development agencies), enterprise (corporate) bonds, convertible bonds, short-term financing bonds and other bonds as approved by relevant government agencies, RMB-denominated common shares listed on a PRC stock exchange, subject to various limitations. In March 2006, the CIRC began to permit insurance companies to invest indirectly in infrastructure projects. In October 2006, the

CIRC issued a circular to allow insurance institutions to invest in equities of unlisted commercial banks up to 3% of the insurers' total assets. In June 2007, the CIRC, the PBOC and the SAFE jointly published measures to allow offshore investments by insurance institutions through insurance asset management companies or other professional investment institutions. Furthermore, the Certain Opinions promulgated by the State Council in June 2006 suggest that investment regulations would be further relaxed to allow more investment of insurance funds directly or indirectly in capital markets, asset-backed securitization products, real estate and venture capital companies, as well as overseas assets. In March 2009, the Standing Committee of the National People's Congress approved the amended PRC Insurance Law, which for the first time permits PRC insurance companies to invest in real estate. In March 2009, the CIRC issued a notice to allow qualified PRC insurance companies to invest in unguaranteed bonds. In the same month, the CIRC issued another notice, giving PRC insurance companies more flexibility in their participation in infrastructure debt investment plans. It is expected that the PRC government will further relax investment restrictions to allow insurance companies to invest in other asset classes, such as private equity. For more details on current supervision and regulation of investments of insurance funds, see the section headed "Supervision and Regulation — Use of Insurance Funds".

Development of Commercial Reinsurance Market

Following the elimination of the statutory reinsurance requirement, PRC insurance companies generally determine their reinsurance arrangements based on their own assessment of risk exposures in their insurance operations and their underwriting capacity. Prior to October 2009, direct insurers were required to offer no less than 50% of their proposed cession business to at least two professional commercial reinsurers incorporated or with establishment in the PRC in priority to overseas commercial reinsurers. This requirement has been eliminated with the implementation of the newly amended PRC Insurance Law. China Reinsurance Group and its subsidiaries, as the only local reinsurers, currently maintain the largest market share among commercial reinsurance providers in the PRC. However, prominent international reinsurers, such as Swiss Reinsurance Company, Munich Re, Cologne Reinsurance Company and Lloyd's, have opened their branches or subsidiaries in the PRC and have been playing an increasingly more important role in the PRC commercial reinsurance market.

Gradual Opening Up of the PRC Insurance Market

In addition to pre-existing and newly-established domestically-invested insurance companies, the number of foreign-invested insurance companies in the PRC insurance market has been increasing each year. According to the CIRC, as of 31 December 2008, there were 26 sino-foreign joint-venture life insurance companies in the PRC, collectively accounting for approximately 4.9% of the gross written premiums, based on PRC GAAP financial data, of all life insurance companies operating in the PRC during 2008. Also as of 31 December 2008, there were 16 foreign-invested property and casualty insurance companies in the PRC, representing a 1.2% market share in terms of gross written premiums, based on PRC GAAP financial data, of all property and casualty insurance companies operating in the PRC during 2008. As the PRC insurance market continues to open up to foreign investors, the market share of foreign-invested insurance companies may continue to grow.

Evolving Supervision and Regulation of the PRC Insurance Industry

The insurance industry is heavily regulated in the PRC. Established in 1998, the CIRC initially focused on regulating market behavior and curbing abusive practices by insurance providers. The CIRC has since promulgated a number of rules and regulations that regulate the market behavior of life insurance companies and property and casualty insurance companies as well as insurance intermediaries in the PRC to prevent and address risks that may arise from insurance market operations. For instance, in 2008, the CIRC took measures to curb illegal or otherwise noncompliant activities of property and casualty insurance companies, which helped create a business environment in the PRC insurance industry that encourages fair and orderly competition and compliance with laws and regulations. Beginning in 2003, the CIRC strengthened its regulation of solvency margin in order to provide better protection to policy holders. In 2008, the CIRC further revised the tests for financial soundness of insurance companies and adopted new rules that would allow it to take a variety of regulatory measures against insurance companies whose solvency margin ratio raises regulatory concerns. Since 2006, the CIRC has also focused on the soundness of insurance companies' corporate governance, risk management and internal control as well as compliance. In 2009, the PRC Insurance Law was amended in response to significant developments in the PRC insurance industry since the law's prior amendment in 2002. The amended PRC Insurance Law lifted the limitations on insurance companies' organizational forms and broadened their business scope and investment channels. At the same time, the amended PRC Insurance Law has added new regulatory requirements on related party transactions of insurance companies and imposed restrictions on activities of insurance companies that fail to meet solvency requirements, among other things. For more details on current supervision and regulation of the PRC insurance industry, see the section headed "Supervision and Regulation".

The CIRC is in the process of implementing a risk-based supervisory system for insurance companies. Under the risk-based supervisory system, insurance companies will be evaluated and grouped into different categories based on a set of criteria, including, among other things, corporate governance, internal control and operational risks. Insurance companies with less favorable evaluation results will be subject to more stringent supervision by the CIRC, whereas those with favorable evaluation results are expected to receive regulatory support from the CIRC, such as accommodations in new product approvals, establishment of new branches and deployment of insurance funds, among other things. A modern insurance regulatory system focusing on solvency margin, corporate governance and market behavior is evolving in the PRC.

CPIC GROUP

We were established on 13 May 1991 with a registered capital of RMB1,000 million under the name China Pacific Insurance Co., Ltd., being the first joint stock commercial insurance company authorized to conduct composite insurance operations on a nationwide basis in the PRC. Our founding investors included Bank of Communications, together with some of its branches, and over 150 other entities, some of whom are no longer shareholders of CPIC Group.

On 26 September 1995, our Company increased its registered capital to RMB2,006.39 million. On 24 October 2001, our Company was re-registered as a joint stock limited company in the PRC by the Promoters and renamed to China Pacific Insurance (Group) Co., Ltd. as required by the PRC Insurance Law and the PRC Company Law. On 31 December 2002, CPIC Group increased its registered capital to RMB4,300 million. On 4 June 2007, CPIC Group further increased its registered capital to RMB6,700 million through a private placement. In this private placement, CPIC Group issued 1,066,700,000 Shares to some of its then existing shareholders including Baosteel Group Corporation, Shenergy (Group) Co., Ltd. and Dalian Shide Group Co., Ltd., and 1,333,300,000 Shares to the Overseas Investors at a placing price of RMB4.27 per Share. Meanwhile, the Overseas Investors transferred to CPIC Group their entire stake in CPIC Life.

In December 2007, we conducted a public offering of our A Shares in the PRC. Upon the completion of the A Share Offering, our share capital was increased to RMB7,700 million, divided into 7,700 million A Shares. Our A Shares are listed on the Shanghai Stock Exchange and trading of our A Shares on the Shanghai Stock Exchange commenced on 25 December 2007. The offering price for our A Shares in the A Share Offering was RMB30 per A Share and the net proceeds to us from the A Share Offering were approximately RMB29,032 million. See the section headed "Our A Shares".

OUR SUBSIDIARIES AND JOINT VENTURE

CPIC Group, together with four other promoters, established CPIC Life and CPIC Property on 9 November 2001. Upon their establishment, CPIC Group held 95% interest in each of CPIC Life and CPIC Property and each of the other four promoters, namely Shenergy (Group) Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd., Shanghai Tobacco (Group) Corporation and Yunnan Hongta Group Co., Ltd., held 1.25% interest in each of CPIC Life and CPIC Property, respectively. Following the establishment of CPIC Life and CPIC Property, we operate our life insurance business primarily through our controlling ownership interest in CPIC Life and our property and casualty insurance business primarily through our controlling ownership interest in CPIC Property.

CPIC Life had a registered capital of RMB1,000 million upon its establishment. In December 2005, the CIRC approved the Overseas Investors to collectively subscribe for 499 million newly issued shares of CPIC Life (representing 24.975% of the then enlarged equity interest of CPIC Life) for a consideration of RMB3,310.6 million. CPIC Group also subscribed for 499 million newly issued shares of CPIC Life. As a result, CPIC Life's registered capital was increased to RMB1,998 million on 24 February 2006. Subsequently in 2007, the Overseas Investors subscribed for an aggregate of 1,333,300,000 Shares and transferred to CPIC Group their entire stake in CPIC Life as disclosed above. On 7 June 2007, we increased CPIC Life's registered capital with our own funds to RMB2,300 million. On 21 March 2008, our shareholders' meeting resolved to further increase CPIC Life's registered capital to RMB3,500 million. The increase of the registered capital was approved by the CIRC on 30 June 2008. On 31 October 2008, CPIC Life resolved to further increase its registered capital to RMB5,100 million. The increase of the registered capital was approved by the CIRC on 3 December 2008. As of the Latest Practicable Date, the registered capital of CPIC Life was RMB5,100 million. Please refer to the section headed "Statutory and General Information — Our Subsidiaries — Changes in share capital — CPIC Life" in Appendix X to this prospectus for details of the changes in the share capital of CPIC Life.

CPIC Property had a registered capital of RMB1,000 million upon its establishment. We increased CPIC Property's registered capital with our own funds to RMB2,452 million on

12 November 2003 and to RMB2,688 million on 30 May 2007. On 21 March 2008, our shareholders' meeting resolved to further increase CPIC Property's registered capital to RMB4,088 million. The increase of the registered capital was approved by the CIRC on 30 June 2008. As of the Latest Practicable Date, the registered capital of CPIC Property was RMB4,088 million. Please refer to the section headed "Statutory and General Information — Our Subsidiaries — Changes in share capital — CPIC Property" in Appendix X to this prospectus for details of the changes in the share capital of CPIC Property.

In June 2006, we established CPIC Asset Management, which is generally responsible for managing the funds received from our life insurance and property and casualty insurance businesses as well as surplus funds from the operations of CPIC Group. CPIC Asset Management may also manage funds entrusted by third parties. It had a registered capital of RMB200 million upon its establishment and increased its registered capital to RMB500 million on 19 December 2007.

We conduct our overseas operations in Hong Kong through CPIC HK, which is a wholly-owned subsidiary of CPIC Group. We have been conducting business in Hong Kong since 1994. CPIC HK was established following our acquisition of Mandarin Insurance Company Limited, a Hong Kong-based insurance company that had been providing insurance services in the local market since 1976. CPIC HK has obtained the authorization from the Office of the Commissioner of Insurance of Hong Kong to carry on its insurance business and is subject to the supervision and regulation of the Commissioner of Insurance of Hong Kong and other relevant regulatory authorities of Hong Kong. As of the Latest Practicable Date, CPIC HK had not been in breach or violation of any applicable laws and rules in Hong Kong. Our Board resolved on 22 January 2008 to further increase CPIC HK's registered capital with our own funds from HK$100 million to HK$250 million by creation of an additional capital of HK$150 million, which was issued during the year ended 31 December 2008, to provide for additional working capital.

Our Board also resolved in 2008 to establish a Hong Kong company with an intended registered capital of HK$50 million. We are in the process of incorporating such company and, upon its incorporation, it will be engaged in asset management business in Hong Kong and owned as to 49% by us and as to 51% by CPIC Asset Management.

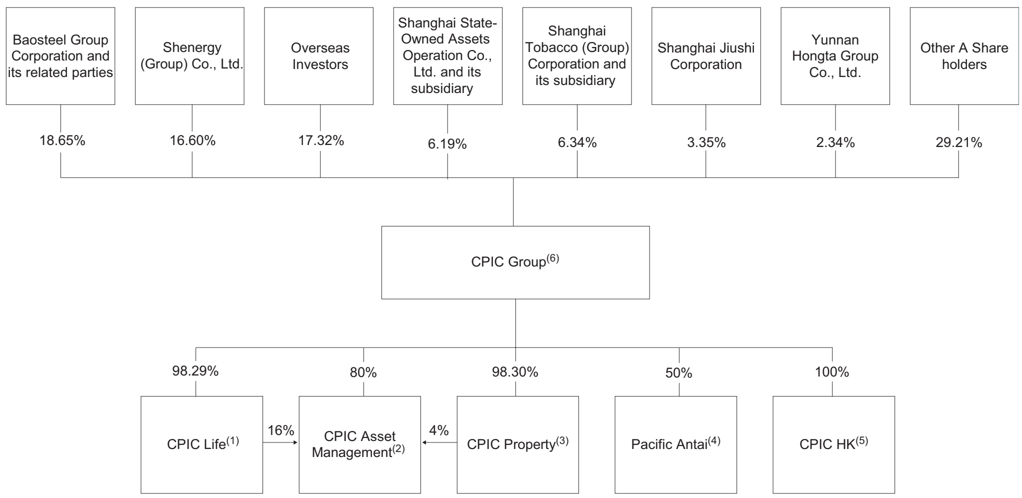
We have also been holding a 50% equity interest in Pacific-Antai since 1998, which was originally a joint venture between us and Aetna Life Insurance Company. In 2002, an affiliate of ING Groep N.V. became our joint venture partner following the acquisition of Aetna Life Insurance Company's financial services and international businesses by ING Groep N.V. in 2000. The registered capital of Pacific-Antai was increased from RMB700 million to RMB800 million in 2008. After such increase in registered capital and as of the Latest Practicable Date, we held a 50% equity interest in Pacific-Antai.

Our subsidiaries and joint venture are regulated by the laws of the jurisdictions where they were incorporated and/or established and where they conduct their businesses.

Please refer to Appendix IX to this prospectus for a summary of our Articles of Association.

OUR STRUCTURE

As of the Latest Practicable Date, we had 7.7 billion A Shares issued and outstanding. The following chart sets forth our shareholding and corporate structure as of the Latest Practicable Date, without taking into account the Global Offering:



(1) Shenergy (Group) Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd., Shanghai Tobacco (Group) Corporation and Yunnan Hongta Group Co., Ltd. hold equity interests of 0.55%, 0.54%, 0.37% and 0.25%, respectively, in CPIC Life. CPIC Life is engaged in life insurance business.

(2) CPIC Asset Management is primarily engaged in managing the funds received from our life insurance and property and casualty insurance businesses as well as surplus funds from the operations of CPIC Group. CPIC Asset Management may also manage funds entrusted by third parties.

(3) Shenergy (Group) Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd., Shanghai Tobacco (Group) Corporation and Yunnan Hongta Group Co., Ltd. hold equity interests of 0.47%, 0.47%, 0.47% and 0.31%, respectively, in CPIC Property. CPIC Property is engaged in property and casualty insurance business.

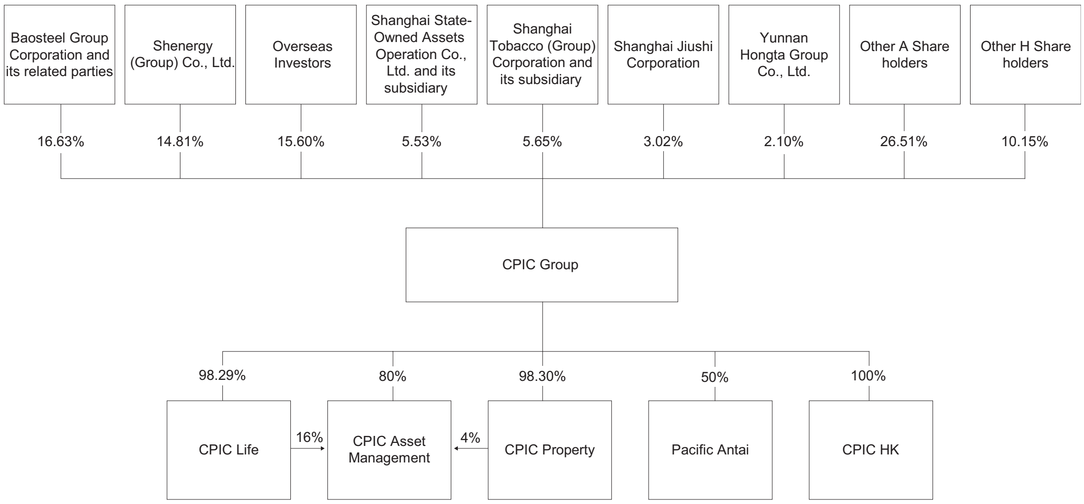
(4) An affiliate of ING Groep N.V. holds a 50% equity interest in Pacific-Antai. Pacific-Antai is primarily engaged in the underwriting of various types of life insurance products in Shanghai, Guangdong and Jiangsu.

(5) CPIC HK is engaged in general insurance business in Hong Kong.

(6) Our other subsidiaries include: (i) Pacific Real Estate, a wholly-owned subsidiary of us engaging in management of its properties for use by the Group; (ii) Jiaxing Taibao, a company engaging in insurance agency business, in which CPIC Life holds an 80% equity interest; and (iii) Fenghua Hotel, a company engaging in hotel operations, in which CPIC Life holds a 51.8% equity interest and CPIC Property holds a 48.2% equity interest.

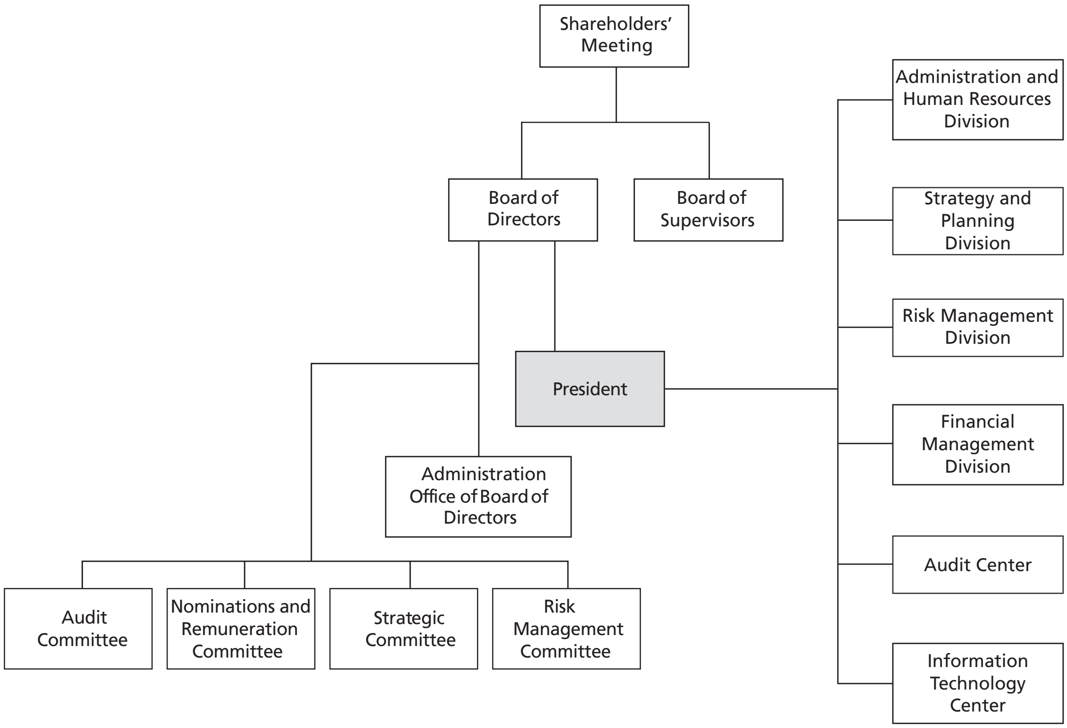
See the section headed "Substantial Shareholders" in this prospectus for details of our substantial shareholders as of the Latest Practicable Date.

The following chart sets forth our shareholding and corporate structure immediately after the completion of the Global Offering, assuming the H Share Over-Allotment Option is not exercised:



See the section headed "Substantial Shareholders" in this prospectus for details of our substantial shareholders immediately after the completion of the Global Offering.

The following chart sets forth CPIC Group's organizational structure as of the Latest Practicable Date.



OVERVIEW

We are a leading composite insurance group in the PRC, providing, through our subsidiaries and affiliates, a broad range of life and property and casualty insurance 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.

We operate our life insurance business primarily through our 98.29% ownership in CPIC Life and operate our property and casualty insurance business primarily through our 98.30% ownership in CPIC Property. We had gross written premiums, policy fees and deposits of RMB94,628 million in 2008, of which RMB66,704 million, or approximately 70.5%, was from the operations of CPIC Life and RMB27,875 million, or approximately 29.5%, was from the operations of CPIC Property. We had gross written premiums, policy fees and deposits of RMB54,294 million in the first six months of 2009, of which RMB35,612 million, or approximately 65.6%, was from the operations of CPIC Life and RMB18,656 million, or approximately 34.4%, was from the operations of CPIC Property. Based on PRC GAAP financial data published by the CIRC:

- We ranked third in the PRC life insurance market in 2008 and the first nine months of 2009 with a market share of 9.0% and 8.1%, respectively, in terms of gross written premiums;
- We ranked second and third in the PRC property and casualty insurance market in 2008 and the first nine months of 2009 with a market share of 11.4% and 11.6%, respectively, in terms of gross written premiums; and
- We ranked third in terms of investment assets in the PRC insurance industry as of 31 December 2008 and 30 June 2009, accounting for 9.4% and 9.8%, respectively, of all insurance investment assets in the PRC insurance industry.

The following table sets forth the breakdown of our gross written premiums, policy fees and deposits by business segment for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Life insurance	37,867	51,260	66,704	35,612
Property and casualty insurance	18,144	23,474	27,875	18,656

Since our establishment in 1991, we have built one of the most recognized brand names in the PRC insurance industry. We have one of the largest insurance distribution networks in the PRC. As of 30 June 2009, our distribution network covered substantially all provinces, autonomous regions and directly-administered municipalities in the PRC and included:

- 3,617 life insurance branches, central sub-branches, sub-branches and sales outlets and 2,090 property and casualty insurance branches, central sub-branches, sub-branches and sales outlets located substantially throughout the PRC;
- approximately 245,700 individual insurance agents for our individual life insurance products;
- approximately 68,000 commercial bank and postal branches and a large number of institutional agents and other intermediaries through which we distribute our products; and
- approximately 18,700 employees engaged in direct sales and marketing activities for life and property and casualty insurance products.

As of 30 June 2009, we had approximately 34.1 million life insurance customers and approximately 13.9 million property and casualty insurance customers. A majority of our premium income comes from the more economically developed areas in China and those areas in China that are heavily populated. We expect future growth in our life insurance and property and casualty insurance businesses to be concentrated in those more economically developed areas. We also plan to explore the growth potentials of the developing areas in China.

Our superior customer service has contributed to our prominent brand name and strong market position. In 2005, we became the first PRC domestic insurance company to receive the China Quality Statue (中國質量鼎) and the China Customer Satisfaction Statue (中國用戶滿意鼎) from China Association for Quality, a national organization focused on the promotion of quality of products and services. Moreover, we are the first insurance company in the PRC that has been granted by China Consumers' Association the right to use the "3•15 sign", a symbol of consumer trust. In 2008, we ranked No. 2 in the composite insurance business segment in a selection of Top 500 Chinese Enterprises jointly sponsored by China Enterprise Confederation and China Enterprise Directors Association. In 2009, we were selected as one of the top 100 publicly listed companies in the PRC for 2008 by China Securities Journal and Securities Times, each a PRC news organization focused on the financial industry, respectively.

We believe our prominent brand name, distribution capabilities, extensive customer base and superior customer service help us sustain our market position and capture the growing demand for insurance products and services in the PRC.

OUR STRENGTHS

We are a leading composite insurance group with a prominent brand name and a strong market position in the PRC. We have ranked among the top three in the PRC insurance industry in terms of market shares in life insurance and in property and casualty insurance, each as measured by gross written premiums based on PRC GAAP financial data, and in terms of investment assets. We seek to create sustainable value and stable returns for our shareholders by leveraging our strong competitive advantages. Our principal strengths include:

- **A leading insurance company well positioned to capture substantial growth opportunities in the PRC insurance market.**

  The PRC insurance industry is expected to continue to benefit from strong growth prospects in the domestic economy, increases in social wealth and favorable demographic transformations. The PRC economy achieved a rapid growth in the past two decades, with its GDP increasing at a real compound annual growth rate of 9.7% from 1988 to 2008, based on data published by the National Bureau of Statistics of China. Despite the global financial crisis that unfolded in 2008, the GDP of the PRC continued to grow at a rate of 7.1% in the first half of 2009 compared to the same period of 2008. Continued economic growth has led to increases in disposable income per capita, more vibrant commercial activities and continued increases in corporate and personal assets, creating a growing demand for a variety of insurance products. Meanwhile, the PRC's ongoing urbanization process and expanding middle class are expected to create a demand for insurance products, including those with risk protection features and investment features. Nevertheless, the PRC insurance industry remains at its early stage of development, with a relatively low insurance density rate and insurance penetration rate. With the gradual development of the PRC insurance industry and insurance-related laws and regulations, the growing public awareness of risk and insurance and the continued development of the capital markets, the PRC insurance industry is poised to enjoy substantial growth potentials.

  We have a leading market position in each of life insurance, property and casualty insurance and insurance asset management in the PRC. In each year between 2001, when we separately established CPIC Life and CPIC Property, and 2008, our life insurance business and our property and casualty insurance business ranked among the top three in the PRC life insurance market and property and casualty insurance market, respectively, in terms of gross written premiums, based on PRC GAAP financial data published by the CIRC. As of 30 June 2009, our total investment assets reached RMB331.3 billion, making us one of the top three insurance asset management companies in the PRC. As of 30 June 2009, Changjiang Pension's total entrusted assets under management reached RMB23,248 million, ranking first among all professional pension insurance companies in the PRC in terms of entrusted assets under management. We believe that our leading market position in life insurance, property and casualty insurance and insurance asset management in the PRC, combined with our strategic vision, centralized group management framework, enhanced professional expertise and ongoing optimization of our business mix, has positioned us well to capture substantial growth opportunities in the PRC insurance market.

Our proposed acquisition of a controlling interest in Changjiang Pension is expected to facilitate our entry into the PRC pension insurance market, a market with substantial potentials, and to help us become a leading provider of pension insurance products in the PRC.

In addition, the State Council has issued its opinions on transforming Shanghai into an international financial center and an international shipping center, with related policies and measures announced or to be announced by the Shanghai municipal government. As a major PRC insurance group headquartered in Shanghai, we believe we are well-positioned to benefit from many related new opportunities. For example, under the opinions issued by the State Council, Shanghai may be among the first cities in the PRC to implement preferential tax policies in connection with pension and various annuity businesses, and insurance companies registered in Shanghai may be exempt from business tax in connection with their international shipping related insurance businesses. We believe that we will benefit directly from these policies and measures.

- **Dedicated focus on insurance businesses and highly competitive insurance expertise, driven by a pursuit of sustainable, value-enhancing growth.**

  We focus on insurance businesses to enhance our core competitiveness. We have accumulated substantial insurance capabilities and expertise, including those in product development, distribution, underwriting, claims management and reinsurance. Aided by our dedicated focus on insurance businesses and our competitive strengths, we have been able to continue optimizing our business mix, while maintaining an overall measured growth, in an effort to increase our profitability and pursue sustainable, value-enhancing growth.

  Our life insurance business has, notwithstanding changes in market conditions, maintained our focus on protection-type and long-term savings-type life insurance products with better profitability, promoting long-term regular premium individual life insurance products, such as traditional and participating individual life insurance products, and short-term accident insurance products. Through our innovative product portfolios, multiple distribution channels, extensive geographic coverage and professional sales force, we have been able to optimize our business mix, while achieving an overall growth in our business volume, in an effort to increase our value. In addition, by using Changjiang Pension as our platform and capitalizing on our resources, we plan to capture growth opportunities in the PRC pension insurance market and expand our pension insurance business.

  As a leading provider of property and casualty insurance products in the PRC, we have maintained our industry-leading position in the PRC in terms of underwriting profitability. Our strong underwriting capabilities, coupled with our long-standing cooperative relationships with reputable international reinsurers, enable us to provide a full range of insurance and risk management services to customers of different industries, fields and types, including enterprises engaged in industry and commerce, civil engineering, aviation and space, petroleum and petrochemical, and ocean and inland shipping as well as individuals and households. As one of the first PRC insurance companies with nationwide operations that established centralized management systems for underwriting and claims settlement for property and casualty insurance business, we have substantial expertise in risk selection and efficient claims management. Other than the year of 2008 during which our business was affected by major catastrophic events, the combined ratio of our property and casualty insurance business, as calculated using our PRC GAAP data, for each full year of our operations was below 100%, which helped generate underwriting profits over the years.

- **One of the most recognized insurance brand names, coupled with an extensive customer base.**

  With "commitment to business integrity, sustainable growth and pursuit of excellence" ("誠信天下，穩健一生，追求卓越") as our core values, we provide a variety of insurance products and services to our customers and focus on value creation for our relevant stakeholders, including our customers and shareholders, which has helped us win wide recognition from both our customers and the society at large. Our eighteen years of operating history have also led to wide recognition of CPIC's brand name and service philosophy, which is expected to help gain stable and sustained customer resources and maintain a premium brand image for our sustained growth. In 2005, we became the first PRC domestic insurance company to receive the China Quality Statue (中國質量鼎) and the China Customer Satisfaction Statue (中國用戶滿意鼎) from China Association for Quality. In 2007 and 2008, we were awarded the "People's Social Responsibility Award (人民社會責任獎)" by the People's Daily Online. In 2008, we ranked No. 2 in the composite insurance business segment in a selection of Top 500 Chinese Enterprises jointly sponsored by China Enterprise Confederation and China Enterprise Directors Association. We were selected as one of the top 100 publicly listed companies in the PRC for 2008 by China Securities Journal and Securities Times, respectively.

  We have developed one of the most extensive customer bases in the PRC insurance industry, covering a wide spectrum of industries, geographical regions, income levels and age groups. As of 30 June 2009, we had approximately 45.3 million individual customers and 2.7 million institutional customers, with approximately 33.8 million individual customers and 0.3 million institutional customers in our life insurance business and approximately 11.5 million individual customers and 2.4 million institutional customers in our property and casualty insurance business, respectively. In particular, a majority of our customers in our life insurance business as of 30 June 2009 were located in the more economically developed areas in China and those areas in China that are heavily populated, with a significant number of individual customers aged between 30 and 45 that may be more willing and able to purchase insurance products. A majority of our customers in our property and casualty insurance business as of 30 June 2009 were located in the more economically developed areas in China and large- and medium-sized cities, including many high-quality, large-sized enterprises. We believe this provides us an opportunity to expand our business by analyzing the characteristics of these customers and meeting their potentially growing demand for insurance products.

- **Nationwide, extensive distribution network and integrated service platform.**

  We have developed one of the leading insurance distribution and service networks in the PRC, covering substantially all of the provinces, centrally-administered municipalities and autonomous regions. As of 30 June 2009, CPIC Life had 37 branches and 3,580 central sub-branches, sub-branches and sales outlets across the country, while CPIC Property had 38 branches and 2,052 central sub-branches, sub-branches and sales outlets across the country.

Our distribution network is not only extensive in terms of the number of branch entities but also well-designed and far-reaching as it spans several levels of the administrative hierarchy in many cases.

We have extensive distribution channels consisting primarily of our direct sales team, individual insurance agents, institutional and ancillary agents and insurance brokers. As of 30 June 2009, our life insurance business had approximately 245,700 individual insurance agents, approximately 3,373 direct sales representatives, approximately 68,000 ancillary agents and approximately 8,374 bancassurance account managers. As of the same date, our property and casualty insurance business had approximately 15,343 direct sales representatives, approximately 20,015 individual insurance agents, 9,390 ancillary agents and 1,151 institutional agents, and had entered into cooperative relationships with approximately 935 institutional insurance brokerage companies. In addition, we have further enhanced our distribution and service capabilities through innovative distribution channels, such as our e-business website, telemarketing centers and short messaging services on mobile phones, and by promoting cross-selling between CPIC Life and CPIC Property.

We are dedicated to offering high-quality services to our customers. To that end, we have set up a service platform that comprises, among other things, one-stop-shop and integrated service counters, 95500 customer service hotline and Internet website. In addition to providing standardized and centralized services to our customers, we are committed to a customer-oriented service philosophy. We offer our customers individualized service experiences through the employment of such resources as our renewal and customer service specialists. We use regional customer service centers to achieve a balance between our offerings of standardized services and personalized customer experience. In 2008, our 95500 customer service hotline was rated the "Best Customer Service Center in the PRC Financial Services Industry" by Financial News, a PRC news organization focused on the financial industry.

- **ALM-based professional and prudent insurance asset management capabilities.**

We conduct our asset management business based on the ALM principle. Within the constraints of the characteristics of insurance businesses, cost of liabilities, size of capital and regulatory requirements regarding the maintenance of solvency margin, we seek to allocate our assets rationally by combining a differentiated approach to strategic asset allocations with dynamic tactical moves. We strive to pursue investment returns that exceed our cost of liabilities in a consistent and sustained manner, so as to reduce the adverse impact of economic cycles and market volatilities on the value of our Company and to achieve sound financial conditions, operational stability and overall sustainable, value-enhancing growth.

Our asset management business is conducted through our subsidiary CPIC Asset Management, a professional investment management company. CPIC Asset Management embraces a professional and prudent investment philosophy and has demonstrated capabilities and strengths in the PRC insurance industry in insurance asset allocation, investment risk management and control as well as exploration of new investment channels. CPIC Asset Management has established an investment management mechanism that takes into account the PRC market conditions. It has also implemented a series of investment management policies and procedures governing its operations and has been adapting the management framework for its investment business. CPIC Asset Management has a team of experienced asset management professionals, with the core members possessing many years of experience in investment and insurance asset management with an international perspective.

CPIC Asset Management is one of the largest professional institutional investors in the PRC, with investment management capabilities across different products, asset classes, investment channels and markets. Our evolving investment risk management process provides a strong support for our asset management business. In addition, CPIC Asset Management has been improving its review and incentive mechanism, which utilizes a variety of methods to evaluate and reward investment performance, so as to increase the productivity of our investment team. In 2008, despite the challenging conditions of the global and domestic capital markets, CPIC Asset Management delivered satisfactory investment results.

Our investment assets have grown by 78.9% during the period from 1 January 2007 to 30 June 2009, benefiting from our dedicated focus on insurance businesses and the continued growth in the insurance businesses of CPIC Life and CPIC Property during the same period. Our total investment assets amounted to RMB331.3 billion as of 30 June 2009.

- **Sound corporate governance and solid risk management and internal control capabilities.**

  We are dedicated to continued improvement in our corporate governance structure and mechanisms. We have established a corporate governance structure that takes into account international best practices, that centralizes the corporate governance functions at the level of our listed group company and that comprises our shareholders' general meetings, board of directors, board of supervisors and management. In 2008, we were among the companies that won the "Award for Best Governance Among PRC Listed Companies" and the "Award for Best Board of Directors Among PRC Listed Companies" sponsored by the Research Center of Corporate Governance of Nankai University.

  In respect of risk management, we have established an integrated risk management framework throughout our Group. We have carried out risk management efforts on several fronts, including framework development, policies and procedures, risk event reporting, risk management and control and culture building. We have established a risk management committee under our Board, which is responsible for overseeing our risk management, including identifying, assessing and controlling the risks in our operations. We have also established a compliance and risk management working committee under our senior management, as well as the ALCO under the direct leadership of CPIC Group's President. Our subsidiaries and branch entities have also appointed officers in charge of risk and/or compliance matters and set up related functional departments that help form our top-down risk management framework. In our business operations, we have sought to achieve risk control and prevention by leveraging our competitive expertise in underwriting, actuarial practice, reinsurance and ALM. In addition, through our years of training and cultivation, our risk management philosophy has been well received by our employees and has become an integral part of our corporate culture, which has enhanced the ability of our various business functions to identify, report, manage and control risks in a timely manner.

  We have also established a centralized, independent audit mechanism and, in so doing, enhanced the supervisory role performed by our internal audit function. Our audit center, which is centrally staffed and administered at the CPIC Group level and assisted by our seven regionally located special supervisor's offices, has assumed responsibilities for internal audit and related control matters throughout our organization, including those internal audit functions that were previously performed by our subsidiaries. In addition, we have continued to improve the design of our internal control, which covers the broad array of areas and processes of our businesses, and to strengthen our internal control by setting up three "lines of defense", which comprise segregated functions and other checks and balances at our business, finance and other operational units, functions at our risk management and compliance departments and our internal audit function.

- **Advanced and reliable information technology system.**

  Beginning in 2002, assisted by a leading international information technology firm, we formulated and started implementing our information technology strategic plan, or ITSP. ITSP is a critical component of our centralized group management structure. With the implementation of ITSP, we have made further progress in centralizing management, technology, personnel, systems and information, which reflects our centralized management concept and lends a powerful support to our decision-making process, business operations and risk management, among other things.

  We have commenced the operation of our ISO 20000 accredited information technology facilities in our new data center. We have also put in place data security safeguards and trained a team of centrally managed information technology professionals, which have enabled us to centrally manage and support the information technology infrastructure throughout our organization and to reduce our operating costs.

  We have completed the construction of a back-office technology support platform for our life insurance business, which is expected to provide professional support for the operational management, sales management, administration and internal control in our life insurance business. We have also centralized business data of our property and casualty insurance business across the PRC, which is expected to further support business growth, improve operational efficiency, control operating costs and assist in regulatory compliance. In addition, we have upgraded the trade execution system for our asset investment business to enhance our risk prevention capabilities. With the completion of Phase I of our centralized customer service center and with the construction of Phase II in progress, we expect to realize the benefits of centralized resources by significantly reducing our operating costs relating to labor, office administration and information technology facilities. Furthermore, our centralized financial management system has enabled us to centrally manage our financial affairs in a more transparent, streamlined and standardized manner.

- **Experienced management team and centralized group management platform.**

  Our senior management has extensive experience in the insurance and related industries in the PRC and overseas, consisting of members that possess extensive operating and management experience in the domestic markets and members that have overseas working experience in the insurance and other financial services industries. Over one-third of our senior management members have overseas working experience. Our experienced and enterprising management team, with proven professional capabilities, has effected positive changes to our management framework, enabling us to better respond to rapidly evolving market conditions and achieve more favorable operating results.

  We operate under a group structure, including a centralized group management platform, that exists in only a few insurance companies in the PRC. Our matrix management model, consisting of the six functions of strategic management, financial management, risk management and compliance, internal audit, human resources and information technology and the three business components of life insurance, property and casualty insurance and asset management, has facilitated the centralized group management in formulating policies, implementing strategic plans, monitoring and controlling risks and allocating resources and helped ensure efficient decision-making and streamlined procedures in our business operations. The employment of our centralized group management structure has also benefited from our corporate culture that focuses on the pursuit of excellence, our well-functioning management mechanisms and the strong support provided by our information technology platforms.

We embrace our core values of "commitment to business integrity, sustainable growth and pursuit of excellence" and have set up a KPI system and a matching remuneration policy, which measure our employees' value contribution to our Company and help ensure that our employees are incentivized and directed towards value creation.

OUR STRATEGY

Our strategic objective is to become a leading, internationally-competitive insurance financial services group focusing on insurance businesses and embracing sustained, value-enhancing growth.

We focus on insurance businesses and plan to enhance our leading market position in life insurance and property and casualty insurance businesses in the PRC by operating under a centralized group management structure and capturing opportunities arising from the rapid development of the PRC insurance market. We seek to explore new insurance businesses and, as opportunities arise from time to time, to provide other insurance-related financial services through both organic growth and acquisitions. We also endeavor to promote and achieve fairly rapid, sustainable and value-enhancing growth in our businesses and to reward our shareholders with steady and competitive returns. By so doing, we aim to build up a leading insurance financial services group with superior reputation, prominent brand name, stable financial position, solid internal control and strong profitability.

Specifically, we plan to undertake the following strategic initiatives:

Continue to optimize business mix to achieve industry-leading value-enhancing growth in the PRC insurance market.

Guided by customer needs, we seek to proactively respond to evolving and increasingly sophisticated market demand and to continue to optimize our business mix. We aim to achieve continued increases in the value of our new life insurance business, the profitability of our property and casualty insurance business and the overall value of our group, as well as industry-leading value-enhancing growth in the PRC insurance market.

- Continue to optimize our product mix and premium payment methods by promoting the development of risk protection-type and long-term savings-type life insurance products, with a particular focus on those products with better profitability, such as traditional and participating regular premium products in individual life insurance and bancassurance businesses and short-term accident insurance products, and by emphasizing our individual life insurance channel; and
- Achieve and enhance a more stable profitability of our non-automobile property and casualty insurance businesses, refine the management of our automobile insurance business to increase its quality and profitability, and expand our efforts in developing personal insurance and liability insurance products that have growth potentials by leveraging our technical strengths in underwriting, claims settlement and reinsurance.

Strengthen overall business development capabilities to enhance core competencies.

We plan to enhance our core competencies by continuing to construct our centralized operational platforms, increasing the competitiveness of our distribution channels as well as our control over product distribution, improving the capabilities and productivity of our sales force, enhancing the sophistication and quality of our customer services and strengthening our investment management capabilities.

- ***Further improve centralized operational platforms to support business growth.***

  Create an operational platform featuring "uniform platform, centralized data, nationwide coverage and mutual back-up" through our centralized and professional information technology support, set up regional operations centers or provincial operations centers for our life insurance business and our property and casualty insurance business, respectively, and develop nationally centralized core business systems and accounting systems to achieve centralized business operations; and

With the support of our information technology platform development and operations center, carry out effectively our business processing, internal control management, customer service and other functions, and form a two-tiered, nationwide operational framework featuring centralized back-office operations and extended branch services, so as to maximize the economies of scale, lower operating costs, prevent operational risks and enhance business development capabilities and customer services.

- ***Strengthen the management of distribution channels and sales force to steadily increase productivity.***

  Strengthen our core distribution channel of individual life insurance business by improving the organizational setup for product distribution, enhancing agent loyalty and professionalism and increasing agent productivity; enhance existing cooperative arrangements and develop new cooperative arrangements in bancassurance, and effectively control distribution costs by increasing the average productivity per bank branch and by increasing the proportion of regular premium bancassurance business; strengthen the basic management of our group life insurance business by improving performance evaluation and enhancing the productivity and profitability of our direct sales force; enhance the service and sales capabilities of our renewal service team by improving our region-based operational model and increasing the efficiency of renewal service; and cultivate new areas for value growth by continuing to focus on innovation and promoting diversified distribution channels;

  Further enhance the professional capabilities of our direct sales force, in particular their sales capabilities for non-automobile insurance products, and strengthen our cooperation with institutional agents through effective management and better selection of agents, with a view to improving our operational capabilities and our control over product distribution; and

  Promote cross-selling under our centralized group management structure, and steadily develop diversified distribution channels, such as telemarketing and the Internet, to create new growth opportunities for our business.

- ***Expand our efforts in customer development and enhance customer service quality and customer satisfaction.***

  Maintain a rapid growth in our customer base and further tap the potentials of existing customers to achieve second and multiple purchases by returning customers; continue to expand our efforts in developing major non-automobile insurance projects and group businesses and to enhance our competitive advantage in the institutional customer market; focus on the development of major corporate customer accounts to increase the spendings of major customers on our insurance products as a percentage of their total spendings, and seek to increase the total number of our small- and medium-sized customers; build up our brand image of "commit with heart, care with love" ("用心承諾、用愛負責") and provide integrated customer-centric services;

  Guided by customer needs, gain an in-depth understanding of the characteristics of different insurance needs of individual customers at different life stages and those of institutional customers at different stages of development, consolidate the resources of our life insurance and property and casualty insurance businesses, and provide differentiated and tailored packages of products and services to meet the full range of insurance and risk protection needs of our customers;

Providing comprehensive coverage of our customers' needs, deliver a full range of standardized and centralized customer services, including handling of inquiries, claims settlement, renewal and maintenance, through our centralized 95500 customer service hotline, customer management system, e-business and other platforms and means and enhance the overall quality and efficiency of our customer services; and

Guided by customer needs, increase the variety and value of our insurance product and service offerings, endeavor to provide our key customers with a wide range of insurance and other related financial services and promote our sales with high-quality services.

- ***Enhance ALM-based investment management capabilities.***

  Embrace the fundamental principle of ALM in allocating our investment assets, continue to sharpen our overall investment management capabilities, improve our management of investment risks, and strive to pursue investment returns exceed our cost of liabilities in a consistent and sustained manner in order to promote sustainable, value-enhancing growth;

  In light of the liabilities-driven nature of our asset management business, coordinate the growth of our asset management business and our core insurance businesses by giving due consideration to the characteristics of the investment market in insurance product development, pricing, distribution and operations, and market our asset management products through our insurance business channels when such opportunities arise;

  Seize opportunities arising from new investment channels that are being gradually opened up to insurance funds, such as unguaranteed bonds, debt and equity investments in infrastructure projects, equity investments in unlisted companies, and real estate investments, to make our investment portfolio better correspond to the characteristics of insurance funds; and

  Cultivate our capabilities of allocating assets on a global basis, expand into overseas markets to capture more investment opportunities as regulatory restrictions are gradually lifted, so as to diversify our investment risks and optimize our asset composition.

- ***Continue to build up our corporate culture and establish our corporate image of "a responsible insurance company".***

  Focus on cultivating our core competency in corporate culture and, with "commitment to business integrity, sustainable growth and pursuit of excellence" as our core values, and building up a corporate culture distinguished by such core elements as business philosophy, service philosophy and performance-oriented and harmonious culture, and establish our corporate image of "a responsible insurance company"; and

  Deliver personalized services to our customers based on our commitment to business integrity, provide steady returns to our shareholders through prudent business management, create a harmonious working environment to enhance our employees' sense of belonging, enhance the professional capabilities of our employees and continue to improve our performance review system and solidify our performance-oriented culture.

Further reform centralized management to maximize group synergy.

Continue to promote our centralized management structure and improve our matrix management model that consists of six top-down management functions and the three business components of life insurance, property and casualty insurance and asset management, so as to achieve synergistic coordination between strategic management of our group company and professional operations of our subsidiaries;

Systematically improve our risk management functions consistent with a prudent operation of our businesses, with a view to improving our risk management framework, mechanism and procedures, enhancing our risk control capabilities and building up our risk management culture; strengthen our capabilities of managing, assessing and forewarning ourselves of key risks, enhance our measures in monitoring investment risks, solvency margin ratio compliance risk and policy surrender risk, and increase our efficiency in managing risks relating to our premiums receivable;

Promote the sharing of resources relating to customers, distribution channels, services, talents and policies, among other things, within our group to take advantage of the group synergy, while implementing our strategies across business lines and expanding into new businesses to maximize the benefits of our group structure in terms of business scale, resource allocation and strategic coordination;

Carry out our proposed acquisition of a controlling interest in, and integration of, Changjiang Pension, build up a professional platform and a leading market position in the PRC pension insurance market, and capitalize on our extensive customer base, nationwide presence and service platforms and professional and prudent asset management capabilities to expand the corporate annuity business of Changjiang Pension across the PRC, so as to form our competitive advantages in the professional management of pension insurance and create new growth opportunities for our core insurance businesses; and

Explore new insurance businesses, including proactively preparing to be a first-mover in the tax-deferred pension insurance business, by capitalizing on new opportunities arising from Shanghai's transformation into an international financial center and an international shipping center, seize opportunities offered by policy initiatives relating to international shipping insurance to carry out reforms and innovations in the operation and management of international shipping related insurance businesses, reinforce our research in the innovation of financial products, expand into new investment channels and enhance our capabilities in fund deployment.

LIFE INSURANCE

Overview

We have been one of the top three life insurance companies in the PRC in terms of annual gross written premiums since 1997, according to the data published by the National Bureau of Statistics of China and the CIRC. Our life insurance business, primarily conducted through CPIC Life, accounted for approximately 9.0% and 8.1% of the gross written premiums received by PRC life insurance companies in 2008 and the first nine months of 2009, respectively, based on PRC GAAP financial data published by the CIRC. The gross written premiums, policy fees and deposits of our life insurance operations increased from RMB37,867 million in 2006 to RMB66,704 million in 2008 and reached RMB35,612 million in the first six months of 2009.

Capitalizing on our insurance industry experience and in-depth understanding of the PRC life insurance customers that we have developed since our establishment, we focus on offering our individual and group life insurance customers long-term protection-type life insurance and long-term savings-type insurance products, which meet a broad range of potential customer needs and enable customers to choose the product that best fits their respective insurance needs, risk profile and financial condition. In order to further improve the coverage and competitiveness of our products, we have established a customer-oriented product development system that takes into account international practices, which has helped improve our product development capabilities.

In addition to marketing each insurance product individually, we create portfolios of products and market them to specific segments of our customer base, such as different age segments of customers. We seek to optimize our business mix by focusing on underwriting products with better profitability, such as long-term regular premium individual life insurance products and short-term accident insurance products, which offer a more stable source of cash flow as well as profitability to us over time.

We divide our products into three distinctive lines by distribution channel: individual life insurance, bancassurance and group life insurance. Our individual life insurance business covers the sale of products to individual customers primarily through our individual insurance agents. Our bancassurance business covers the sale of individual insurance products to individual customers through branches of commercial banks and PSB that have bancassurance arrangements with us. Group life insurance products are sold to our institutional customers primarily by our group sales representatives.

The following table sets forth certain financial and operating data for our life insurance operations for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Gross written premiums and policy fees	17,729	21,332	25,921	17,091
Individual life insurance	14,366	17,353	20,543	13,559
Bancassurance	1,265	1,685	2,937	2,091
Group life insurance	2,098	2,294	2,441	1,441
First year premiums and policy fees	6,927	8,927	10,943	7,579
First year premiums	4,892	6,409	7,631	5,423
First year regular premiums	2,437	3,710	4,709	3,683
Single premiums	2,455	2,699	2,922	1,740
First year policy fees	2,035	2,518	3,312	2,156
Renewal premiums and policy fees	10,802	12,405	14,978	9,512

During the past three years, in particular since 2008, we strategically adjusted our business mix and promoted businesses with better profitability, such as long-term regular premium individual life insurance, traditional and participating regular premium bancassurance products and short-term accident insurance, while decreasing the proportion of businesses with less profitability, such as certain short-term, single-premium bancassurance products and group life insurance products.

We have one of the most extensive distribution networks among PRC life insurance companies. As of 30 June 2009, the distribution network for CPIC Life included approximately 245,700 individual insurance agents, 8,374 bancassurance account managers and 3,373 group sales representatives. These agents and sales representatives were managed through our network of 37 life insurance branches and 3,580 central sub-branches, sub-branches and sales outlets as of 30 June 2009. Furthermore, as of 30 June 2009, approximately 68,000 branches of commercial banks and PSB in the PRC had bancassurance arrangements with us. The sales force of CPIC Property also cross-sells our life insurance products to its property and casualty insurance customers.

As of 30 June 2009, we had one of the largest life insurance customer bases in the PRC, with approximately 33.8 million individual policyholders and over 318,000 institutional life insurance customers. We have always endeavored to offer high quality customer service to our customers. Our centrally-managed customer database, unified information technology platform and nationwide call centers all help enhance our customer service and customer retention. We have also undertaken to standardize our service counters throughout the country based on our guiding principle of "centralized management and extended services", in an effort to provide high-quality and more efficient services to our customers. In 2007, we were recognized as an "Enterprise with Outstanding Achievements" in customer satisfaction and selected as a "Customer Satisfaction Enterprise of the PRC" for satisfactory handling of customer complaints by China Association for Quality Promotion, a high-profile watchdog of service quality in the PRC. For three consecutive years from 2006 to 2008, we were selected as a "Most Trustworthy Life Insurance Company in the PRC" in web polls sponsored by www.hexun.com, an Internet media portal focused on the financial services industry, and several other organizations in the PRC.

We derive a significant portion of our life insurance business from the more economically developed areas in China and those areas in China that are heavily populated. In particular, the gross written premiums, policy fees and deposits attributable to our branches and sub-branches located in Jiangsu, Shandong, Henan, Hebei, Guangdong, Sichuan, Hubei, Shanghai, Zhejiang and Shanxi accounted for approximately 60.5% and 62.5% of the gross written premiums, policy fees and deposits received by our life insurance operations in 2008 and the first six months of 2009, respectively.

Business Initiatives

We plan to adopt the following business initiatives:

- **Improve product offerings by differentiating target customers.**
  - Increase the variety of our product series, supported by our well-designed product development process and our solid pricing capabilities;
  - Differentiate target market based on the risk protection needs of customers of different characteristics and different life stages, so as to offer a wide range of tailored product combinations; and
  - Build up a product brand that is easily identifiable by customers, systematically promote our product brand and pursue the transformation from product-driven marketing to customer-driven marketing.
- **Continue to optimize our business mix and promote the development of protection-type and long-term savings-type life insurance products, with a focus on accelerating the development of our key businesses.**
  - Focus on protection-type and long-term savings-type life insurance products that embody the essence of life insurance business, cater to customers' real needs and have better profitability; and
  - Accelerate the development of our traditional and participating regular premium individual life insurance and bancassurance businesses and short-term accident insurance business, and increase the proportion of these businesses.
- **Strengthen sales capabilities of our distribution channels.**
  - Individual life insurance.
    - Further improve the organizational structure and evaluation mechanism for our individual insurance agents, the geographical layout of our branch network and the distribution and service functions of our sales outlets, and establish an agent KPI system and evaluation mechanism based on sales capabilities to promote sustainable, value-enhancing growth in our individual life insurance business;
    - Formulate and implement policies that are suitable for the different stages of development of individual insurance agents to ensure continued and healthy growth in, and steady improvement to, our team of individual insurance agents;
    - Further develop the professional training system for our individual insurance agents by allocating more resources to training and by implementing systematic and targeted training programs, in order to continue to improve the quality, skill sets and productivity of our individual insurance agents;

- Strengthen the support system for agents, build up and better manage our professional agent support staff, including our full-time and part-time lecturers and our human resources and organizational development support staff, among others, to aid our business growth; and
- Enhance the role of information technology in our individual life insurance business by promoting the use of advanced marketing support information system and other tools for business development, and continue to monitor and optimize our key productivity indicators.

— Bancassurance.

- Strengthen the cooperative relationships with State-owned commercial banks, PSB and other national and regional commercial banks and establish and optimize a well-rounded channel maintenance and review mechanism;
- Enhance basic management, improve our support system for sales management, refine our sales management with respect to the bank/PSB branches and enhance branch productivity;
- Develop and improve our product offerings that are suitable for the bancassurance channel, promote innovative sales methods, continue to optimize our business mix and steadily increase the proportion of regular premium business; and
- Strengthen budget management and expense control to exercise effective control over operating costs and to enhance the profitability of our bancassurance business.

— Group life insurance.

- Provide insurance protection services to supplement the social security system, develop corporate annuity business; prepare for and participate in the planned pilot project in Shanghai regarding tax deferred pension insurance, and promote measured growth in health insurance business under the New Rural Cooperative Healthcare Scheme ("新農合") introduced by the PRC government;
- Promote our advanced electronic policy issuance system, enhance the marketing support and services for entities that have cooperative relationships with us and further solidify key cooperative relationships in accident insurance business in which we currently possess competitive advantages;
- Further develop the training system for our group life insurance sales force and enhance their professional expertise and productivity through systematic training; and
- Strengthen cost control, improve performance review mechanism and enhance the profitability of our group life insurance business.

— Renewal channel.

- Integrate and optimize our renewal business models, standardize the operating procedures in our renewal business and, by offering high-quality renewal service, steadily increase our individual life insurance customer 13-month and 25-month persistency ratios;
- Continue to build up our renewal service team by optimizing the team composition and improving their sales capabilities, and further develop the potentials of existing customers to achieve second and multiple purchases by returning customers;

  - Enhance management and improve our supervisory framework to better manage the renewal business of our branch entities; and
  - Promote "zero-cash" management, and increase the use of bank transfers, in policy renewal payments.

— Diversified distribution channels.

  - *Cross-selling:* consistent with the overall business plan of our group company, promote cross-selling between CPIC Life and CPIC Property and establish a mechanism for sharing customer resources as well as a platform for related business operations;
  - *Telemarketing and Internet-based marketing:* explore and promote telemarketing and Internet-based marketing, continue to optimize our business models and cultivate new opportunities for value growth; and
  - *Institutional agents:* strengthen head-office to head-office cooperation with high-quality institutional agents and improve the sales support and service for institutional agents.

- **Implement differentiated competition strategies for branch entities and differentiated growth strategies for urban and rural markets to increase our market competitiveness.**

  — Implement differentiated competition strategies for branch entities to solidify the competitive advantages of our branch entities in the more economically developed areas in China and those areas in China that are heavily populated and to build up the competitive advantages of our branch entities in areas with business growth potentials; and

  — Implement differentiated growth strategies for urban and rural markets to solidify our existing competitive advantages in county-level rural markets and to expand our presence and strengthen our competitiveness in urban markets.

- **Refine integrated customer service platform to provide quality services and enhance service recognition.**

  — Improve our one-stop-shop integrated customer service platform and set up an online customer service center to provide online enrollment, inquiry and other services;

  — Strengthen our service capabilities, cultivate a customer-oriented service culture and continue to improve our customer services by enhancing the management and training of our customer service team;

  — Innovate customer relations management, by creating a customer relations management system that combines information technology with advanced notions of customer relations management, and provide targeted quality services; and

  — Further promote our service recognition by continuing to improve the service quality and efficiency of our 95500 customer service hotline and optimizing our brand-name services, such as emergency assistance and "Care Project", to increase customer satisfaction and loyalty.

- **Further improve a professional and centralized operations support platform.**

  — Establish our operations framework that features "uniform platform, centralized data, nationwide coverage and mutual back-up", improve our uniform control center, further develop our three operations centers in Shanghai, Zhengzhou and Changsha and strengthen the centralized management of underwriting, claims settlement and customer service;

— Refine the management of our business operations, by gradually creating and improving uniform, professional operations platforms, to enhance operational efficiency and control operating costs;

— Further improve and promote our industry-leading electronic policy issuance system across different channels; and

— Enhance the professional capabilities of our employees, provide systematic training, build up technical know-how of different functional areas and improve the performance evaluation mechanism.

Individual Life Insurance

Our individual life insurance products, which are primarily distributed to individual customers by our individual insurance agents, not our bancassurance distribution channel, have been a significant source of gross written premiums, policy fees and deposits that we receive for our life insurance business. We strive to provide our customers with a variety of individual life insurance products that cater to their needs through our extensive distribution network, in particular our sizeable individual insurance agent team. We have established a professionally developed product system comprising individual life insurance products, annuity products, short-term protection-type products and health insurance products that offer a variety of coverage and that cater to the needs of customers of different age segments. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our individual life insurance products accounted for approximately 48.1%, 45.5%, 38.7% and 45.2%, respectively, of the gross written premiums, policy fees and deposits received by our life insurance operations.

Products

We strive to provide a comprehensive and flexible range of individual life insurance products that meet customer needs. Our core individual life insurance products consist of four series, namely, the *Life* ("人生") series, the *Annual* ("年年") series, the *Protection* ("保") series and the *Health* ("安康") series, each covering our life insurance products, annuity products, short-term protection-type products and health insurance products, respectively. Based on individual needs of our customers, we also create portfolios of selected products from these four different series, which we refer to as our *Fortune* ("福") portfolios, that are tailored to meet diversified risk protection needs of our customers, such as customers of different age segments.

Our individual life insurance products generally fall into four principal categories: traditional life insurance, participating life insurance, short-term accident and health insurance and universal insurance.

Traditional Life Insurance

Our traditional life insurance products primarily include whole life insurance, term life insurance, endowment life insurance and annuities, as well as long-term health insurance. The traditional life insurance products that we have sold are generally regular premium products. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our individual traditional life insurance products accounted for approximately 74.6%, 62.6%, 58.1% and 46.1%, respectively, of the gross written premiums, policy fees and deposits received by our individual life insurance operations.

Whole Life Insurance. Our whole life insurance products generally provide insurance for the insured party's entire life in exchange for the periodic payment of a fixed premium over a pre-determined period. The face amount of the policy is paid upon the death of the insured party. Upon early termination of the whole life insurance policy, we pay a cash surrender value to the policyholder.

Term Life Insurance. Our term life insurance products generally provide insurance for the insured party for a specified time period in exchange for the periodic payment of a fixed premium. Term life insurance products normally do not include any savings or investment component, and term life insurance contracts generally expire without value if the insured party is still alive at the end of the coverage period.

Endowment Life Insurance. Our endowment life insurance products generally provide various guaranteed benefits to the insured party if the insured survives specified maturity dates or periods, as well as guaranteed benefits to a beneficiary or beneficiaries of the policy upon the death of the insured party within the coverage period, in return for the periodic payment of premiums.

Annuities. Our individual annuity products generally provide guaranteed level of payments to the insured party during the payoff period specified in the annuity contracts in exchange for the payment of a premium up front either in a lump sum or periodically.

Long-Term Health Insurance. Our long-term health insurance products primarily include critical illness insurance and medical allowance insurance. Our critical illness insurance products generally provide insurance benefits for the insured's entire life or for a specified time period in the event that the insured is diagnosed with a critical illness covered by the insurance policy. Our medical allowance insurance products generally provide hospitalization allowances for the insured period in the event the insured is hospitalized. We typically offer our medical allowance insurance products through endorsements.

Participating Life Insurance

Our participating life insurance products primarily include annuities, endowment life insurance and whole life insurance. In addition to providing the benefits offered under our traditional life insurance products, our participating life insurance products also entitle policyholders to receive dividends in the event our participating products have a distributable surplus in any year during the policy period. PRC insurance companies are required by the CIRC to allocate at least 70% of the annual distributable surplus for participating life insurance products for the benefit of policyholders. Depending on each policyholder's preference, policyholders may choose dividend distribution methods as provided under contract terms, including cash, as an offset against premiums, as a cash deposit to accrue interest or as a purchase of paid-up sum insured. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our individual participating life insurance products accounted for approximately 22.4%, 24.7%, 33.6% and 49.8%, respectively, of the gross written premiums, policy fees and deposits received by our individual life insurance operations.

Short-Term Accident and Health Insurance

Our short-term accident insurance products generally provide benefits in the event of death or disability of the insured party as a result of an accident during the policy period. Our short-term health insurance products generally provide disease and medical benefits during the policy period. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our short-term individual accident and health insurance products accounted for approximately 2.9%, 2.5%, 2.2% and 1.8%, respectively, of the gross written premiums, policy fees and deposits received by our individual life insurance business.

Universal Insurance

Our universal life insurance offers policyholders insurance protection as well as individual accounts with minimum guaranteed returns. Premium payments, after deduction of certain initial expenses and the cost of insurance for the initial insured period, are generally credited to an individual policy account where interest accumulates at our published crediting interest rate. We invest part of the premium we receive from our universal life insurance products in various investment assets and, in exchange, share the returns of those investments with our universal life insurance customers. We charge certain management fees for managing customer accounts in relation to the investment activities of that account. The gross written premiums, policy fees and deposits from our individual universal insurance products accounted for approximately 0.1%, 10.2%, 6.1% and 2.3% of the gross written premiums, policy fees and deposits received by our individual life insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

The following table sets forth certain financial and operating data for our principal individual life insurance product categories distributed through our individual life insurance business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Traditional:				
Gross written premiums	10,498	11,518	12,010	5,861
First year premiums	2,414	1,915	1,425	534
First year regular premium	2,358	1,904	1,415	532
Single premium	56	11	10	2
Policy fees	555	430	358	214
First year policy fees	157	58	27	65
Deposits	2,528	2,650	2,640	1,336
First year deposits	210	119	76	20
Participating:				
Gross written premiums	1,823	3,500	6,529	6,673
First year premiums	51	1,827	3,336	3,162
First year regular premium	49	1,774	3,268	3,131
Single premium	2	53	68	31
Policy fees	943	775	706	422
First year policy fees	493	131	112	61
Deposits	1,308	1,470	1,436	914
First year deposits	489	107	73	38
Short-term accident and health:				
Gross written premiums	537	572	567	297
First year premiums	537	572	567	297
First year regular premium	—	—	—	—
Single premium	537	572	567	297
Policy fees	—	—	—	—
First year policy fees	—	—	—	—
Deposits	—	—	—	—
First year deposits	—	—	—	—
Universal:				
Gross written premiums	—	—	—	—
First year premiums	—	—	—	—
First year regular premium	—	—	—	—
Single premium	—	—	—	—
Policy fees	10	558	373	92
First year policy fees	10	558	218	19
Deposits	14	1,829	1,191	280
First year deposits	14	1,829	941	86

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Total:				
Gross written premiums	12,858	15,590	19,106	12,831
First year premiums	3,002	4,314	5,328	3,993
First year regular premium	2,407	3,678	4,683	3,663
Single premium	595	636	645	330
Policy fees	1,508	1,763	1,437	728
First year policy fees	660	747	357	145
Deposits	3,850	5,949	5,267	2,530
First year deposits	713	2,055	1,090	144

Distribution

The distribution network for our individual life insurance business primarily consists of our individual insurance agents, our customer service specialists, our institutional and ancillary agents and such new types of distribution channels as telephone and our e-business website. Among them, our individual insurance agents constitute the core distribution channel for our individual life insurance business.

As early as 1995, we officially established an individual insurance agent system for the distribution of our individual life insurance products. Over the past fourteen years, this has proven to be a key factor for our competitive position in the PRC life insurance market. These individual insurance agents are not our direct employees but instead enter into exclusive agency agreements with us every three years. Under the PRC Insurance Law and relevant regulations, individual insurance agents are prohibited from accepting commissions from more than one life insurance company concurrently. As of 30 June 2009, we had approximately 245,700 individual insurance agents distributing our individual life insurance products.

We manage our individual insurance agent team under a tiered structure, which comprises two parallel career tracks: a sales series and a management series. Agents with proven individual sales capabilities may join our sales series, while agents with better team building and management capabilities generally join our management series. We believe this tiered, parallel-track system provides our individual insurance agents with more flexible career advancement opportunities and helps us attract and retain outstanding agents.

We strive to provide our individual insurance agents with industry-leading systematic training. Prior to officially becoming one of our individual insurance agents, each intern agent must complete approximately three months' worth of training consisting of courses in insurance business theories, customer development and product distribution, among others. We also provide extensive on-site practical training by our experienced agents. In collaboration with the Life Insurance Marketing Research Association, or LIMRA, the Life Office Management Association, Inc., or LOMA, and the Registered Financial Planners Institute, or RFPI, we have also in the past provided training courses for our sales management personnel, training lecturers, business directors and outstanding individual insurance agents.

Starting from 2002, we implemented an individual insurance agent compensation system, which ties agent compensation more closely to such indexes as the agents' sales records and policy persistency rates. We have also adopted measures to encourage our individual insurance agents with sales capabilities to further increase their productivity levels and those with management capabilities to develop their own sales teams. We also conduct rigorous performance review of our individual insurance agents to improve our recruitment and screening.

We also provide well-rounded support to our individual insurance agents to increase their productivity, through our operations centers, our call centers and our internal information technology system.

The following table sets forth certain productivity measures for our individual insurance agents for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in RMB, except policy numbers)			
Average monthly first-year premiums, policy fees and deposits per agent(1)	2,195	3,257	2,807	3,119
New life insurance policies per agent per month(1)	1.7	1.4	1.3	1.8

(1) Exclude short-term accident insurance and health insurance policies with a term of one year or less.

With the rapid growth of the individual life insurance market in the PRC, we aim to further improve the professionalism and capabilities of our individual insurance agents and develop alternative distribution channels with extensive coverage, such as institutional and ancillary agents, our 95500 customer service hotline, our e-business website and telephone.

Bancassurance

We started to offer insurance products through commercial banks and PSB in 2002 and have achieved rapid growth since then. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our bancassurance business accounted for 34.6%, 40.4%, 50.9% and 42.1%, respectively, of gross written premiums, policy fees and deposits we received for our life insurance products.

Products

Our bancassurance products generally are designed for and marketed to individual customers of PRC commercial banks and PSB. As a result, the characteristics of these products are very similar to our individual life insurance products. Our bancassurance products primarily consist of traditional life insurance, participating life insurance, short-term accident and health insurance and universal insurance.

In terms of premium payment methods, our bancassurance products include regular premium insurance products and single premium insurance products. We plan to focus more on bancassurance products with regular premium features, which generally have better profitability than those with single premium features.

Traditional Life Insurance

The traditional life insurance products offered as part of our bancassurance products generally have similar characteristics as the traditional life insurance products offered as part of our individual life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Traditional Life Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our traditional life insurance products distributed through our bancassurance channel accounted for approximately 6.9%, 0.7%, 0.1% and 0.3%, respectively, of the gross written premiums, policy fees and deposits received by our bancassurance insurance business.

Participating Life Insurance

The participating life insurance products offered as part of our bancassurance products are generally endowment insurance products with ten-year maturities. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our participating life insurance products distributed through our bancassurance channel accounted for approximately 84.0%, 19.2%, 61.6% and 97.5%, respectively, of the gross written premiums, policy fees and deposits received by our bancassurance insurance business.

Short-Term Accident and Health Insurance

We have been offering short-term accident and health insurance as part of our bancassurance products since 2002. These products generally have similar characteristics as the short-term accident and health insurance products offered as part of our individual life insurance products. For a description of these characteristics please see the section headed "— Individual Life Insurance — Products — Short-Term Accident and Health Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our short-term accident and health insurance products distributed through our bancassurance channel accounted for approximately 1.0%, 0.8%, 0.5% and 0.7%, respectively, of the gross written premiums, policy fees and deposits received by our bancassurance insurance business.

Universal Insurance

The universal insurance products offered as part of our bancassurance products generally have similar characteristics as the universal insurance products offered as part of our individual life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Universal Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our universal insurance products distributed through our bancassurance channel accounted for approximately 8.1%, 79.3%, 37.8% and 1.5%, respectively, of the gross written premiums, policy fees and deposits received by our bancassurance insurance business.

The following table sets forth certain financial and operating data for our bancassurance products for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Traditional:				
Gross written premiums	33	28	34	17
First year premiums	20	6	10	4
First year regular premium	10	5	5	3
Single premium	10	1	5	1
Policy fees	4	1	1	1
First year policy fees	3	—	—	1
Deposits	864	117	13	24
First year deposits	858	110	6	19

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Participating:				
Gross written premiums	5	23	38	29
First year premiums	—	21	15	9
First year regular premium	—	21	13	9
Single premium	—	—	2	—
Policy fees	985	346	2,014	1,837
First year policy fees	982	334	1,998	1,805
Deposits	10,018	3,602	18,857	12,762
First year deposits	9,992	3,459	18,656	12,543
Short-term accident and health:				
Gross written premiums	131	164	165	104
First year premiums	131	164	165	104
First year regular premium	—	—	—	—
Single premium	131	164	165	104
Policy fees	—	—	—	—
First year policy fees	—	—	—	—
Deposits	—	—	—	—
First year deposits	—	—	—	—
Universal:				
Gross written premiums	—	—	—	—
First year premiums	—	—	—	—
First year regular premium	—	—	—	—
Single premium	—	—	—	—
Policy fees	107	1,123	685	103
First year policy fees	107	1,123	685	103
Deposits	953	15,319	12,152	126
First year deposits	953	15,319	12,152	126
Total:				
Gross written premiums	169	215	237	150
First year premiums	151	191	190	117
First year regular premium	10	26	18	12
Single premium	141	165	172	105
Policy fees	1,096	1,470	2,700	1,941
First year policy fees	1,092	1,457	2,683	1,909
Deposits	11,835	19,038	31,022	12,912
First year deposits	11,803	18,888	30,814	12,688

Distribution

We have entered into bancassurance cooperative agreements with many commercial banks and PSB in the PRC for the distribution of our bancassurance products in substantially all provinces, autonomous regions and directly-administered municipalities in the PRC.

Pursuant to our bancassurance arrangements with these institutions, our products are sold to their customers primarily through these institutions' employees in their branches and operational outlets in exchange for sales commissions that we pay to these institutions. Based on our belief that the large number of bank and postal savings customers in the PRC is conducive to the sustained growth of the bancassurance distribution channel, we have endeavored to expand our efforts in the distribution of our bancassurance products. The number of commercial bank branches and PSB branches with which we had bancassurance arrangements reached approximately 68,000 as of 30 June 2009.

We generally sell our bancassurance products through participating commercial bank and PSB branches. In addition to selling individual insurance products that are easier for customers to understand at the counters of the participating commercial bank and PSB branches, we have also started to promote our protection-type life insurance and long-term savings-type products with better profitability at the banks' financial service centers to meet the insurance needs of middle to high-end bank customers in some major cities in the PRC, including Beijing, Shanghai and Shenzhen. Our bancassurance account managers in other areas are also experimenting with this new marketing model.

Our bancassurance cooperative agreements are non-exclusive. Participating commercial bank and PSB branches may sell the products of other insurance companies at the same time they distribute our products. We have implemented a number of measures to encourage these entities to sell our insurance products in preference to those of other insurance companies, including providing training programs on product features and sales techniques, developing and implementing an information processing system that is integrated with our core business system and entering into strategic cooperation agreements with commercial banks and PSB.

As of 30 June 2009, we had 8,374 bancassurance account managers that are responsible for providing support to the employees of the participating commercial bank and PSB branches. These bancassurance account managers are based in our branch entities and provide consultations to the employees of participating commercial bank and PSB branches regarding bancassurance products and sales techniques. These bancassurance account managers also visit the participating commercial bank and PSB branches to collect insurance applications and deliver approved insurance policies.

As of 30 June 2009, we had approximately 6.0 million bancassurance customers.

Group Life Insurance

We provide group life insurance products to State-owned enterprises, foreign-invested enterprises, privately-held companies and other institutional customers in the PRC. In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits generated by our group life insurance business accounted for approximately 17.3%, 14.1%, 10.4% and 12.7%, respectively, of the gross written premiums, policy fees and deposits received by our life insurance business.

Products

Our group insurance products generally fall into four principal categories: traditional life insurance, participating life insurance, short-term accident and health insurance and universal insurance.

Traditional Life Insurance

Our primary group traditional life insurance products include group traditional annuities and group term life insurance products. These products generally have similar characteristics as the traditional products offered as part of individual life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Traditional Life Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our group traditional life insurance products accounted for approximately 22.6%, 16.1%, 5.0% and 3.5%, respectively, of the gross written premiums, policy fees and deposits received by our group life insurance business.

Participating Life Insurance

Our primary group participating life insurance products are participating-type new annuity products and generally have similar characteristics as the participating products offered as part of individual participating life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Participating Life Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our group participating life insurance products accounted for approximately 35.4%, 44.9%, 53.0% and 55.6%, respectively, of the gross written premiums, policy fees and deposits received by our group life insurance business.

Short-Term Accident and Health Insurance

Our short-term group accident and health insurance products primarily include group short-term accident insurance and group short-term health insurance products. These products generally have similar characteristics as the short-term accident and health insurance products offered as part of individual life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Short-Term Accident and Health Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our short-term group accident and health insurance products accounted for approximately 36.3%, 34.2%, 38.2% and 39.0%, respectively, of the gross written premiums, policy fees and deposits received by our group life insurance business.

Since 2003, we have adjusted our business strategy in respect of group health insurance to gradually phase out certain high-risk protection-type group health insurance products and focus instead on third-party management-style medical insurance programs. With the change in our business strategy, we build upon our experience and expertise in managing healthcare programs to help institutions manage their healthcare programs. At the same time, we have significantly reduced our risk exposures in medical insurance business because our payments for such service are based on a set percentage of the funds we manage and we are not liable for claims from participants in such healthcare programs.

Universal Insurance

Our principal group universal insurance products are our group universal-type annuity products. These products generally have similar characteristics as the universal insurance products offered as part of individual life insurance products. For a description of these characteristics, please see the section headed "— Individual Life Insurance — Products — Universal Insurance". In 2006, 2007, 2008 and the first six months of 2009, gross written premiums, policy fees and deposits from our group universal life insurance products accounted for approximately 5.7%, 4.7%, 2.9% and 1.9%, respectively, of the gross written premiums, policy fees and deposits received by our group life insurance business.

The following table sets forth certain financial and operating data for our principal group life insurance product categories for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Traditional:				
Gross written premiums	80	60	41	18
First year premiums	21	6	4	3
First year regular premium	19	6	4	3
Single premium	2	—	—	—
Policy fees	85	73	18	8
First year policy fees	76	58	10	5
Deposits	1,317	1,035	287	132
First year deposits	1,228	970	229	108
Participating:				
Gross written premiums	8	6	9	9
First year premiums	1	—	4	5
First year regular premium	1	—	4	5
Single premium	—	—	—	—
Policy fees	134	190	192	46
First year policy fees	133	189	186	42
Deposits	2,176	3,054	3,472	2,458
First year deposits	2,174	3,051	3,472	2,451
Short-term accident and health:				
Gross written premiums	1,717	1,898	2,105	1,305
First year premiums	1,717	1,898	2,105	1,305
First year regular premium	—	—	—	—
Single premium	1,717	1,898	2,105	1,305
Policy fees	56	57	66	49
First year policy fees	56	57	66	49
Deposits	602	519	547	408
First year deposits	602	519	547	408
Universal:				
Gross written premiums	—	—	—	—
First year premiums	—	—	—	—
First year regular premium	—	—	—	—
Single premium	—	—	—	—
Policy fees	18	10	10	6
First year policy fees	18	10	10	6
Deposits	358	333	188	81
First year deposits	358	333	188	81
Total:				
Gross written premiums	1,805	1,964	2,155	1,332
First year premiums	1,739	1,904	2,113	1,313
First year regular premium	20	6	8	8
Single premium	1,719	1,898	2,105	1,305
Policy fees	293	330	286	109
First year policy fees	283	314	272	102
Deposits	4,453	4,941	4,494	3,079
First year deposits	4,362	4,873	4,436	3,048

We offer a variety of group annuity products, including group traditional annuities, group participating annuities and group universal annuities. With flexible and scalable account management functions as well as investment management functions that provide guaranteed investment returns, these annuity products provide a full range of supplemental retirement benefit plans for different customers.

Distribution

The distribution of our group life insurance products is handled by our direct sales team, institutional insurance agents and brokers as well as ancillary agents. We also actively explore the cross-selling of group life insurance products by CPIC Property.

Our group life insurance products are primarily distributed by our direct sales force. As of 30 June 2009, we had 3,373 group life insurance sales representatives. These group sales representatives, who are our employees, are responsible for providing comprehensive employee benefit and protection plans, including group life insurance, pension and short-term accident and health insurance products, to institutional customers.

We have established extensive and close cooperation with insurance brokers and agents to sell our group life insurance through them. CPIC Property's sales force also markets our group life insurance products to their institutional customers.

Customers

As of 30 June 2009, our life insurance customer base, one of the largest in the PRC, consisted of approximately 33.8 million individual life insurance customers and approximately 318,000 institutional customers. The following table sets forth the number of our individual and institutional customers as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in thousands)			
Individual customers(1)	22,722	26,906	31,365	33,820
Institutional customers	312	316	312	318
Total	23,034	27,222	31,677	34,138

(1) Represents the number of holders of in-force policies, and does not include the insured if different from the policyholder under the same policy.

A majority of the gross written premiums, policy fees and deposits recorded by our life insurance operations in 2008 and the first six months of 2009, respectively, were attributable to our branches and sub-branches located in the more economically developed areas in China and those areas in China that are heavily populated, such as Jiangsu, Shandong, Henan, Hebei, Guangdong, Sichuan, Hubei, Shanghai, Zhejiang and Shanxi. As the PRC economy continues to grow, we will focus on business development in these economically developed areas and devote more resources to monitor and expand into other markets with growth potential.

The table below sets forth the geographic distribution of the gross written premiums, policy fees and deposits generated by our life insurance business in 2008 and the first six months of 2009:

	For the year ended 31 December 2008		For the six months ended 30 June 2009	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Jiangsu	6,534	9.8%	4,275	12.0%
Shandong	5,347	8.0	2,818	7.9
Henan	4,596	6.9	2,800	7.9
Hebei	3,881	5.8	2,336	6.6
Guangdong	4,456	6.7	2,236	6.3
Sichuan	4,491	6.7	2,112	5.9
Hubei	2,818	4.2	1,842	5.2
Shanghai	3,269	4.9	1,763	4.9
Zhejiang	3,442	5.2	1,695	4.8
Shanxi	3,406	5.1	1,609	4.5
All other areas	24,464	36.7	12,126	34.0
Total	66,074	100.0%	35,612	100.0%

Customer Service

We are dedicated to offering our customers high quality services, based on our service concept of "commit with heart, care with love". Through our service counters at branch entities, customer service specialists, individual insurance agents, hotline and the Internet, we provide our customers with comprehensive insurance services, consisting of basic services such as new policy enrollment, maintenance, inquiries, claims settlement, complaints and policy reminders, and value-added services such as emergency assistance and health management, among others. Our high-quality customer services are attributable to our extensive customer database, our highly standardized business processes and an information technology platform that integrates our maintenance business system, claims processing system, investigation management system, customer complaint and inquiry system and 95500 customer service hotline.

Renewal business, as an important supplement to our regular distribution channels, is also an important aspect of our customer services. We strive to provide our customers convenient, personalized and high-quality services in connection with our premiums collection and new policy enrollment services to ensure that our customers continue to be with us, their rights are properly protected and their insurance needs are timely fulfilled.

The following table sets forth 13-month and 25-month persistency ratios for our individual life insurance customers as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
Individual life insurance customer 13-month persistency ratio(1)	84.6%	85.7%	86.0%	85.2%
Individual life insurance customer 25-month persistency ratio(2)	75.1%	79.1%	81.6%	83.1%

(1) 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, as calculated under PRC GAAP.

(2) 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, as calculated under PRC GAAP.

To provide high-quality and more efficient services to our existing customers, building upon our "Three Tong" ("三通") customer maintenance project consisting of three initiatives, namely, "Yi Gui

Tong" ("一櫃通"), "Yi Xian Tong" ("一線通") and "Yi Bao Tong" ("一保通"), we have undertaken to standardize our service counters throughout the country based on our guiding principle of "centralized management and extended service". We have also upgraded our service counters, provided trainings to our employees, and introduced a series of quantitative counter service standards and customer satisfaction standards to proactively provide a variety of high-quality and standardized services to our customers at our service counters and to ensure timely service and enhance customer satisfaction. Our employees at our standardized service counters are able to handle various insurance-related tasks, including receiving new businesses and claims and handling maintenance services, for each customer visiting our service counters. We have also extended our service hours and service scope at our counters. Facilitated by our use of advanced zero-cash payment and collection methods, we have been able to reform our maintenance service system by adopting a centralized maintenance management model that features integrated data processing and risk control. This has enabled us to centralize our back-office operations to our operations centers in Shanghai and Zhengzhou and our third operations center under construction in Changsha, while extending our front-desk service capabilities to our local county-level sales outlets. Furthermore, with our existing centralized data processing capabilities, we seek to provide consistent and standardized services throughout the PRC, based on our interconnected business networks across the country.

In addition, since November 2000, we have set up a customer service hotline 95500 accessible throughout the PRC, the operation of which is currently centralized in our operations centers. Our 95500 customer service hotline handles customer inquiries, complaints, claims settlement, service reservations and emergency assistance services 24 hours a day, seven days a week.

Our Internet website, www.cpic.com.cn, is also an important part of our customer service system. Through the website, our customers are able to learn about the various insurance products and services that we offer. In addition, our customers are able to purchase some insurance policies online and handle various matters relating to their policies, such as inquiries, maintenance and claims settlement, on our website.

In addition to basic customer services, we have adopted a number of initiatives to offer value-added services to our high-end customers. We offer emergency assistance services, which are accessible to our high-end customers across the PRC, and emergency medical services internationally. Since their introduction in 1997, these services have offered assistance to our customers who became ill or were involved in accidents. Such services, jointly provided by the internationally renowned SOS emergency assistance company and us, include assistance in medical consultation, medical evacuation, relative visitation, return transport of underage companions, medical expense advance payment and repatriation of remains. Some of our high-end customers also enjoy free annual physical examination services arranged by us. We plan to further expand our value-added services, including health management, emergency assistance, information services, financial planning and child-raising and education consulting services, for our high-end customers.

Product Development and Pricing

We have established a more standardized product development system for life insurance that is market- and customer-oriented and complies with international standards. CPIC Life's product decision-making committee, consisting of relevant senior management members, is responsible for verifying and confirming the feasibility of product development projects, which are executed by CPIC Life's product development project teams comprising professionals specialized in product development, actuary, business, operations, finance, information technology, risk management and compliance, among others. After a newly developed product is designed and priced under the guidance of the appointed actuary and the appointed legal counsel at CPIC Life, all relevant documentation is submitted to the actuary department of CPIC Group for review by CPIC Group's chief actuary. After CPIC Group's chief actuary has signed off, the newly developed product is then filed with the CIRC along with approval from the appointed actuary and the appointed legal counsel as required by the CIRC's product filing requirements. Such a product development system, covering multiple steps including product planning, product development, product launching and product management and involving many participants who have clearly delineated responsibilities, helps ensure the reasonable pricing of our products.

In order to ensure that our new products are feasible and meet the market demand, our product development project teams extensively survey the relevant business departments, our sales team at our branches and our customers. We also conduct profitability testing and risk assessment and formulate corresponding risk management plans.

Our pricing strategies focus on ensuring the long-term growth of our Company while balancing the interests of various parties, including our customers, our Company and our distribution channels. We price our life insurance products in compliance with relevant CIRC regulations and primarily on the basis of relevant mortality, morbidity, expense ratio, interest rates, expected investment returns and historical claim experience data, as well as information and data provided by third parties, such as reinsurance companies.

We have been conducting life insurance business for over a decade and have several internationally certified actuaries. We have accumulated a large amount of valuable experience data that serve as the basis for the pricing of our new products.

Underwriting

We believe that we have strong risk control capabilities in our underwriting operations, benefiting from the design, implementation and management of our tiered authorization system, the professional skills of our underwriting staff and the centralized management of many aspects of our business operations.

Our life insurance underwriting process involves an application and risk evaluation process that seeks to determine whether the risk related to a particular applicant, including both mortality risk and insurance fraud risk, is consistent with the amount of risk that we are willing and able to accept. During this process, we consider the risk characteristics of the individual or individuals to be insured, including health condition, occupation and financial profile. In addition, CPIC Life consults with our reinsurance personnel for the underwriting of major accident, life and health insurance policies. Such an insurance policy may not be issued unless and until we are able to arrange for appropriate reinsurance.

We have a centralized control model and verification mechanism for our underwriting operations. The primary underwriting staff at our branches are appointed by and report to our head office. Depending on the amount of risk to be assumed under a particular insurance policy and the authorization level of the underwriting staff, underwriting decisions are made by corresponding underwriters based in our head office, at our operations centers or in our branches. No sub-branches or sales outlets have the authority to underwrite any life insurance policies without the prior approval from our head office, operations centers or branches.

We have a tiered underwriting authorization system. To control our risk exposures more effectively, our information technology system for underwriting operations has been programmed to automatically forward any insurance policy to be underwritten to our underwriting staff at a higher level if its insured amount exceeds the authority of the handling staff.

We have a team of underwriting personnel with highly professional knowledge and skills. In order to be authorized to underwrite insurance policies, each of our underwriters is required to attend a series of training programs and pass our annual internal qualification exams. The performance of our underwriters is regularly monitored and reviewed according to standards and procedures set in our professional qualification system. Authorization for each underwriter is only granted after the underwriter passes various internal certification exams and is reviewed, evaluated and adjusted regularly, based on his or her work experience and performance, as well as the overall performance of the branch at which the underwriter works.

We have regionally centralized our underwriting and claims settlement and new policy issuance functions to our two operations centers in Shanghai and Zhengzhou, with a third under construction in Changsha, and our five policy issuance centers. We have also created standard-form policies, which has helped streamline our underwriting process, improve our underwriting efficiency and reduce our operational risk. We have also outsourced the data entry operations in connection with policy issuance to third-party service providers to reduce error rate and enhance efficiency.

We have started to centralize our underwriting and claims adjustment data from our 37 branches across the PRC to our data center in Shanghai and to create digital archival copies of all our issued insurance policies. We believe that this approach would enable us to further control our risk exposures in the underwriting process and increase the utility of our data resources, thus enhancing our core competitiveness.

Claims Settlement

Our life insurance claims settlement is centrally handled by CPIC Life's consumer rights department in our head office, our operations centers or the relevant branches. Our claims adjusters, who are authorized and administered by our head office, review life insurance claims within their scope of authorization.

Our claims settlement operations consist of claims investigation and claims adjustment. Our claims investigation team specializes in the investigation and verification of the accuracy of claims reported and records the investigative process in our uniform investigation management system. Our claims adjustment team determines the claims payment based on the outcome of our investigation team's investigation. As of 30 June 2009, we had approximately 837 claims investigators to assist in our life insurance claims investigation. We have benefited from our prudent investigative measures in preventing and detecting fraud and misconduct, such as cross-checking of insurance terms, claims documentation and qualifications of a claimant, use of our "insurance fraud risk warning indicators" that have been compiled based on our past experience and embedded in our investigation management system, and implementation of claims investigation.

As of 30 June 2009, we had approximately 1,156 claims adjusters. Our claims adjusters must pass various internal exams to obtain or upgrade their authorization level, which is evaluated and adjusted regularly based on their work experience and performance and the performance of the branch at which they work. In order to ensure more effective control over our risk exposures, our information technology system for claims settlement operations automatically forwards any claim to our claims settlement staff at a higher level if the claim amount exceeds the authorization level of the handling staff.

Capitalizing on our nationwide operational network, strong claims investigation capabilities and technological advantages in claims adjustment, we are able to provide convenient and high-quality claims settlement services to our customers in all of our branch entities, regardless of where a particular policy was purchased.

Actuarial Practices

We currently have 39 actuarial professionals, primarily in CPIC Life's actuarial department and product development department. This team of actuaries provides actuarial support to CPIC Life's other key business units.

CPIC Life's actuarial department is primarily responsible for our calculation of reserves and solvency margin, as well as experience analysis and embedded value determination. The actuarial department periodically evaluates the various reserves CPIC Life holds, in accordance with the relevant accounting principles, to help ensure CPIC Life's reserves, including policyholders' reserves, claim reserves and unearned premium reserves, will meet its future obligations. The actuarial department also tracks CPIC Life's solvency condition. In respect of experience analysis, the actuarial department regularly conducts company experience studies in mortality, morbidity, surrender and expense, which serve as the basis for CPIC Life's assumption setting in pricing, reserving and projection. CPIC Life's actuarial team also performs regular valuation analysis on CPIC Life's embedded value and value added by each year's new business to help improve profitability of CPIC Life's business and to help maintain its stable long-term growth.

Reserves

The following discussion relates to the determination of our life insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with HKFRS. We are also required to maintain, for purposes of our PRC statutory accounts, statutory reserves that are determined pursuant to the PRC Insurance Law and regulations, as well as PRC GAAP. PRC statutory reserves are different in certain material aspects from our reserves determined for purposes of our consolidated financial statements prepared in accordance with HKFRS. See the section headed "Supervision and Regulation — Insurance Business — Reserves".

We maintain reserves to provide for our future benefit obligations under our life insurance policies. The principal types of reserves we maintain are policyholders' reserves, claim reserves and unearned premium reserves. In addition, we may also maintain a premium deficiency reserve under certain circumstances.

Under Interpretation No. 2 and the CIRC Notice, we would be required to commence adopting new reserving standards based on the principle of "best estimates" in our financial statements for the year ending 31 December 2009, and we would also be required to make retrospective adjustments to our historical financial statements included in our annual report for the year ending 31 December 2009. See the section headed "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

Policyholders' Reserves

HKFRS. We maintain policyholders' reserves to meet the future benefit liabilities under our life insurance policies. We establish the liabilities for obligations for future policy benefits and claims based on actuarial assumptions relating to mortality and morbidity rates, interest rates and administrative expenses. These assumptions used in the calculations are established upon the issuance of a policy, and remain unchanged except where a premium deficiency occurs with respect to the policy. We follow the net level premium method in calculating our policyholders' reserves, a commonly accepted actuarial method for long-term life insurance contract liabilities. This method has also been commonly adopted by other major PRC insurance companies in preparing their accounts under HKFRS or international financial reporting standards.

PRC GAAP. Pursuant to CIRC regulations, we calculate our life insurance reserves based on such relevant assumptions as mortality and morbidity rates, interest rate and administrative expenses. These assumptions (other than morbidity) are required to be calculated based on the relevant percentages stipulated by the CIRC. Under CIRC regulations, premium deficiency reserves are required if the net premium is higher than the gross premium. We have generally maintained our policyholders' reserves in compliance with the PRC statutory reserves requirements at a level that is no less than the minimum amount required by the PRC statutory accounting principles.

Claim Reserves

HKFRS and PRC GAAP. Claim reserves comprise our best estimate of insurance policy provisions for the ultimate cost of all claims incurred but not reported and reported but not settled and the related claims handling costs, reduced by the expected value of recoveries. These reserves are determined based on actuarial assumptions, appropriate actuarial methods and statistical procedures, using historical loss experience and adjusting for future trends. We continuously review and update the methods we use for determining such estimates and maintaining the resulting reserves. We use the case-by-case estimating method and the payments per claim method in estimating incurred and reported reserves (i.e., case reserves), and use the chain ladder method, the Bornhuetter-Ferguson method, the reserve development method and the payment per claim method in estimating the IBNR reserves (i.e., incurred but not yet reported reserves). For PRC GAAP reporting purposes, IBNR reserves for certain short-term insurance policies were estimated at 4% of current year claims for years prior to 2007.

Unearned Premium Reserves

HKFRS and PRC GAAP. The unearned premium reserves represent the portion of net written premiums relating to unexpired periods of coverage of our short-term life insurance policies. We calculate the unearned premium reserves on a pro rata basis over the term of the related policy coverage. For PRC GAAP reporting purposes, unearned premium reserves for our short-term life insurance policies were not permitted to be lower than 50% of net written premiums for years prior to August 2006.

Premium Deficiency Reserves

HKFRS. We maintain premium deficiency reserves with respect to our short-term life insurance policies under certain circumstances. We assess premium deficiency reserves on the basis of estimates of future benefit obligations, costs, premium earned and investment income. Premium deficiency reserves are included as a component of policyholders' reserves where applicable.

PRC GAAP. Under CIRC regulations, premium deficiency reserves are required if the renewal net premium is higher than the gross premium. Premium deficiency reserves are included in policyholders' reserves for purposes of our PRC statutory accounts.

Due to the nature of the risks and the high uncertainty associated with determination of our future insurance benefit obligations, we may not be able to precisely determine the ultimate amount of the claims payment when we set the reserves. However, we generally set our reserves in excess of the minimum thresholds stipulated in the relevant PRC regulations. We review our estimates for future benefit obligations annually and compare them with our actual experience, to ensure that these estimates reflect our most recent experience. If we detect discrepancies between the expected future experience and the estimates used in our reserves calculation, we will revise our estimates.

If the reserves originally set subsequently prove to be inadequate, we would be required to increase our reserves, which may have a material adverse effect on our business, results of operations and financial condition. See the section headed "Risk Factors — Risks Relating to Our Company — Differences in actual experience from the assumptions used in pricing and setting reserves for our insurance products may materially and adversely affect our results of operations and financial condition".

Reinsurance

In order to control and diversify our overall exposure to potential future claims loss and expand our underwriting capacity, we reinsure a portion of the risk that we assume under our life insurance policies in exchange for a portion of the premiums we receive with respect to these policies. We generally reinsure our risk exposures proportionally. Some of our reinsurance agreements are on an excess-of-loss basis, under which a reinsurer is responsible for the claimed loss in excess of a deductible amount, subject to an agreed-upon ceiling. We also aggregate our life insurance policies under a specific type of insurance or for a specific product before arranging for reinsurance. These reinsurance arrangements generally have maturities that match those of the underlying policies.

We determine our risk retention amount and the portion of risk we reinsure based on the statutory risk retention requirements under the PRC Insurance Law, relevant regulations and our business development needs. We are required under the PRC Insurance Law to purchase reinsurance for the portion of total liability for any single risk unit (generally liability in connection with the maximum loss to an insured from one loss event) that would exceed 10% of the sum of the paid-in capital and reserve fund. To reduce our reinsurance concentration risk, we have entered into reinsurance treaties with various leading international reinsurance companies.

We select our reinsurers carefully and generally only enter into reinsurance arrangements with international insurance companies with A- or better ratings by internationally-recognized rating agencies and PRC reinsurance companies with proven track record. Our criteria for selecting reinsurers include financial strength, service, terms of coverage, claims settlement efficiency and price, among others. In addition to China Reinsurance (Group) Company and its subsidiary, China Life Reinsurance Company, our top life reinsurers in 2008 and the first six months of 2009, in terms of ceded gross written premiums, have included Munich Reinsurance Company, Hanover Reinsurance Company and Cologne Reinsurance Company. We monitor the financial condition of our reinsurers on an ongoing basis and review our reinsurance arrangements periodically.

In 2008 and the first six months of 2009, we ceded RMB2,024 million and RMB1,369 million of the gross written premiums relating to our life insurance policies to reinsurers, accounting for approximately 7.8% and 8.0%, respectively, of the gross written premiums, policy fees and deposits we received from our life insurance business. In 2006, 2007, 2008 and the first six months of 2009, none of these reinsurers defaulted on, or was delinquent in, the payment of any life insurance-related reinsurance obligation to us.

Negative Interest Rate Spread on Legacy High Guaranteed Return Products

Like other major PRC life insurance companies, we offered long-term life insurance products with relatively high guaranteed rates of return from 1995 to June 1999, primarily as a result of the then prevailing high market interest rates. As market interest rates in the PRC have generally remained low in the ensuing years, interest rates earned by us for those products have fallen below the assumed interest rates used in the calculation of premiums and policy fees, which has led to a negative interest rate spread. See the section headed "Risk Factors — Risks relating to the PRC Insurance Industry — Changes in interest rates may materially and adversely affect our profitability" and "Financial Information — Overview — Negative Interest Rate Spread on Legacy High Guaranteed Return Products".

PROPERTY AND CASUALTY INSURANCE

Overview

We have been one of the top three property and casualty insurance companies in the PRC in terms of annual gross written premiums since our inception, according to the data published by the National Bureau of Statistics of China and the CIRC. Our property and casualty insurance business, conducted primarily through CPIC Property, accounted for approximately 11.4% and 11.6%, respectively, of the gross written premiums received by PRC property and casualty insurance companies in 2008 and the first nine months of 2009, based on PRC insurance industry data published by the CIRC. Our gross written premiums increased from RMB18,144 million in 2006 to RMB27,875 million in 2008, while our market share of property and casualty insurance business has remained largely stable during the period. Our gross written premiums for our property and casualty insurance business totaled RMB18,656 million in the first six months of 2009.

The following table sets forth the gross written premiums for our property and casualty insurance operations for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB, except percentages)			
Gross written premiums	18,144	23,474	27,875	18,656
Growth rate(1)	23.8%	29.4%	18.7%	18.3%

(1) Compared to the same period in the prior year.

As a leading provider of property and casualty insurance products in the PRC, we have maintained our industry-leading position in the PRC in terms of underwriting profitability. Other than the year 2008, during which our business was affected by major catastrophic events, our combined ratio, as calculated using our PRC GAAP data, for each full year of our operations was below 100%. In response to the intense competition in the PRC property and casualty insurance market, we have continued to focus on achieving a more stable profitability of our non-automobile insurance products and improving the profitability of our products with a higher volume, such as our automobile insurance products.

Our tiered distribution network consists of our branch entities located substantially throughout the PRC, our professional direct sales team, numerous insurance intermediaries and individual insurance agents. We also distribute our products through cross-selling by CPIC Life. We are actively exploring alternative distribution channels such as our telemarketing channel and the Internet.

In 2002, we became one of the first PRC property and casualty insurance companies that started to establish a centralized control and verification mechanism, including a tiered authorization system, for underwriting and claims settlement operations in an effort to control business risks more effectively. Benefiting from our prominent brand name, professional underwriting capabilities, extended underwriting experience, strong capital base and reliable reinsurance channels, we have underwritten many high-profile insurance projects in the PRC.

In order to provide our customers with timely, standardized, convenient and thorough services and to meet their evolving needs, we strive to constantly improve the quality of our customer service system. We also utilize our 95500 customer service hotline to provide support to our customers 24 hours a day, seven days a week. For seven consecutive years from 2002 to 2008, we ranked No. 1 in the surveys, comprised of announced or unannounced inspections and other inquiries, of the service quality of the PRC financial and insurance industries conducted by China Association for Quality Promotion, and three consecutive times from 2004 to 2008, we were selected as a "Customer Satisfaction Enterprise of the PRC" by China Association for Quality.

As of 30 June 2009, we had one of the largest property and casualty insurance customer bases in the PRC, including approximately 11.46 million individual property and casualty insurance customers and approximately 2.39 million institutional property and casualty customers, who were primarily concentrated in major cities and more economically developed areas of the PRC. In particular, the gross written premiums attributable to our branches and sub-branches located in Guangdong, Jiangsu, Zhejiang, Shanghai, Shandong, Beijing, Liaoning, Hebei, Fujian and Sichuan accounted for approximately 72.4% and 70.4% of the gross written premiums generated by our property and casualty insurance operations in 2008 and the first six months of 2009, respectively.

Business Initiatives

The overall objective of our property and casualty insurance business is to further enhance our favorable cost structure, optimize our business mix and adopt rigorous risk prevention measures to achieve balanced, sustainable value-enhancing growth. Towards that end, we intend to focus on strengthening our cost control capabilities and lowering our combined ratio and achieve measured and quality growth. We plan to adopt the following initiatives:

- **Pursue sustainable and balanced business growth by adjusting product mix under evolving market conditions and focusing on cost-effectiveness and risk control.**

  Automobile insurance business: Further refine the management of our automobile insurance business and build up a professional management mechanism, as the market conditions for this business improve, while enhancing our ability to manage and control operating costs.

  — Refine our underwriting management for commercial automobile insurance, by launching an automobile insurance data platform for in-depth analyses of business data and customer information, to enhance our premium adequacy and to identify and determine, and promote the further growth of, high-quality components of our automobile insurance business;

  — Improve a tiered authorization system for automobile insurance claims settlement, centralize key claims settlement positions at the provincial level, further standardize related management and operating procedures, and enhance the overall quality and efficiency of claims settlement;

  — Optimize our commercial automobile insurance business mix by devoting more resources to high-quality business, while maintaining overall control over our cost structure; and

  — Develop new distribution channels such as telemarketing, expand the geographic coverage of our markets and strengthen distribution channel management to maximize our profits.

  Non-automobile insurance businesses: Achieve the consistent profitability of our non-automobile insurance businesses and accelerate the development of those businesses with growth potentials.

  — Understand the risk patterns of our product lines, strengthen risk selection in underwriting and employ a variety of risk prevention measures, including risk investigations and reinsurance arrangements, to ensure the consistent quality of our businesses over time;

  — Capitalize on our underwriting capabilities and our advantages in institutional customer resources to continue to expand our efforts in developing major non-automobile insurance projects and group businesses and to enhance our advantage in the institutional customer market;

  — Focus on products with growth potentials, implement business expansion plans and promote related sales; and

  — Capture the opportunities offered by favorable government policies to explore and promote the development of shipping-related insurance businesses, by establishing a professional marine insurance department dedicated to related business development.

- **Create and improve a distribution network catering to our business objectives and in line with market trends.**
  - — Create a distribution network that is in line with industry trends and that suits our product portfolio and customer base by carrying out distribution network planning, setting business objectives for different distribution channels and adjusting the geographic layout of our distribution network;
  - — Formulate and implement management policies and procedures that take into account the different characteristics of distribution channels and that seek to minimize operational costs based on a segmentation of key operating metrics, such as acquisition costs and claims costs, for different distribution channels;
  - — Develop businesses that involve the insurance of large commercial projects through our professional direct sales team so as to continue to increase our direct sales capabilities; and
  - — Focus on the exploration of new distribution channels, such as telemarketing and cross-selling, for businesses involving more diversified risk profiles, in addition to the traditional distribution channel through agents.
- **Pursue a balanced and coordinated growth across regions that takes into account our overall business objectives and regional disparities.**
  - — Taking into account historical performance, local market conditions and growth potentials, categorize our local branch entities by region and formulate corresponding business objectives and strategies to achieve a coordinated growth in both the value and the volume of our business; and
  - — Commit resources to optimizing our network of branch entities based on the business objectives and strategies of different regions.
- **Closely follow the increasing diversification and sophistication of market demand for insurance products and services, and strengthen our product innovation and management.**
  - — Conduct research on social and macro-economic environment, monitor changes in laws, regulations and government policies, key areas for investments and issues of public concern as well as their impact on the demand for insurance products and services and related trends, and carry out targeted product research and development;
  - — Guided by market demand and our strategies, perform profit modeling, analyze the characteristics of different distribution channels, and continue to focus on the research and development of products with high growth potentials and products that cater to specific distribution channels, in an effort to create our distinctive competitive advantage in product offerings; and
  - — Continue to improve our product management system, define our standards for product monitoring, and adopt targeted strategies in light of the performance of different products and the evolving market conditions to ensure that our product offerings are up-to-date and meet market demand.
- **Continue to improve the quality of customer service and enhance our service recognition of "first-rate service, first choice of customers" ("服務領先，客戶首選").**
  - — Centralize the operations of our 95500 customer service hotline, improve our business and service processes and refine our service standards for customer contact points to enhance customer satisfaction;

— Expand the range of our services and service models by holding regular customer review meetings, subsequent to claims settlement, with individual automobile insurance customers, launching a web-based customer inquiry system for underwriting and claims settlement and promoting a full-service model with services covering risk management, underwriting, claims settlement and disaster/loss prevention, so as to enhance our competitive advantages beyond price;

— Allocate our service resources more efficiently, broaden our service scope and reach through a better designed service network consisting of us, our service partners and our service providers and through expanded domestic and overseas emergency assistance service networks, and enhance our service capabilities; and

— Provide differentiated and individualized services through effective management of customer resources based on customer type and enhance the service experiences and loyalty of our target high-quality customers through value-added services.

- **Establish a performance-oriented human resources management model and increase the professional expertise of our employees.**

— Promote a KPI-based performance evaluation mechanism and a matching remuneration policy that incentivize our employees to enhance our overall performance;

— Implement professional certification programs and related trainings to strengthen our existing technical expertise, focusing on staff training in underwriting, claims adjustment, actuarial practice, disaster/loss prevention and claims investigation; and

— Improve our employee training mechanisms and enhance career planning for employees to promote the sustainable growth of our talent.

Property and Casualty Insurance Products

We offer a broad range of property and casualty insurance products, including automobile insurance, commercial property and engineering insurance, short-term accident and health insurance, cargo insurance, hull insurance, liability insurance, homeowners insurance, credit insurance and bonding insurance. A substantial majority of our products, in terms of gross written premiums, are concentrated in automobile insurance, commercial property and engineering insurance, short-term accident and health insurance, cargo insurance, hull insurance and liability insurance.

Automobile Insurance

Automobile insurance is our largest property and casualty insurance product in terms of gross written premiums. Gross written premiums from our automobile insurance products were RMB11,571 million, RMB16,475 million, RMB19,681 million and RMB13,441 million and accounted for approximately 63.8%, 70.2%, 70.6% and 72.0% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

Based on PRC insurance industry data published by the CIRC, automobile insurance business in the PRC has experienced rapid growth in the past decade, largely driven by the rapid growth in consumer demand for automobiles in the PRC. Its gross written premiums increased by approximately 28.5%, 42.4% and 19.5% in 2006, 2007 and 2008, respectively. It is the largest segment of property and casualty insurance in the PRC in terms of gross written premiums. Gross written premiums of automobile insurance policies received by PRC property and casualty insurance companies accounted for approximately 70.1%, 71.1% and 73.8% of the gross written premiums received by them in 2006, 2007 and 2008, respectively.

Our automobile insurance products consist of compulsory auto liability insurance products and commercial automobile insurance products.

We started to offer compulsory auto liability insurance on 1 July 2006 as one of the first PRC insurance companies approved by the CIRC to provide such insurance products. Compulsory auto liability insurance is a compulsory insurance required for all automobiles in operation in the PRC. It covers, within liability limits, the bodily injury and property damage of the injured party (other than persons in the insured vehicle or the insured party) in a traffic accident caused by the insured vehicle. In the second half of 2006, the year of 2007, the year of 2008 and the first half of 2009, the gross written premiums we received from compulsory auto liability insurance accounted for approximately 35.5%, 31.4%, 28.0% and 26.1%, respectively, of the gross written premiums we received for our automobile insurance products in the same period.

On 11 January 2008, the CIRC announced adjustments to premium rates and liability limits for compulsory auto liability insurance, which became effective on 1 February 2008. Under these adjustments, the maximum liability coverage of such insurance has increased from RMB60,000 per accident as previously in effect to RMB122,000 per accident while the basic premium rates for such insurance covering a variety of types of automobiles have been reduced by, depending on the nature of automobile, 5% to 39% from those as previously in effect. Drivers with a favorable driving history are also able to enjoy discounts of up to 30% in premium rates for compulsory auto liability insurance. Depending on our volume, loss ratio and expense ratio of the compulsory auto liability insurance product and any potential further regulatory changes affecting such product, the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in demand for automobiles in the PRC and the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability".

We endeavor to offer high quality service in our automobile insurance business and market our commercial automobile insurance products under "Shenxing Auto Insurance" ("神行車保"), a well-known consumer brand in the PRC automobile insurance market, that carries the image of the "auto insurance with excellent mobility". Under the "Shenxing Auto Insurance" brand, we offer a series of products that are designed to meet different customers' varied needs. Our "Shenxing Auto Insurance" is the first insurance product in the PRC to be granted the right by the China Consumers' Association to use the "3•15 sign", a symbol of consumer trust. On 1 July 2006, a set of terms and rates for commercial automobile insurance products developed by us was recommended by the CIRC as one of the three sets of standard terms and rates for commercial automobile insurance in the industry.

Our automobile insurance policies under the "Shenxing Auto Insurance" brand generally have a term of one year. These policies generally provide four types of basic coverage, namely automobile damage insurance, third-party liability insurance, passenger liability insurance and total loss from theft and robbery insurance, as well as optional endorsements. We offer a range of endorsements, such as endorsements covering vehicle body paint damage, parts and ancillary equipment theft, that policyholders can choose to purchase as complementary to their standard policies, depending on their respective needs and financial condition.

We manage our automobile insurance business by customers, vehicle types, geographical locations and insurance coverage. We have adopted rigorous underwriting criteria to help prevent business risks. We have also endeavored to improve the service quality in claims settlement and enhance our risk control capabilities by building a strong team of claims settlement professionals and upgrading our claims settlement system. Our rigorous cost control measures have helped reduce the costs and expenses associated with the sales of our automobile insurance products, which has in turned helped enhance the profitability of our automobile insurance business. As a result of all these efforts, we have been able to achieve a steady growth in our automobile insurance business. We were also able to achieve a lower combined ratio for our automobile insurance business in the first six months of 2009 compared to 2008.

Commercial Property and Engineering Insurance

Our commercial property and engineering insurance business, consisting of commercial property insurance, special risk insurance and engineering insurance, covers risks in properties used for commercial purposes other than goods in transit or vessels. Gross written premiums from our commercial property and engineering insurance products were RMB3,481 million, RMB3,719 million, RMB4,365 million and RMB2,791 million, accounting for approximately 19.2%, 15.8%, 15.7% and 15.0% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

Commercial Property Insurance

Commercial property insurance is our second largest property and casualty insurance product in terms of gross written premiums. Gross written premiums from our commercial property insurance products were RMB2,389 million, RMB2,808 million, RMB3,118 million and RMB1,949 million, accounting for approximately 13.2%, 12.0%, 11.2% and 10.4% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively. Our primary commercial property insurance products include fire insurance, all risks property insurance, machinery breakdown insurance and business interruption insurance as well as various types of endorsements. Properties eligible for commercial property insurance coverage include buildings, structures and decoration equipment, machineries and ancillary equipment, communications equipment and tools, finished goods, semi-finished goods and raw materials.

In order to expand our customer base and enhance our competitive position, we also offer a number of new commercial property insurance products that are specifically designed for medium- to small-sized enterprises with total assets ranging from RMB1 million to RMB50 million, to meet a variety of their insurance protection needs.

The customers of commercial property insurance business are diverse in terms of the industry they operate in and the risk features of the commercial properties cover a wide spectrum, which means that commercial property insurance providers need to possess sophisticated underwriting skills and be equipped with in-depth knowledge of the industries in which their customers conduct their business. In addition, given the high value of the properties to be covered by commercial property insurance, commercial property insurers also need to have a strong capital base. We believe we are well-positioned to compete in commercial property insurance business due to our strong capital base, product offering experience, sophisticated underwriting techniques and in-depth understanding of our customers' risk needs and the insured objects.

The CIRC has published, in instalments, the Guidelines on Property Insurance Risk Unit Determination since June 2006. In addition, in July 2006, the Insurance Association of China started to issue a Pure Risk Loss Ratio Table, which contains loss ratios that are required to be used by all property insurance companies in the PRC in the pricing of relevant commercial property insurance products. Currently covering commercial property insurance in respect of power stations and commercial buildings, the table is expected to expand to cover more insured objects. These regulatory initiatives were designed to help improve the pricing of commercial property insurance products and the competitive environment. With an improved competitive environment and aided by our underwriting and reinsurance capabilities, we believe that we will be able to maintain our competitiveness in the commercial property insurance business.

Special Risk Insurance

Special risk insurance business generally includes aviation and aerospace insurance, offshore oil and gas insurance and nuclear insurance. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the gross written premiums from our special risk insurance were RMB576 million, RMB445 million, RMB456 million and RMB312 million, accounting for approximately 3.2%, 1.9%, 1.6% and 1.7% of the gross written premiums received by our property and casualty insurance business, respectively.

We have been involved in underwriting and claims settlement in the PRC aviation industry for more than a decade and are one of the two insurers of the united airplane fleets in service in the civil aviation industry in the PRC. We have been one of the lead insurers of various major PRC commercial satellite projects, and are one of the major underwriters of insurance policies in the energy industries. We maintain good cooperative relationships with the London reinsurance market, which is the principal reinsurance market for special risk insurance products worldwide, and top international reinsurers in other markets, to ensure reliable reinsurance arrangements with respect to our special risk insurance business.

Engineering Insurance

Engineering insurance covers the risks in relation to properties and liabilities in engineering projects. Engineering insurance products primarily consist of construction all risks insurance and related third-party liability insurance, erection all risks insurance and related third-party liability insurance, and various endorsements. Our engineering insurance customers are typically construction contractors and machinery manufacturers. Gross written premiums from our engineering insurance products were RMB516 million, RMB466 million, RMB791 million and RMB530 million, accounting for approximately 2.8%, 2.0%, 2.8% and 2.8% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

Short-Term Accident and Health Insurance

After the PRC Insurance Law was amended effective 2003, property and casualty insurance companies in the PRC were permitted to offer short-term personal accident insurance products and short-term health insurance products, subject to CIRC approval. CPIC Property's short-term accident and health insurance business has enjoyed a rapid growth since it started to offer products in this category. Gross written premiums from CPIC Property's short-term accident and health insurance products were RMB954 million, RMB1,086 million, RMB1,338 million and RMB825 million and accounted for approximately 5.3%, 4.6%, 4.8% and 4.4% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

We offer a wide range of short-term accident insurance products, including individual and group short-term accident insurance products as well as comprehensive travel-related accident insurance. We are the first insurance company in the PRC to offer group short-term accident insurance to senior management personnel and law enforcement personnel. In collaboration with foreign insurance companies, we also offer comprehensive travel accident insurance that target business travelers and overseas tourists. We have also established an extensive emergency assistance network both within and outside the PRC in collaboration with an internationally renowned SOS emergency assistance company.

Cargo Insurance

Our cargo insurance covers goods transported by vessel, airplane or ground transportation vehicle. Our customers are primarily large corporate groups that have a substantial need for logistics and transportation. Gross written premiums from our cargo insurance products were

RMB787 million, RMB904 million, RMB966 million and RMB475 million and accounted for approximately 4.3%, 3.9%, 3.5% and 2.6% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

Hull Insurance

Hull insurance covers risks of an insured vessel, including its hull, engines, equipment and riggings. Our customers included some of the largest shipping and oil companies in the PRC. Gross written premiums from our hull insurance products were RMB622 million, RMB597 million, RMB690 million and RMB509 million and accounted for approximately 3.4%, 2.5%, 2.5% and 2.7% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively. Assisted by our professional underwriting techniques, extensive underwriting experience and appropriate reinsurance arrangements, our hull insurance business has maintained a relatively high market share in the PRC. Our market share, in terms of gross written premiums, of the PRC hull insurance business reached 17.8% in 2008.

Liability Insurance

We offer liability insurance products such as employer's liability, public liability, product liability and professional indemnity insurance, among others. We also offer a number of innovative liability insurance products, such as *An Xin* ("安心") comprehensive family liability insurance. Gross written premiums from our liability insurance products were RMB433 million, RMB520 million, RMB677 million and RMB494 million and accounted for approximately 2.4%, 2.2%, 2.4% and 2.6% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively. We seek to closely follow the legislative developments in the PRC and to actively develop new liability insurance products to meet potential customer needs.

Other Insurance

In addition to the products mentioned above, we also offer a number of other property and casualty insurance products, such as homeowners insurance, credit insurance and bonding insurance products, among others. Although homeowners insurance has only accounted for a small percentage of our property and casualty insurance business in terms of gross written premiums, we believe that homeowners insurance has helped us accumulate valuable individual customer resources for our property and casualty insurance business.

The following table sets forth our gross written premiums for each of our principal property and casualty insurance products for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Automobile	11,571	16,475	19,681	13,441
Commercial Property and Engineering	3,481	3,719	4,365	2,791
Short-Term Accident and Health	954	1,086	1,338	825
Cargo	787	904	966	475
Hull	622	597	690	509
Liability	433	520	677	494
Other	296	173	158	121
Total	18,144	23,474	27,875	18,656

The following table sets forth the expense, loss and combined ratios for our property and casualty insurance business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
Expense ratio	37.9%	37.4%	35.4%	33.9%
Loss ratio	60.4%	59.7%	65.6%	63.0%
Combined ratio	98.2%	97.1%	101.0%	96.9%

The following table sets forth the comprehensive loss ratios for each of our principal property and casualty insurance product categories for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2006	2007	2008	2009
Automobile	64.8%	62.7%	69.3%	68.6%
Commercial Property and Engineering	61.0%	54.7%	75.1%	32.8%
Short-Term Accident and Health	45.8%	57.6%	54.6%	54.5%
Cargo	43.9%	45.5%	26.5%	35.7%
Hull	73.3%	29.2%	33.2%	54.1%
Liability	39.8%	57.0%	47.3%	54.9%

Distribution

The distribution network for our property and casualty insurance products covers substantially all of the PRC, including 38 branches and 2,052 central sub-branches, sub-branches and sales outlets as of 30 June 2009.

Our direct sales force for our property and casualty insurance products consisted of 15,343 in-house sales representatives as of 30 June 2009. In addition, we sell certain property and casualty insurance products directly to customers through our telemarketing channel. We also distribute our property and casualty insurance products through agents and brokers, which included, as of 30 June 2009, approximately 20,015 individual insurance agents, 1,151 institutional agents, 9,390 ancillary agents and 935 brokers. Furthermore, the sales force of CPIC Life cross-sells our property and casualty products to life insurance customers.

The following table sets forth the gross written premiums for our property and casualty insurance business by distribution channel for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2006		2007		2008		2009	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Direct sales	9,412	51.9%	10,026	42.7%	10,986	39.4%	7,202	38.6%
Insurance agents	8,103	44.7	12,665	54.0	15,874	57.0	10,632	57.0
Insurance brokers	629	3.4	783	3.3	1,015	3.6	822	4.4
Total	18,144	100.0%	23,474	100.0%	27,875	100.0%	18,656	100.0%

Direct Sales

Direct sales of our property and casualty insurance products include sales through our sales representatives, telemarketing channel and Internet website. Gross written premiums generated by our direct sales channel accounted for approximately 51.9%, 42.7%, 39.4% and 38.6% of the gross written premiums received by our property and casualty insurance business in 2006, 2007, 2008 and the first six months of 2009, respectively.

Furthermore, we conduct online direct marketing and selling of certain property and casualty insurance products, including automobile, cargo and short-term accident insurance, through our e-business website.

Insurance Agents

The insurance agents that sell our property and casualty insurance products on commission include individual insurance agents, institutional agency organizations and ancillary insurance agency companies. Insurance agents do not make underwriting decisions with respect to our property and casualty insurance products.

Ancillary insurance agency organizations sell property and casualty insurance products that relate to their primary business activity, and are one of our most important distribution channels in terms of gross written premiums. These organizations include, among others, banks, automobile dealerships and travel agencies. We leverage the branch networks of banks to sell our home mortgage insurance, homeowners insurance and short-term accident insurance products to our customers. We also offer automobile insurance products to purchasers of automobiles through automobile dealerships and short-term travel accident insurance products to customers through travel agencies.

Gross written premiums generated through insurance agents accounted for approximately 44.7%, 54.0%, 57.0% and 57.0% of the gross written premiums received by our property and casualty insurance operations in 2006, 2007, 2008 and the first six months of 2009, respectively.

Capitalizing on the advantages of a composite insurance group, we have consolidated our distribution resources and have been developing the cross-selling of our property and casualty products through the CPIC Life sales force. In addition, CPIC Property regularly conducts product-specific training programs to provide more opportunities for CPIC Life's sales force to familiarize themselves with our property and casualty insurance products in order to serve our customers better.

Insurance Brokers

We also sell our property and casualty insurance products, particularly in the case of institutional customers, through insurance brokers, who generally represent the purchasers of insurance products. Gross written premiums generated through insurance brokers accounted for approximately 3.4%, 3.3%, 3.6% and 4.4% of the gross written premiums received by our property and casualty insurance operations in 2006, 2007, 2008 and the first six months of 2009, respectively. We have maintained good cooperative relationships with major international insurance brokerage companies.

Customers

We have one of the largest property and casualty insurance customer bases in the PRC. Due to our reputation, extensive distribution network, quality customer service, advanced underwriting skills and experience, strong capital base and comprehensive line of products, some of our institutional customers have entered into comprehensive business cooperation arrangements with us in connection with their risk protection needs.

The following table sets forth certain data relating to our individual and institutional property and casualty insurance customers as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in thousands)			
Number of individual customers	7,789	9,208	10,596	11,465
Number of institutional customers	1,687	1,877	2,146	2,394
Total	9,476	11,085	12,742	13,859

In 2008 and the first six months of 2009, a majority of the gross written premiums generated by our property and casualty insurance business were attributable to our branches and sub-branches located in more economically developed areas in the PRC such as Guangdong, Jiangsu, Shandong, Zhejiang, Shanghai, Beijing, Liaoning, Hebei, Sichuan and Fujian, among others. Our business development in the future will also focus on those areas. At the same time, however, our extensive and well-positioned distribution network has enabled us to continue to actively explore opportunities in other developing regions of the PRC. For instance, our gross written premiums derived from Xinjiang, Inner Mongolia, Gansu and Shaanxi grew rapidly in the first half of 2009, as compared to the first half of 2008.

The table below sets forth the geographic distribution of the gross written premiums recorded by our property and casualty insurance business for the periods indicated:

	For the year ended 31 December 2008		For the six months ended 30 June 2009	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)			
Guangdong	5,014	18.0%	2,900	15.5%
Jiangsu	2,891	10.4	1,978	10.6
Shandong	2,191	7.9	1,634	8.8
Zhejiang	2,409	8.6	1,621	8.7
Shanghai	2,376	8.5	1,511	8.1
Beijing	1,802	6.5	1,028	5.5
Liaoning	1,030	3.7	688	3.7
Hebei	846	3.0	686	3.7
Sichuan	774	2.8	561	3.0
Fujian	840	3.0	518	2.8
All other areas	7,702	27.6	5,531	29.6
Total	27,875	100.0%	18,656	100.0%

Customer Service

Capitalizing on our centrally-managed information system platform, in particular through our call centers and Internet e-business website, we have built a comprehensive customer service system. Our customers can call our 95500 customer service hotline to report accidents, inquire about policy information, inquire about our business information and lodge complaints and suggestions. In addition, we have a dedicated team of sales and customer service representatives who are responsible for maintaining customer relationships and promoting new products.

We have started to implement a number of innovative measures to provide timely and convenient services for our policyholders who have reported accidents. We strive to provide timely responses after our customers have called our 95500 customer service hotline. Our claims investigators always strive to minimize the response time. Equipped with advanced information technology devices, our automobile claims investigation teams are able to make real-time on-site investigation. Based on our centralized customer information database, our automobile insurance policyholders can have their claims settled at the branch entity nearest to the scene of accident, no matter where in the PRC an accident occurs and regardless of where the related insurance policy was initially purchased. In order to facilitate our customers to timely recover their losses, we may make pre-payments to our customers, in cases of major insurance claims, of a percentage of the claims amount in advance of our ultimate conclusion of the case.

Utilizing our experience in risk management, our underwriting staff have also started to provide on-site risk management training and other ancillary services to our customers. Such training and services are intended to help these customers enhance their risk management capabilities by providing them with professional insurance and risk management techniques, assisting them in improving their risk prevention and control systems and adopting more sophisticated risk prevention and security measures. We also offer our customers emergency assistance services both within and outside the PRC through collaboration with International SOS, a renowned emergency assistance provider. In addition, we seek to improve the quality of our customer service by conducting customer satisfaction surveys over the phone regularly. In 2008, we were awarded the "Asia-Pacific Best Customer Service Industries Award — Insurance" by the Asia Customer Service Association.

Our Internet website, www.cpic.com.cn, is also an important part of our customer service system. Through the website, our customers are able to learn about the various insurance products and services that we offer.

In order to improve the quality of our customer service, we have engaged a number of experts to analyze and upgrade our customer service system. We have also adopted a customer complaint management system, or CCMS, to standardize the management of customer complaint and process such complaints in a timely manner. Our customer service in general has also been recognized as of top quality in the PRC insurance industry by reputable evaluators, including China Association for Quality.

Product Development and Pricing

Our product development system, adopts a model that emphasizes development by product types with central management. Each branch entity may not introduce, modify or develop insurance products without prior approval from our head office. In addition to our professional product development team at CPIC Property's head office, we also recruit and train part-time product development personnel based in our branches to gauge local market demands and help develop products that are more responsive to customer needs.

Our product development system includes seven stages: idea collection, idea screening, proposal assessment, product design, regulatory filing, product promotion and product monitoring and assessment. This system is supervised by CPIC Property's product development department, product development steering committee, product development committee, appointed actuary and appointed legal counsel, which are collectively responsible for monitoring and controlling our risk exposure in the relevant stages. A newly developed product to be marketed nationwide also needs to be reviewed by Chief Actuary of CPIC Group before it can be filed with the CIRC. This product development system seeks to ensure our risk management during the product development process and the marketability and profitability of our products.

Pricing for our property and casualty insurance products is based on generally accepted actuarial principles as well as relevant CIRC regulations. Pricing factors include applicable regulatory requirements, severity and frequency of loss, expenses relating to marketing and promotion and claims settlement expenses, as well as target margins and pricing of similar types of products in the PRC insurance market. We have developed strong product pricing capabilities, benefiting from our professional actuarial team, large amount of historical claim experience data, extensive market research, in-depth analysis of customer needs and technical support of sophisticated foreign insurance companies.

We adopt different pricing strategies to cater to the characteristics of different insured objects. Pricing of our automobile insurance products takes into consideration the risk profile of the driver, such as age, gender and driving history, of the automobile, such as make, model, age and intended use of the car, and of the area in which the insured is located. We have participated in a project led by the Insurance Association of China for developing an automobile insurance information sharing platform, which has been in use in a number of cities to capture the driving history of the policyholders as well as general traffic accident data.

Due to the wide variation in the characteristics of insured objects and regions, customers' risk management capabilities and the extent of exposure to disasters, commercial property and casualty insurance products are almost always tailored for different customers and, as a result, their pricing, while also based on expected losses, expenses and target margins, is generally subject to negotiation.

Pricing of short-term accident insurance products is primarily based on the personal background of the insured, the probability of death and various categories of disability, distribution of medical expenses, impact of deductibles and operational costs.

Underwriting and Claims Settlement

We have established a centralized control and verification mechanism, including a tiered authorization system, for our underwriting and claims settlement operations in order to help ensure effective cost control and risk management. We have established, and strictly enforced, standardized underwriting decision-making mechanisms and related operating procedures. Depending on the type and amount of risk involved, underwriting decisions are made by underwriters based in CPIC Property's head office or underwriters appointed by the head office and stationed at the relevant branches, in accordance with their authorization level. Our information technology system for underwriting and claims adjustment operations automatically forwards any insurance policy to be underwritten, or any claim to be adjusted, to our authorized staff at a higher level if its insured or payout amount exceeds the authorization level of the processing staff. Processing authorization for each member of our underwriting and claims adjustment staff is reviewed, evaluated and adjusted, from time to time, based on his or her work experience and performance.

No sub-branches or sales outlets have the authority to underwrite any property and casualty insurance policies or settle property and casualty insurance claims without the prior approval of the underwriters or claims adjusters, as the case may be, at the head office or branches. In cases of major projects or major claims, we reach our underwriting or claims settlement decisions through our underwriting and claims settlement committee, which consists of members of the senior management of CPIC Property and the respective heads of risk management related departments and distribution management departments. Major project policies can only be issued after the reinsurance department has arranged for appropriate reinsurance.

We have designed different underwriting and claims adjustment guidelines for different lines of insurance products and adjust and optimize those guidelines as our business develops. We also conduct site visits for special risk objects prior to making the underwriting decision, when such visits are deemed appropriate by us. We have focused on the disaster/loss prevention management for our customers. Capitalizing on our extended risk management experience, we provide our customers disaster/loss prevention services. Through proactive pre-accident risk management, we help our customers reduce the frequency and severity of their losses, which in turn enhances our profitability.

We have also established standardized claims adjustment procedures, which we have promoted extensively within CPIC Property. We seek to effectively control our risk exposures in our claims settlement operations by improving our claims settlement information system, strictly enforcing the segregation of key posts and increasing the frequency of on-site investigation at the scene of accident, as well as through regular audits by random sampling.

Many of our underwriting or claims settlement personnel have professional and technical backgrounds in the industries whose properties we insure. In order to underwrite any insurance policy or settle any claim, our underwriters and claims adjusters are required to pass our internal qualification exams each year. Their performance is regularly monitored and reviewed according to standards and procedures outlined in our professional qualification system, based on which their authorization levels are adjusted and their compensation and other performance incentives are determined. In addition, we provide a variety of training opportunities to improve the professional skills of our underwriting and claims settlement personnel.

Reserves

The following discussion relates to the determination of our property and casualty insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with HKFRS. We are also required to maintain, for purposes of our PRC statutory accounts, statutory reserves that are determined pursuant to the PRC insurance laws and regulations, as well as PRC GAAP, which may be different in certain material respects from our reserves determined for purposes of our consolidated financial statements prepared in accordance with HKFRS. See the section headed "Supervision and Regulation — Insurance Business — Reserves".

Claim Reserves

HKFRS and PRC GAAP. Claim reserves comprise our best estimate of insurance policy provisions for the ultimate cost of all losses reported but not settled and incurred but not reported and the related claims handling costs, reduced by the expected value of salvage and other recoveries. These reserves are determined based on actuarial assumptions, appropriate actuarial methods and statistical procedures, using historical loss experience and adjusting for future trends. The ultimate cost of loss and loss adjustment expenses are subject to a number of highly variable circumstances. We periodically review and revise these reserves as additional information becomes available and actual claims are reported. However, the establishment of claim reserves is an inherently uncertain process, and thus we cannot assure that ultimate losses will not differ from our initial estimates. See the section headed "Risk Factors — Risks Relating to Our Company — Differences in actual experience from the assumptions used in pricing and setting reserves for our insurance products may materially and adversely affect our results of operations and financial condition".

Unearned Premium Reserves

HKFRS and PRC GAAP. The unearned premium reserves represent the portion of written premiums relating to unexpired periods of coverage of our property and casualty insurance policies. We calculate the unearned premium reserves on a pro rata basis over the term of the related policy coverage.

Premium Deficiency Reserves

HKFRS. We maintain premium deficiency reserves with respect to our property and casualty insurance policies under certain circumstances. We assess premium deficiency reserves on the basis of estimates of future claims, costs, premiums earned and investment income. Premium deficiency reserves are disclosed, when material, as a separate provision. At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of our property and casualty insurance reserves.

PRC GAAP. At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of our property and casualty insurance reserves.

Reinsurance

In order to control and reduce our exposure to potential future claims loss and expand our underwriting capacity, we reinsure a portion of the risk that we assume under our property and casualty insurance policies in exchange for a portion of the premiums we receive with respect to these policies.

We determine our risk retention amount and our cession ratio based on the relevant insurance laws and regulations in the PRC and the need of our business operations. We are required to purchase reinsurance for the portion of total liability for any single risk unit that would exceed 10% of the sum of CPIC Property's paid-in capital and surplus fund.

We determine our reinsurance based on the risk exposure and claims history of different types of property and casualty insurance products as well as our overall risk exposure, so as to ensure adequate reinsurance coverage and appropriate risk exposure management. For insurance products with high risk concentration, such as our special risk insurance and hull insurance products, we generally reinsure our risk exposures in excess of a certain insured amount or loss amount. For insurance products with high loss event exposure, we enter into catastrophe excess of loss reinsurance treaties to cover the insured amount within our retention amount. For insurance products with small per risk exposure and a highly diversified risk portfolio, such as automobile insurance products, we may also enter into reinsurance arrangements with reinsurers when we believe there are uncertainties with respect to the risk level of the whole portfolio or when we need to expand our underwriting capacity.

The maximum retention amount for each insured risk is determined annually based on the status of our paid-in capital and reserve fund, our operational results and market condition.

The following table sets forth our maximum retention amounts per insured risk for our primary property and casualty insurance risks as of 30 June 2009:

Risk	Maximum retention (in millions)
Commercial property insurance	RMB260
Engineering insurance	RMB260
Cargo insurance	US$40
Hull insurance	US$8

We select our reinsurers carefully, based on financial strength, service, terms of coverage, efficiency of claims settlement and price. We generally only reinsure our risk exposures with insurance or reinsurance companies in the PRC with proven track record or international insurance companies with A– or better ratings. In 2008 and the first six months of 2009, in terms of ceded gross written premiums calculated by us for regulatory filing purposes, we purchased an aggregate of 38.47% and 40.39%, respectively, of our reinsurance from China Reinsurance (Group) Company and its subsidiary, China Property and Casualty Reinsurance Company Limited. The reinsurance companies with international credit ratings of A– or above accounted for 56.85% and 53.88% of our ceded gross written premiums from property and casualty insurance in 2008 and the first six months of 2009. These companies have included Swiss Reinsurance Company, Munich Reinsurance Company, Mitsui Sumitomo Insurance Co., Ltd. and Lloyd's, among others.

In 2008 and the first six months of 2009, we ceded RMB6,505 million and RMB4,230 million, accounting for 23.3% and 22.7%, respectively, of the gross written premiums from our property and casualty insurance business to reinsurers. As of 30 June 2009, only two of our reinsurers, Gerling-Konzern Globale Ruckversicherungs A.G., or Gerling-Konzern, and HIH Insurance Limited, have defaulted in their reinsurance payment obligations in an aggregate amount of approximately

US$1.03 million, as HIH Insurance Limited closed down its business in 2001 and Gerling-Konzern's reinsurance operations were placed in runoff. We reached a settlement with Gerling-Konzern in November 2007, pursuant to which Gerling-Konzern agreed to pay us a one-off payment of US$580,000 in satisfaction of all amounts owing to us. These two reinsurance companies no longer have active business with us. We do not believe that such defaults will materially and adversely affect our business, results of operations or financial condition.

The following table sets forth certain information about our property and casualty insurance policies with extraordinary liabilities and related reinsurance arrangements as of 30 June 2009:

	Customer/Applicant	Insured Amount (in millions)	Currency	Type of Insurance	Major Reinsurers	Cession Ratio
1	China Civil Aviation Group Insurance Fleet Member Airlines	85,902	RMB	Aircraft Comprehensive Insurance	AXA, Korean Reinsurance Company and others	86.67%
2	Sinar Mas Group, Asia Pulp and Paper Co., Ltd. and others(1)	6,582	US$	Property All Risk Insurance	First Capital Insurance Ltd., Lloyd's Syndicate 1414 and others	78.08%
3	Baoshan Iron & Steel Company Limited	37,049	RMB	Property All Risk Insurance	China Property and Casualty Reinsurance Company, Swiss Reinsurance Company, Allianz A.G. and others	89.63%
4	Baoshan Iron & Steel Company Limited	31,845	RMB	Machinery Breakdown Insurance	China Property and Casualty Reinsurance Company, Swiss Reinsurance Company and others	89.39%
5	HNA Group	25,795	RMB	Aircraft Comprehensive Insurance	AXA, La Reunion Aerienne and others	92.67%

(1) The policy is part of an overall insurance plan. Reinsurance is arranged based on the entire insurance plan, not on a policy-by-policy basis.

ASSET MANAGEMENT AND INVESTMENT PORTFOLIO

Overview

We manage our insurance funds in a centralized and professional manner. We conduct our insurance asset management business through our asset management subsidiary established in June 2006, known as Pacific Asset Management Co., Ltd., which assumed the principal responsibilities of the former fund deployment and management center of CPIC Group. As of 30 June 2009, CPIC Asset Management was 80% owned by CPIC Group, 16% owned by CPIC Life and 4% owned by CPIC Property.

We invest the written premiums, policy fees, deposits and other funds received from our insurance businesses, as well as our own surplus funds. As our insurance businesses grow and our financial condition continues to improve, we have witnessed an overall growth in the assets under our management in recent years. As of 30 June 2009, we had approximately RMB331.3 billion of investment assets.

Business Initiatives

Our asset management business seeks to embrace the fundamental principle of insurance assets-liabilities management by further improving our assets-liabilities management mechanism, sharpen our overall investment capabilities, strengthen our investment risk management and capture investment opportunities through both traditional and new investment channels that arise from time to time, in an effort to pursue investment returns that exceed the overall cost of insurance liabilities in a consistent and sustained manner and to achieve sustainable growth in our value. We plan to adopt the following business initiatives:

- Improve our assets-liabilities management mechanism by establishing an asset allocation decision-making process, which comprises the ALCO, the tactical asset allocation decision-making team and the individual investment account management teams, and by formulating strategic asset allocation decisions and differentiated tactical asset allocation plans based on the characteristics of liabilities for each investment account;
- Improve the operational mechanism of our investment business that focuses on a matrix management model, under which, guided by strategic asset allocation decisions and tactical asset allocation plans, our account management teams, fixed-income investment professionals and equity investment professionals make investment decisions, in light of the characteristics and requirements of different insurance investment accounts under management, in the markets in a proactive, dynamic and prudent manner to achieve an increase in the net asset value of investments;
- Continue to build a high-quality team of asset management professionals by training and recruiting talents with professional expertise, increasing the overall professional and international expertise of our team and establishing a performance evaluation mechanism over time that is consistent with our focus on assets-liabilities management as well as a market-based incentive compensation mechanism;
- Improve the operational structure for asset management in line with advanced international practices by implementing centralized management of fundamental business functions on a platform that offers comprehensive operational support and by establishing professional investment platforms that support the professional operations of our respective investment businesses relating to capital markets, private debt and equity, and real estate, and, guided by the information technology application system for investment management business designed by us in collaboration with a leading international information technology firm, continue to implement an advanced investment business management system;
- Optimize our quantitative risk assessment mechanism and implement rigorous risk budgeting and quota management, enhance our ability to manage credit risk by strengthening the management of credit extension to banks and credit assessment in fixed income investments and by improving policies and procedures, and continue to prevent compliance and operational risks, so as to improve our overall investment risk management capabilities and pursue continued improvement in investment performance while adhering to compliance and risk control objectives in our operations;
- Further explore new investment channels for insurance funds and, subject to applicable laws, regulations and policies, accelerate the preparatory work for the establishment of specialized subsidiaries dedicated to private equity and debt investments and real estate investments, while continuing to promote debt investments in infrastructure projects and equity investments in unlisted financial institutions; and

- Accelerate the preparatory work for the establishment of an asset management company in Hong Kong as the platform for our overseas investments, while continuing to improve the operation of our domestic investment platforms, and cultivate our global investment capabilities by utilizing resources in both domestic and overseas markets to optimize our asset allocation.

As a result of the current PRC regulatory requirements governing investments by insurance companies, substantially all of our investment assets are concentrated in investment channels that are located in the PRC, primarily bank deposits, fixed-income securities, including government bonds, notes issued by the PBOC, bonds issued by State-owned policy banks, bonds and subordinated bonds issued by commercial banks and other financial institutions, corporate bonds and equity investment funds primarily invested in equity securities that are traded on PRC stock exchanges, as well as equity securities traded on PRC stock exchanges. We also participate in repurchase agreements and investments in infrastructure projects. A detailed discussion of these restrictions is set forth in the section headed "Supervision and Regulation — Insurance Business — Use of Insurance Funds". Although our investment opportunities are limited by applicable PRC regulations, we intend to diversify and optimize our investment portfolio to the extent permitted by any regulatory changes. Pursuant to the Interim Provisions Regarding Offshore Investments of Insurance Funds, jointly promulgated by the CIRC, the PBOC and the SAFE on 28 June 2007, we may also invest in certain money market products, fixed-income investments and equity investment products overseas, subject to investment amount limitations and regulatory approval.

In addition to managing our insurance assets and surplus funds, CPIC Asset Management endeavors to broaden the sources of its managed assets. We have also been actively exploring third-party asset management business with some initial success. We have won the mandates from more than ten insurance companies for their equity investment businesses.

Management Framework and Decision-Making Mechanisms

We oversee our fund investments within our organization under our group company structure. The ALCO at our group company level sets forth investment return targets and risk exposure targets for insurance funds of different nature and formulates long-term asset allocation targets (generally covering a period of 3 to 5 years), in light of the characteristics of insurance liabilities and the operational needs of our insurance businesses, based on which we determine our tactical asset allocation targets and our assumed long-term investment returns. CPIC Asset Management formulates its tactical asset allocations and executes day-to-day investment operations.

We have established a tactical asset allocation decision-making team under the direct leadership of the operating committee of CPIC Asset Management. The tactical asset allocation decision-making team formulates, and oversees the implementation of, our investment strategies based on strategic asset allocations of the ALCO, and directs the overall day-to-day investment operations of CPIC Asset Management. Under a matrix management model, the investment teams, in particular the individual investment account management teams, within CPIC Asset Management carry out specific investment activities. The risk management committee, established under the operating committee of CPIC Asset Management, formulates policies and strategies with respect to risk management, within the risk budget set forth by the ALCO for our asset management business, and oversees and supervises risk management and compliance activities carried out in our asset management business.

Assets-liabilities management is the most fundamental principle that we embrace in our asset management business. We make professional forecasts of the characteristics of insurance funds, based on observed industry trends as well as current conditions and future strategies of our business development, and seek to provide accurate information, such as inflows of premium income and characteristics of liabilities, to assist in our investment decision-making. By analyzing the risk-return profiles of investment assets and taking into account the characteristics of liabilities relating to the assets under our management, CPIC Asset Management formulates asset allocation strategies and conducts day-to-day investment operations to strive to pursue investment returns that consistently exceed our cost of liabilities and to reduce the adverse impact of economic cycles and market volatilities on the value of our Company. CPIC Asset Management also assists in the decision-making process governing adjustments to, and development of, our core insurance businesses by making recommendations regarding the structure and characteristics of insurance liabilities, utilizing its expertise and capabilities gained from the asset management platform as well as its understanding of the characteristics of assets available in the markets.

Investment Policies

In our fund deployment and management, we focus on assets-liabilities matching as well as the fundamental principles of safety, liquidity and profitability governing the use of insurance funds, and seek to maximize the returns of our investment portfolio on the basis of sound asset allocation and effective risk control. To that end, we have adopted a series of investment policies and implemented rigorous internal controls. Our principal investment policies include the following:

- Under a professional and prudent guiding principle that is oriented towards assets-liabilities management, pursue sustainable and consistent investment returns that exceed our cost of liabilities within an economic cycle by adhering to rigorous investment decision-making mechanisms and processes and by adopting proactive yet cautious investment management;

- Formulate sound investment strategies and implement corresponding asset allocations by taking into consideration the characteristics of liabilities, operating targets, regulatory constraints and available investment channels; and

- Focus on the matching of our assets and liabilities, including their duration, cash flow and yield, continue to diversify and optimize our investment portfolio, and manage our investment portfolio’s exposure to market, interest rate, credit and liquidity risks as well as concentration risk relating to investments in any single company or a group of related companies.

Internal Risk Control in Asset Management

We strive to adhere to prudent and rigorous risk control in our investment management, with risk monitoring and management mechanisms covering the entire process of a risk event and with strict firewalls separating investment decision-making and trade executions. We have established detailed investment management procedures, stipulating that investments above specified thresholds, or specified investments (including but not limited to equity investments in unlisted companies, alternative investments and investments through new investment channels), must be approved by specifically authorized personnel or entities. We have also established a series of policies and procedures relating to our investment risk management and internal control, as well as compliance review and verification procedures in connecting with investment transactions. The compliance and risk management department of CPIC Asset Management is responsible for risk identification, assessment, management and control, using both quantitative and qualitative measures, relating to such risks as market risk, credit risk, interest rate risk, foreign exchange risk, liquidity risk, operational risk and compliance risk, among others, within our asset management operations. Most of our investment-related controls, including maximum investment amount in a single equity security, investment category restrictions and delegation of authorities, are configured and embedded in our information technology systems. For additional information on our risk management, including that relating to our asset management business, see the section headed “ — Risk Management” below.

Portfolio Composition

We had total investment assets of RMB185.2 billion, RMB286.6 billion, RMB288.1 billion and RMB331.3 billion as of 31 December 2006, 2007, 2008 and 30 June 2009, respectively. Due to current PRC regulatory requirements governing investments by insurance companies, substantially all of our investments are concentrated in a limited number of asset classes in the PRC. In particular, as of 30 June 2009, cash and cash equivalents, term deposits, government bonds, policy finance bonds, bonds and subordinated bonds issued by financial institutions, corporate bonds, equity investments and investments in infrastructure projects accounted for approximately 5.7%, 27.5%, 5.3%, 7.8%, 14.3%, 25.2%, 8.8% and 4.6%, respectively, of our total investment assets, with the rest of our investment assets held in the form of other investments. Subject to compliance with applicable PRC regulations, we may invest in other new financial instruments, particularly those with a longer maturity in order to optimize our asset allocation and diversify our investment portfolio. In addition, although we currently only have limited investments that are located outside the PRC, we intend, subject to compliance with applicable PRC regulations, to expand our overseas investments in a measured and prudent fashion consistent with our overall intended risk/return criteria.

The following table sets forth certain information regarding the composition of our investment portfolio as of the dates indicated:

	As of 31 December						As of 30 June	
	2006		2007		2008		2009	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(in millions of RMB, except percentages)							
Cash and cash equivalents	11,856	6.4%	29,122	10.2%	17,573	6.1%	18,734	5.7%
Fixed-income investments	146,443	79.1	187,236	65.3	250,190	86.8	268,022	80.9
Term deposits	53,855	29.1	59,262	20.6	82,756	28.7	91,061	27.5
Fixed-income securities	91,450	49.4	126,534	44.2	164,898	57.2	174,137	52.6
Government bonds	19,556	10.6	24,053	8.4	21,285	7.4	17,393	5.3
Policy finance bonds	21,659	11.7	22,049	7.7	26,553	9.2	25,926	7.8
Bonds and subordinated bonds issued by financial institutions	22,383	12.1	26,404	9.2	42,701	14.8	47,222	14.3
Corporate bonds	27,852	15.0	54,028	18.9	74,359	25.8	83,596	25.2
Other fixed-income investments[1]	1,138	0.6	1,440	0.5	2,536	0.9	2,824	0.8
Equity investments[2]	26,874	14.5	65,510	22.9	13,774	4.8	29,292	8.8
Equity investment funds	15,444	8.3	30,470	10.6	7,981	2.8	11,343	3.4
Equity securities	10,884	5.9	34,589	12.1	5,324	1.8	17,454	5.3
Other equity investments[3]	546	0.3	451	0.2	469	0.2	495	0.1
Investments in infrastructure projects	—	—	4,696	1.6	6,539	2.3	15,241	4.6
Debt	—	—	4,696	1.6	4,995	1.7	12,442	3.8
Equity	—	—	—	—	1,544	0.6	2,799	0.8
Total	185,173	100.0%	286,564	100.0%	288,076	100.0%	331,289	100.0%

(1) Primarily consist of restricted statutory deposits and policy loans.

(2) The RMB38.6 billion increase in equity investments from RMB26.9 billion as of 31 December 2006 to RMB65.5 billion as of 31 December 2007 was attributable to (i) net purchases of RMB3.4 billion and (ii) net increase in fair value of RMB35.2 billion. The RMB51.7 billion decrease in equity investments from RMB65.5 billion as of 31 December 2007 to RMB13.8 billion as of 31 December 2008 was attributable to (i) net disposition of RMB23.1 billion and (ii) net decrease in fair value of RMB28.6 billion. The RMB15.5 billion increase in equity investments from RMB13.8 billion as of 31 December 2008 to RMB29.3 billion as of 30 June 2009 was attributable to (i) net purchases of RMB7.0 billion and (ii) net increase in fair value of RMB8.5 billion.

(3) Primarily consist of investments in affiliates and associates and derivative financial assets.

The following table sets forth certain information relating to our investment assets for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2006		2007		2008		2009	
	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount	Yield[(1)]	Amount
	(in millions of RMB, except yields)							
Cash and cash equivalents								
Interest income	1.85%	196	2.11%	432	1.38%	323	0.46%	83
Term deposits								
Interest income	4.31%	2,213	4.29%	2,429	4.95%	3,518	2.05%	1,780
Fixed-income securities								
Interest income	3.92%	3,327	3.75%	4,084	4.62%	6,726	2.24%	3,790
Net realized gains/(losses)		85		(522)		114		654
Net unrealized gains/(losses)		—		(3)		6		7
Impairment		—		—		(4)		—
Total		3,412		3,559		6,842		4,451
Equity investments[(2)]								
Dividend income	4.65%	794	12.58%	5,748	18.20%	7,132	2.51%	529
Net realized gains/(losses)		2,652		15,062		(3,875)		1,867
Net unrealized gains/(losses)		410		239		(748)		120
Impairment		—		—		(5,143)		(128)
Total[(3)]		3,856		21,049		(2,634)		2,388
Debt investments in infrastructure projects								
Interest income	—	—	2.34%	55	5.08%	246	2.28%	199
Other investment income/(loss)[(4)]		18		171		52		86
Total investment income[(5)]	5.97%	9,695	11.96%	27,695	2.92%	8,347	3.03%	8,987

(1) Ratio of investment income to average investments at the beginning and end of the period. The yield information for the six months ended 30 June 2009 has not been annualized.

(2) Consist of equity securities and equity investment funds.

(3) Our overall investment strategy for equity investments is to track market performance and seek appropriate dividend income at the same time. As equity investment funds accounted for approximately half of our equity investments in 2008 and equity securities invested in by us in 2008 were principally large-capitalization, blue-chip stocks, the performance of these investments was generally in line with the overall equity market performance in the PRC in 2008. Therefore, the decline in our investment income in 2008 compared to 2007, as related to our equity investments, primarily reflected the overall decline in the PRC equity markets in 2008.

(4) Primarily includes income/(loss) relating to restricted statutory deposits, policy loans and other equity investments.

(5) The yield information relating to total investment income for each period is based on investment income (net of interest expense incurred for securities sold under agreements to repurchase) and average investments (net of associated liabilities relating to securities sold under agreements to repurchase).

Cash and Cash Equivalents

Cash and cash equivalents primarily include cash and short-term time deposits with original maturities of no more than three months as well as securities purchased under agreements to resell. As of 30 June 2009, approximately 5.7% of our investment assets were in the form of cash and cash equivalents.

Term Deposits

As of 30 June 2009, approximately 27.5% of our investment assets were deposited with a number of commercial banks in the PRC in the form of term deposits. In 2006, 2007, 2008 and the first six months of 2009, our yield on term deposits was approximately 4.31%, 4.29%, 4.95% and 2.05% (not annualized), respectively.

The following table sets forth the top five commercial banks in the PRC in terms of fixed deposits placed by us as of the dates indicated:

	Deposit (in millions of RMB)	% of Total
As of 31 December 2006:		
Huaxia Bank	7,211	13.4%
Industrial Bank	6,525	12.1
Bank of Communications	6,357	11.8
China Everbright Bank	6,002	11.1
China CITIC Bank	4,884	9.1
Other banks	22,876	42.5
Total	53,855	100.0%
As of 31 December 2007:		
Bank of Communications	14,535	24.5%
China Everbright Bank	7,212	12.1
Huaxia Bank	7,092	12.0
Bank of Shanghai	4,903	8.3
China CITIC Bank	4,605	7.8
Other banks	20,915	35.3
Total	59,262	100.0%
As of 31 December 2008:		
Bank of Communications	22,650	27.4%
China Everbright Bank	11,500	13.9
China Construction Bank	8,444	10.2
Shenzhen Development Bank	5,050	6.1
Huaxia Bank	4,700	5.7
Other banks	30,412	36.7
Total	82,756	100.0%

	Deposit (in millions of RMB)	% of Total
As of 30 June 2009:		
Bank of Communications	25,387	27.9%
China Everbright Bank	11,500	12.6
China Construction Bank	10,314	11.3
Shenzhen Development Bank	5,050	5.5
Huaxia Bank	4,900	5.4
Other banks	33,910	37.3
Total	91,061	100.0%

The following table sets forth a breakdown of our term deposits by maturity as of the dates indicated:

	As of 31 December						As of 30 June	
	2006		2007		2008		2009	
	Carrying value	% of book value	Carrying value	% of book value	Carrying value	% of book value	Carrying value	% of book value
	(in millions of RMB, except percentages)							
Due in three months or less	3,958	7.3%	1,847	3.1%	54	0.1%	5,083	5.6%
Due in three months through one year	10,800	20.1	18,534	31.3	158	0.2	2,544	2.8
Due in 1 year through 5 years	38,248	71.0	37,146	62.7	82,189	99.3	83,130	91.3
Due after 5 years	849	1.6	1,735	2.9	355	0.4	304	0.3
Total	53,855	100.0%	59,262	100.0%	82,756	100.0%	91,061	100.0%

Government Bonds

Government bonds have maturities of up to 50 years and pay interest that is tax exempt. We invest in both listed and unlisted government bonds. PRC government bonds represented approximately 5.3% of our investment assets as of 30 June 2009.

The following table sets forth a breakdown of our investments in government bonds by maturity as of the dates indicated:

	Face value	% of face value	Estimated fair value
	(in millions of RMB, except percentages)		
As of 31 December 2006:			
Due in three months or less	—	—	—
Due in three months through one year	1,051	5.3%	1,037
Due in 1 year through 5 years	14,195	72.1%	14,232
Due in 5 years through 10 years	3,026	15.4%	3,022
Due after 10 years	1,415	7.2%	1,350

	Face value	% of face value	Estimated fair value
	(in millions of RMB, except percentages)		
As of 31 December 2007:			
Due in three months or less	2,668	10.9%	2,652
Due in three months through one year	4,892	20.0%	4,778
Due in 1 year through 5 years	13,884	56.7%	13,657
Due in 5 years through 10 years	2,506	10.2%	2,298
Due after 10 years	537	2.2%	487
As of 31 December 2008:			
Due in three months or less	—	—	—
Due in three months through one year	9,100	43.0%	9,140
Due in 1 year through 5 years	8,941	42.3%	9,184
Due in 5 years through 10 years	1,463	6.9%	1,542
Due after 10 years	1,637	7.8%	1,747
As of 30 June 2009:			
Due in three months or less	3,781	21.8%	3,801
Due in three months through one year	5,045	29.1%	5,105
Due in 1 year through 5 years	4,064	23.4%	4,146
Due in 5 years through 10 years	1,241	7.1%	1,224
Due after 10 years	3,237	18.6%	3,245

The fair value of our bond investments that are actively traded in organized financial markets is assessed with reference to the quoted market prices at the close of business at each balance sheet date. For government bonds that are not actively traded and the quoted market prices of which are not available, the fair values are determined using valuation techniques, including, but not limited to, references to the current market values of similar bonds with active trading markets, discounted cash flow analysis or other valuation models.

Policy Finance Bonds

Policy finance bonds are primarily bonds that are issued by three State-owned policy banks of the PRC, including China Development Bank, China Import & Export Bank and China Agriculture Development Bank. Policy finance bonds are generally traded through the interbank markets. Policy finance bonds generally have long maturities. The applicable PRC regulations do not restrict the amount of our investment in policy finance bonds. As of 30 June 2009, policy finance bonds represented approximately 7.8% of our investment assets.

The following table sets forth a breakdown of our investments in policy finance bonds by maturity as of the dates indicated:

	Face value	% of face value	Estimated fair value
	(in millions of RMB, except percentages)		
As of 31 December 2006:			
Due in three months or less	—	—	—
Due in three months through one year	180	0.8%	181
Due in 1 year through 5 years	5,680	27.0%	5,825
Due in 5 years through 10 years	8,239	39.1%	8,230
Due after 10 years	6,965	33.1%	7,500
As of 31 December 2007:			
Due in three months or less	—	—	—
Due in three months through one year	60	0.3%	60
Due in 1 year through 5 years	8,950	40.0%	8,691
Due in 5 years through 10 years	4,909	21.9%	4,650
Due after 10 years	8,465	37.8%	7,826
As of 31 December 2008:			
Due in three months or less	—	—	—
Due in three months through one year	1,740	6.8%	1,771
Due in 1 year through 5 years	12,119	47.3%	12,822
Due in 5 years through 10 years	280	1.1%	309
Due after 10 years	11,465	44.8%	12,711
As of 30 June 2009:			
Due in three months or less	420	1.7%	422
Due in three months through one year	1,730	6.8%	1,748
Due in 1 year through 5 years	10,103	39.9%	10,465
Due in 5 years through 10 years	780	3.1%	800
Due after 10 years	12,315	48.5%	12,819

The fair value of our policy finance bonds is estimated using the same method for the fair value assessment of government bonds.

Bonds and Subordinated Bonds Issued by Financial Institutions

PRC insurance companies may invest in bonds and subordinated bonds issued by any qualified commercial bank in connection with either a public offering or a private placement and in subordinated bonds issued by any qualified insurance company in connection with a private placement. As of 30 June 2009, bonds and subordinated bonds issued by financial institutions represented approximately 14.3% of our investment assets.

The following table sets forth a breakdown of our investments in bonds and subordinated bonds issued by financial institutions by maturity as of the dates indicated:

	Face value	% of face value	Estimated fair value
	(in millions of RMB, except percentages)		
As of 31 December 2006:			
Due in three months or less	—	—	—
Due in three months through one year	—	—	—
Due in 1 year through 5 years	7,600	34.4%	7,620
Due in 5 years through 10 years	11,494	52.1%	11,898
Due after 10 years	2,976	13.5%	3,166
As of 31 December 2007:			
Due in three months or less	—	—	—
Due in three months through one year	—	—	—
Due in 1 year through 5 years	9,031	33.6%	8,876
Due in 5 years through 10 years	12,006	44.6%	11,966
Due after 10 years	5,871	21.8%	5,310
As of 31 December 2008:			
Due in three months or less	450	1.1%	468
Due in three months through one year	4,050	9.7%	4,060
Due in 1 year through 5 years	3,590	8.6%	3,631
Due in 5 years through 10 years	26,282	62.8%	27,350
Due after 10 years	7,431	17.8%	7,749
As of 30 June 2009:			
Due in three months or less	6,174	13.2%	6,171
Due in three months through one year	2,000	4.3%	2,000
Due in 1 year through 5 years	1,590	3.4%	1,599
Due in 5 years through 10 years	23,290	50.0%	23,763
Due after 10 years	13,536	29.1%	13,411

Corporate Bonds

Between August 2005 and September 2009, PRC insurance companies were permitted to invest up to 30% of their total assets, calculated on the basis of cost, as of the end of the prior quarter in corporate bonds issued by PRC companies that are rated AA or above by a CIRC-approved credit rating agency. Starting from September 2009, this percentage was increased to 40%. As of 30 June 2009, corporate bonds represented approximately 25.2% of our investment assets.

Presently, most corporate bonds issued in the PRC are guaranteed by a commercial bank or another institution. This gives these bonds certain credit enhancement. Prior to March 2009, the CIRC generally does not permit PRC insurance companies to invest in corporate bonds with no guarantees, except for commercial paper. Beginning in March 2009, qualified PRC insurance companies may, subject to prior regulatory approval, invest in debt financing instruments, such as medium-term notes, issued by non-financial institutions in the PRC market, bonds issued by large State-owned enterprises in the Hong Kong market and convertible bonds that do not have a guarantee feature. Although corporate bonds may be less liquid than most other types of fixed income securities, the yield to be earned on these bonds is generally higher than most other fixed income instruments and these bonds have generally longer maturities. Therefore, we may consider further increasing the proportion of corporate bonds in our investment portfolio, subject to market conditions and regulatory requirements.

The following table sets forth a breakdown of our investments in corporate bonds by maturity as of the dates indicated:

	Face value	% of face value	Estimated fair value
	(in millions of RMB, except percentages)		
As of 31 December 2006:			
Due in three months or less	106	0.4%	106
Due in three months through one year	415	1.6%	413
Due in 1 year through 5 years	1,755	6.5%	1,735
Due in 5 years through 10 years	13,940	51.8%	14,362
Due after 10 years	10,684	39.7%	11,222
As of 31 December 2007:			
Due in three months or less	—	—	—
Due in three months through one year	469	0.8%	465
Due in 1 year through 5 years	7,662	12.9%	7,362
Due in 5 years through 10 years	34,129	57.3%	32,688
Due after 10 years	17,261	29.0%	15,809
As of 31 December 2008:			
Due in three months or less	—	—	—
Due in three months through one year	355	0.4%	360
Due in 1 year through 5 years	10,948	13.8%	10,999
Due in 5 years through 10 years	47,815	60.2%	49,778
Due after 10 years	20,320	25.6%	21,320
As of 30 June 2009:			
Due in three months or less	—	—	—
Due in three months through one year	1,355	1.4%	1,357
Due in 1 year through 5 years	18,827	19.5%	17,675
Due in 5 years through 10 years	52,848	54.7%	54,662
Due after 10 years	23,605	24.4%	23,596

The fair value of our corporate bonds is estimated using the same method for the fair value assessment of government bonds.

Equity Investment Funds

Since January 2003, PRC insurance companies have been permitted to invest in equity investment funds up to 15% of their total assets as of the end of the previous month. Equity investment funds that PRC insurance companies currently may invest in include close-ended funds and open-ended funds. In light of market capacity and related liquidity considerations, a majority of our investments in equity investment funds consist of those in open-ended funds.

The PRC securities markets experienced substantial fluctuations in the prices and trading volumes of listed securities, including significant price declines, from time to time in recent years. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at 1,706.70 points on 4 November 2008, representing a 72% decline from its all-time high closing of 6,092.06 points on 16 October 2007. We will continue to adjust our investment strategies regarding equity investment funds based on our in-depth analysis of securities markets. As of 30 June 2009, equity investment funds represented approximately 3.4% of our investment assets. See the section headed "Risk Factors — Risks Relating to Our Company — Our investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on our results of operations and financial condition".

The following table sets forth the market value relating to our equity investment fund portfolio as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Equity investment funds	15,444	30,470	7,981	11,343
Close-ended funds	8,146	13,218	3,994	2,734
Open-ended funds	7,298	17,252	3,987	8,609

Equity Securities

Since March 2005, qualified PRC insurance companies have been permitted to invest a portion of their insurance funds directly in shares of PRC companies listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange. Over time, we intend to continue to adjust our direct holdings of equity securities so as to improve our overall investment returns with strict control of our risk exposures. As of 30 June 2009, equity securities directly held by us represented approximately 5.3% of our investment assets. See the section headed "Supervision and Regulation — Use of Insurance Funds — Investment in Equity".

Investments in Infrastructure Projects

We invested indirectly in an infrastructure project through an investment plan named "Pacific-Shanghai World Expo Debt Investment Plan" (太平洋－上海世博會債權投資計劃) in 2007, involving an investment of a 10-year duration with an aggregate principal amount of RMB3 billion. More recently, in January 2009, we obtained CIRC approval to participate in Phase II of the Pacific-Shanghai World Expo Debt Investment Plan (太平洋－上海世博會債權投資計劃(二期)), involving an investment of a 10-year duration with an aggregate principal amount of RMB4 billion.

In June 2008, we obtained CIRC approval to make a RMB4 billion equity investment in unlisted Beijing-Shanghai Express Railway Joint Stock Company.

In November 2008, we obtained CIRC approval to make an investment in the CPIC-Wu Jiang River Hydroelectric Project Debt Investment Plan (太保－烏江水電項目債權投資計劃), involving an investment of a 10-year duration with an aggregate principal amount of RMB2.7 billion.

More recently, in April 2009, we made an investment in the Yangtze River Tunnel-Bridge for Shanghai-Chongming Cross-River Expressway Project Debt Investment Plan (上海崇明越江隧橋工程債權投資計劃), involving an investment of a 10-year duration with an aggregate principal amount of RMB2 billion.

In addition, we have invested in other infrastructure project related debt investment plans sponsored by other PRC insurance asset management companies. As of 30 June 2009, our investments in infrastructure projects, including an aggregate of RMB12,442 million in debt investment plans and an aggregate of RMB2,799 million in equity investment plans, represented 4.6% of our investment assets. In 2008 and the first six months of 2009, our yield on debt investment plans in infrastructure projects was approximately 5.08% and 2.28% (not annualized), respectively.

Other Investments

In addition to the investments discussed above, we may invest in other investments. In recent years, the CIRC has further relaxed the restrictions on the investment channels of PRC insurance companies, and may permit PRC insurance companies to place an increasingly large proportion of their investment assets in overseas markets and to invest in real estate. We seek to further explore new investment channels to improve our asset-liability matching and enhance our investment returns while controlling our risk exposures.

OTHER OPERATIONS

Pacific-Antai Life Insurance Co., Ltd.

We have been operating Pacific-Antai, a joint venture originally with Aetna Life Insurance Company, an affiliate of ING Groep N.V., since October 1998. CPIC Group and an affiliate of ING Groep N.V. each hold a 50% interest in Pacific-Antai. Based on PRC GAAP financial data published by the CIRC for 2008, Pacific-Antai was the thirteenth largest foreign-invested life insurance company, in terms of gross written premiums, operating in the PRC in 2008. In the year ended 31 December 2008 and the first six months of 2009, Pacific-Antai generated premium income of RMB1,047 million and RMB499 million, respectively, and net profit of RMB1 million and RMB5 million, respectively, each as calculated under PRC GAAP.

Pacific-Antai is primarily engaged in the underwriting of various types of life insurance products, serving over 300,000 customers through its headquarters in Shanghai and its branches in Guangdong Province and Jiangsu Province. Traditional life insurance, investment-linked insurance, universal life insurance, participating life insurance and short-term health and accident insurance products currently constitute the majority of Pacific-Antai's business.

On 17 August and 14 September 2007, respectively, our Board and our shareholders' meeting reached a tentative decision to dispose of our 50% interest in Pacific-Antai. We have not entered into an agreement with any third party in connection with such disposition, and the ultimate disposition would be subject to a number of factors, including, among others, market conditions, the discretion of our Board and the approval of such disposition by the CIRC. As of the Latest Practicable Date, there was no definitive timetable for such disposition.

Proposed Acquisition of Changjiang Pension Insurance Co., Ltd.

In April 2009, we, through CPIC Life, entered into agreements to acquire 113.5 million shares of Changjiang Pension from Shanghai International Group Co., Ltd. for a total consideration in cash of approximately RMB170.3 million and to subscribe for approximately 218.6 million newly issued shares of Changjiang Pension for a total consideration in cash of approximately RMB327.9 million. Upon completion of the proposed transactions, we would, through CPIC Life and CPIC Asset Management, become the largest shareholder of Changjiang Pension, holding an aggregate of 51.753% of Changjiang Pension's outstanding shares, and Changjiang Pension would become our subsidiary. Mr. XU Jinghui, Executive Vice-President of our Company and Mr. JIN Wenhong, the chairman of the board of directors of CPIC Life, currently serve as directors of Changjiang Pension. Shanghai International Group Co., Ltd., through its subsidiaries, including Shanghai State-Owned Assets Operation Co., Ltd., indirectly held approximately 6.19% of our issued share capital as of the Latest Practicable Date.

Primarily engaged in the management of pension funds, Changjiang Pension is among several companies authorized by the Ministry of Human Resources and Social Security of the PRC to act as trustee, account manager and investment manager in connection with the management of corporate pension funds in the PRC. In 2007, Shanghai Corporate Pension Development Center transferred the management of all the then-existing corporate pension funds of Shanghai to Changjiang Pension.

Our acquisition of 113.5 million shares of Changjiang Pension from Shanghai International Group Co., Ltd. was completed in November 2009, following the approval by the CIRC in October 2009 and other related approvals in the PRC. Our proposed subscription for approximately 218.6 million newly issued shares of Changjiang Pension is subject to customary closing conditions, including required regulatory approvals in the PRC.

Overseas Operations

Our overseas operations are conducted primarily in Hong Kong through our wholly-owned subsidiary CPIC HK.

We commenced our operations in Hong Kong in 1994. With 23 employees as of 30 June 2009, CPIC HK engages in general insurance business in Hong Kong, including accident and health insurance, motor vehicle insurance, aircraft insurance, ships insurance, goods-in-transit insurance, property damage insurance, general liability insurance and pecuniary loss insurance. In the year ended 31 December 2008 and the first six months of 2009, CPIC HK generated gross written premiums and policy fees of approximately RMB171 million and RMB101 million, respectively.

Our Board resolved on 22 January 2008 to establish a Hong Kong company, which is in the process of being incorporated. Upon its incorporation, it will be engaged in asset management business in Hong Kong.

RISK MANAGEMENT

Risk management is fundamental to our operations and our long-term growth. We have devoted substantial resources to enhancing our risk management over the years, and seek to further strengthen our risk management capabilities by establishing a comprehensive, integrated risk management framework that is designed to identify, assess and control risks in our operations, to support our business decisions and help ensure our prudent management.

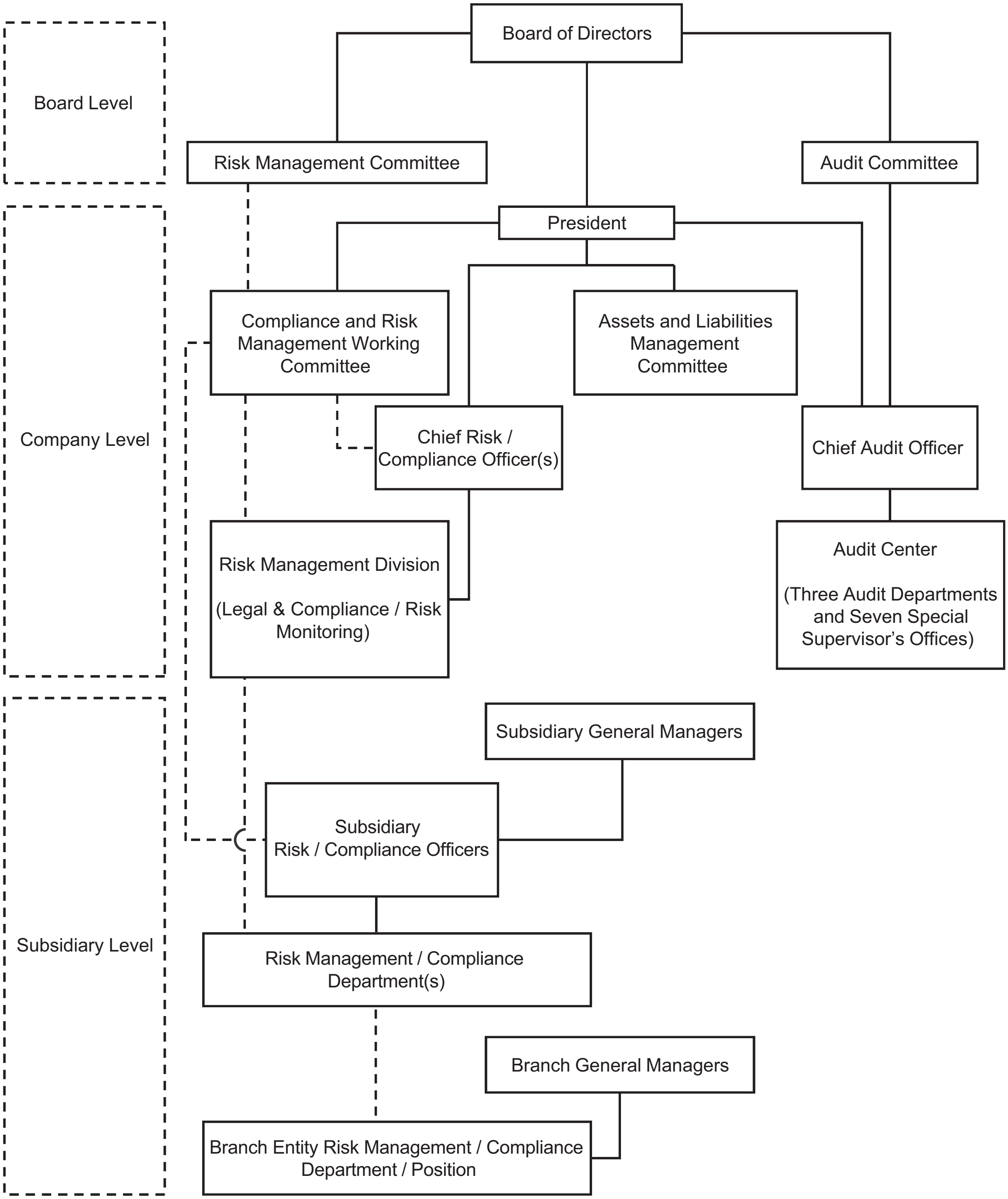
Risk Management Framework

We have established a risk management committee and an audit committee under our Board to oversee our risk management activities. We have also established a compliance and risk management working committee under the leadership of CPIC Group's President, which comprise our senior management, the heads of our key operational departments as well as the senior management and the heads of risk management and compliance departments of CPIC Life, CPIC Property and CPIC Asset Management. Our compliance and risk management working committee is responsible for implementing risk management policies.

CPIC Group has established a risk management division and an audit center, which, aided by the risk management and compliance departments and the officers in charge of risk and/or compliance matters at CPIC Life, CPIC Property and CPIC Asset Management and relevant branch entities, as well as the audit center's three audit departments and seven regionally located special supervisor's offices, are responsible for carrying out the day-to-day risk management and internal control activities. In 2009, CPIC Group established the ALCO to undertake the responsibility of formulating general asset-liability matching principles and asset allocation strategies, among other things.

Each of CPIC Group, CPIC Life, CPIC Property and CPIC Asset management has established a risk management/compliance division or department that is responsible for risk management, and has also appointed an officer or officers in charge of risk management and compliance matters.

The following chart sets forth the organizational structure of our risk management framework as of the date of this prospectus:



Note: The dotted line connecting organizational components in the chart denotes functional reporting relationship, while the solid line connecting organizational components in the chart denotes administrative reporting relationship.

Risk Management Organizational Structure at Board and CPIC Group Level

Audit Committee

We have established an audit committee under our Board, which, as authorized by our Board, is primarily responsible for the coordination, monitoring and supervision of our internal and external audit functions.

The audit committee has the following principal duties and responsibilities in our risk management:

- Review our internal audit process and make suggestions to our Board, and approve annual internal audit plans and budget;
- Supervise the independence of our internal audit function as well as our internal audit processes and procedures and related implementation, direct and supervise our internal audit, and review and examine the effectiveness of our internal audit;
- Periodically review financial control reports as well as internal control evaluation reports submitted by our audit center, and report findings and make recommendations to our Board with respect to our financial control, internal control, risk management and compliance;
- Periodically review and assess the soundness and effectiveness of our internal control, accept and handle complaints arising from significant issues in relation to our internal control, and supervise the rectification of significant issues identified through internal and external audits;
- Discuss with management issues relating to our internal control system to ensure that management has fulfilled its duties and responsibilities regarding the establishment of an effective internal control system, including the adequacy of resources, qualifications and experience of our accounting and financial reporting staff, and their training programs and budget;
- Study, either on its own initiative or as requested by our Board, significant findings and related management responses regarding internal control; and
- Review disclosures regarding our internal control system in annual reports, prior to their submission to our Board for review.

Risk Management Committee

We have established a risk management committee under our Board, which is responsible for overseeing our risk management, including identifying, assessing and controlling the risks in our operations, to safeguard the integrity of our operations.

The risk management committee periodically reviews risk management reports submitted by our senior management and assesses our risk profile, including the sufficiency and effectiveness of our risk management as well as the performance of our senior management in carrying out its risk management responsibilities.

The risk management committee monitors the operational effectiveness of our risk management system, based on a comprehensive analysis of significant risks faced by us and related measures taken by us to address those risks. The risk management committee reviews, and recommends to our Board related suggestions with respect to, the following:

- Overall objectives and fundamental policies of, and rules of reference for, risk management;

- Coordinate setup of risk management as well as each organization's duties and responsibilities;
- Risk assessment relating to significant decision-making and proposed measures to address significant risks;
- Annual risk evaluation reports; and
- Review material connected transactions.

Compliance and Risk Management Working Committee

We have established a compliance and risk management working committee under the leadership of CPIC Group's President. The principal duties and responsibilities of the compliance and risk management working committee include:

- Review the overall objectives and fundamental strategies of, and rules of reference for, compliance and risk management of CPIC Group and discharge the responsibility for improving the compliance and risk management systems;
- Review compliance evaluation reports, risk evaluation reports and risk management working reports, as well as risk assessment relating to significant decision-making and proposed measures to address significant risks;
- Assess and monitor the proposed risk prevention, crisis management and remedial measures in connection with significant risk or crisis events, implement risk identification and assessment, study potential risks as well as related measures to address such risks and oversee their implementation;
- Review reinsurance guidelines, overall reinsurance plans and significant reinsurance arrangements in connection with our life insurance and property and casualty insurance businesses; and
- Promote the development of management information systems for compliance and risk management.

Assets-Liabilities Management Committee

We have established the ALCO under the leadership of CPIC Group's President. The principal duties and responsibilities of the ALCO relating to risk management include:

- Devise a mechanism for the coordination of product design, marketing and investment;
- Review and approve investment-related risk tolerance levels proposed by our risk management functional departments;
- Approve investment risk budget allocations for investment accounts;
- Formulate medium- to long-term investment objectives and investment policies;
- Review and approve new types of investments and investment projects;
- Formulate asset allocation strategies, and review and approve medium- to long-term strategic asset allocations and annual tactical asset allocations; and
- Assume overall responsibility for monitoring and evaluating our investment performance.

The assets-liabilities management working team under the ALCO, or ALM working team, monitors the structure of our liabilities and our asset and liability mismatching risks on a monthly or quarterly basis, creates asset-liability matching models, performs asset-liability matching analyses based on our long-term assets and liabilities forecast, and carry out other activities to assist the ALCO in the performance of its duties.

Functional Departments Relating to Risk Management

Risk Management Division

Our risk management division, consisting of legal and compliance department and risk monitoring department, is responsible for the day-to-day compliance and risk control of our Company.

The primary responsibilities of our risk management division include setting up a uniform risk management framework, formulating risk management policies and procedures and assessing and monitoring the status of various risks, among other things.

Audit Center

We have centralized our internal audit function at the CPIC Group level with the establishment of an audit center, which is supported by three audit departments as well as seven regionally located special supervisor's offices. We have appointed an officer in charge of auditing matters. The audit center carries out internal audits under the direction and supervision of the audit committee of our Board, and the officer in charge of auditing matters reports to both the audit committee of our Board and our senior management at least on a quarterly basis. The audit center supervises and monitors our risk management and compliance management and plays an important role in helping ensure the effectiveness of our internal control and the integrity of our operations. See the section headed "— Internal Audit".

The primary responsibilities of the audit center relating to risk management include auditing, evaluating and reporting on the adequacy and effectiveness of the internal control and risk management systems of CPIC Group, its subsidiaries and related branch entities, and overseeing the implementation of measures to remediate any identified internal control deficiencies.

Recent Risk Management Measures

To achieve our risk management objectives, we have taken the following measures in recent years:

- Continuing to improve risk management system and related organizational setup
  - — We established an audit department prior to 2001 to undertake the responsibility of monitoring and improving our risk management;
  - — In 2003 and 2004, we commenced a consulting project focused on financial management and internal control and completed the implementation of standard operating procedures for our businesses and finance, including budget management, financial management, centralized procurement, information disclosure, internal audit, information system and fixed asset management, establishing an operational risk management mechanism characterized by process control, standardized operations and risk classification;
  - — In 2004, we established an audit committee under our Board to undertake the responsibility of reviewing and supervising financial reporting, internal audit and control procedures;
  - — In 2005, we established a risk management framework characterized by segregation of functions, compliance management and internal audit supervision to refine the duties and responsibilities of risk management, compliance management and internal audit, which further improved our internal control system, in terms of both its design and its implementation, with a view to controlling overall risk exposures;
  - — In 2007, we established a risk management committee under our Board to undertake the responsibility for overseeing our risk management. We have also established a

compliance and risk management working committee under the leadership of CPIC Group's President to discharge risk management responsibilities;

— In 2007, our Board appointed our chief compliance officer and an officer in charge of auditing matters;

— In 2008 and 2009, in cooperation with an international consulting firm and taking into account international best practices, we explored the possibility of creating a group-wide risk measurement system based on quantitative models;

— In 2008 and 2009, we compiled and started enforcing compliance manuals for various positions throughout our organization, which define major compliance risks at different types of positions and set forth compliance "dos and don'ts" relating to these risks;

— Beginning in 2007, we formulated and compiled a series of internal rules and guidance governing various aspects of our risk management, including, among other things, our group-wide Risk Management Policies (風險管理政策) and Procedures for Risk Management (風險管理工作規程);

— In 2009, we established the ALCO to undertake the responsibility of formulating general asset-liability matching principles and asset allocation strategies, among other things;

— In 2008 and 2009, we extended our risk management framework that we had initially set up in 2007 to cover our subsidiaries, their branch entities and our functional departments by establishing risk management and compliance departments and appointing officers in charge of risk related matters within our organizational structure, and we established a mechanism for reporting risk events within our organization; and

— In 2009, we established a set of standards for evaluating internal control deficiencies and started creating an internal control matrix to gauge our risk exposures in different aspects of our operations.

- Starting to establish the fundamental processes for risk management and a framework for risk assessment

— In accordance with the Tentative Guidelines for Risk Management of Insurance Companies promulgated by the CIRC and with reference to concepts from the enterprise risk management framework of the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, we started to establish the fundamental processes and procedures for risk management in connection with risk information collection, risk identification and assessment, and risk control, reporting and monitoring;

— Our current risk management is focused on the analysis and assessment of our principal risks, such as insurance risk, asset and liability mismatching risk, market risk, credit risk, operational risk and solvency margin adequacy compliance risk;

— We have adopted a group-wide emergency response mechanism that can be activated in cases of emergency events and have implemented an internal policy that requires timely reporting of significant risk events to our management; and

— As our businesses continue to develop, we plan to further integrate our risk management system, based on the overall risk profile of a financial services group company, and gradually establish and improve risk management information systems and risk management database, so as to provide strong technical support for risk identification, assessment, control and reporting.

- Enhancing the risk control relating to the use of insurance funds

  — We have adopted and implemented risk management strategies that seek to manage risks by investment type, set reasonable maximum exposures in risk budgeting and control overall risk exposures, and have sought to determine our overall risk control targets in connection with the use of insurance funds, including risk preferences, maximum exposures and return requirements, based on our strategic objectives, our needs for asset and liability management and the goals of our business operations;

  — We have further refined the indicators for monitoring key risks and the related early warning thresholds, taking into consideration macroeconomic conditions and capital market movements;

  — We have sought to make full use of the investment channels currently available for the use of insurance funds, consistent with our risk control targets, and implement both overall and specific measures in response to risks based on risk profile and market conditions; and

  — We have complied with relevant laws and regulations in allocating our investments and setting related allocation percentages, and sought to operate our asset management business within the legal and regulatory framework so as to avoid making investments that may involve excessive risks or that may go beyond our management or risk control capabilities.

Management of Principal Risks

Insurance Risk Management

Insurance risk is the risk of potential loss arising from, among others, (i) mispricing of products or inadequate reserves due to inaccurate assumptions regarding such factors as mortality, morbidity, loss ratio and surrender rate, (ii) inappropriate reinsurance arrangements or (iii) unanticipated major claims settlements.

Product Pricing Risk Management

Product pricing risk is the risk of potential loss with respect to a particular insurance product arising from such uncertainties as the reliability of actuarial data, the actuarial-based pricing method, the pricing strategy and market competition. We have adopted the following measures to manage product pricing risk:

- We manage product pricing risk through establishing standards and guidelines designed to ensure that our level of product pricing risk for a particular product is within an acceptable range and consistent with the designed profile of the product;

- We conduct an actuarial assessment during product developments, using assumptions derived from historical claim experience data, carry out actuarial-based pricing and related testing, and reflect the actuarial results and risk management information in a detailed actuarial assessment report; and

- We focus on post-development monitoring and collect performance data of launched products. If post-development monitoring indicates that our actual experience differs significantly from our original expectations of a product, we would re-price, re-design or discontinue the product, as appropriate.

Reinsurance and Catastrophe Risk Management

We have adopted the following measures to manage reinsurance and catastrophe risk:

- We seek to make appropriate reinsurance arrangements on an overall basis and make necessary adjustments from time to time to help reduce uncertainties associated with rapid growth of our businesses;
- We require our underwriting staff to have a good understanding of the terms of our reinsurance contracts, and seek to strictly enforce our policies governing maximum retentions and strictly control our retained risks by entering into a variety of reinsurance arrangements to diversify the risks in excess of our retained risks;
- We have entered into cooperative arrangements with relevant government agencies and other expert organizations to obtain timely information regarding disasters, which have provided valuable technical and information support for our underwriting and claims settlement operations; and
- We have enhanced our control over region-specific cumulative underwriting risks with respect to catastrophes such as earthquakes, typhoons and floods, through quantitative analysis using international models for assessing catastrophe risk and through appropriate use of catastrophe reinsurance arrangements.

Irrational Market Competition Risk Management

We have adopted the following measures to manage irrational market competition risk:

- We seek to better manage premium rates and underwriting terms by adopting actuarial-based pricing with respect to different types of insurance products and by fixing and standardizing the basic terms, and to strictly control underwriting and claims settlement;
- We have adjusted our market strategies over time to avoid engaging in attempts to gain market shares for their own sake, and have instead focused our competitive strategies on reforming and innovating our operational and management systems by encouraging the interactions between CPIC Life and CPIC Property and by expanding our overall distribution channels; and
- We have sought to strengthen our internal control and compliance management and to better prevent risks by adopting strict rules against actions taken in violation of market order and norms and by imposing severe penalties on violators.

Asset and Liability Mismatching Risk Management

Asset and liability mismatching risk is the risk arising from the mismatch between the duration, cash flow and yield of assets and liabilities. As the current regulatory and market environment only permits a limited number of investment channels for PRC insurance companies like us, however, we are unable to invest in assets that have a duration of sufficient length to match the duration of our life insurance liabilities. See the section headed "Risk Factors — Risks Relating to the PRC Insurance Industry — The limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments that insurance companies may make affect our ability to match closely the duration of our assets and liabilities". We intend to manage asset and liability mismatching risk by:

- Enhancing the role of the ALCO and the ALM working team in (i) formulating medium- to long-term strategic asset allocations, based on major asset classes, after taking into account the characteristics of our liabilities and balancing our risk tolerance with our financial objectives, and reviewing such strategic asset allocations on an annual basis; (ii) modeling medium- to long-term asset allocation forecast based on projected medium- to long-term liabilities and medium- to long-term investment return assumptions of major asset classes;

and (iii) coordinating product design, marketing and investment and monitoring the structures of our liabilities and asset and liability mismatching risks on a monthly or quarterly basis;

- Working within the current regulatory framework and market environment to increase the allocation of assets to long-term fixed income securities, and selectively investing in and holding assets with a longer duration to better match our assets with our liabilities in terms of both duration and yields;
- Monitoring developments in the CIRC's relaxation of regulatory restrictions that govern investment channels available to insurance companies, capitalizing on any new investment options and making timely and appropriate adjustments to our asset allocation;
- Monitoring the development of the PRC capital markets with a view to diversifying our investment portfolio and optimizing our return on investments, and taking into consideration capital market and investment portfolio factors in the pricing of products and the design of underwriting terms; and
- Following closely the state of affairs in the matching of assets and liabilities, as well as the degree of sufficiency of our solvency margin and our profitability in different economic environments, and studying and exploring the impact of various risks on the future financial strengths and the matching of assets and liabilities of insurance companies.

Market Risk Management

Market risk is the risk of potential loss that may result from unfavorable changes in interest rates, exchange rates, equity securities prices and other factors, as well as risks arising from significant crises that may lead to significant shortfalls in operating income as compared to operating and other expenses. The primary market risks that we face are changes in interest rates and equity price risk, and we are also exposed to exchange rate risk.

Specifically, interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise term deposits and debt investment products, changes in level of interest rates can have a significant impact on our overall investment return.

We are also exposed to the risk of equity securities market volatility as a result of our investments in stocks and equity investment funds. In particular, a market downturn may cause us to recognize realized and unrealized investment losses, which would adversely affect our results of operations and net assets.

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which we conduct business may affect our results of operations and financial condition.

We have adopted the following measures to manage market risk:

- We have established, and seek to improve, a market risk budgeting, warning and reporting mechanism as part of our market risk control system, by identifying, quantifying, budgeting, assessing and monitoring the market risk faced by our asset management business, to assist us in keeping potential market risk below an acceptable level;
- We monitor and assess our interest rate risk on a regular basis through such means as sensitivity analysis and stress testing, and seek to manage our interest rate risk by adjusting our portfolio mix and terms and by managing, to the extent possible, the average duration and maturity of our assets and liabilities;

- We follow a prudent equity investment principle that focuses on industry and issuer research, and seek to mitigate our equity price risk through industry and issuer diversification in our asset allocation; and
- We seek to limit our exposure to foreign currency risk by minimizing our net open foreign currency position.

For more information, see the section headed "Financial Information — Quantitative and Qualitative Disclosure About Market Risk".

Credit Risk Management

Credit risk is the risk of economic loss resulting from the failure of one or more of our obligors or co-obligors to make any payment of principal or interest when due, the failure of one or more of our counterparties to perform their contractual obligations or the deterioration in the credit profile of relevant parties.

We have adopted the following measures to manage credit risk:

- We mitigate credit risk by utilizing detailed credit control policies, by undertaking credit analysis on potential investments, by imposing aggregate counterparty exposure limits and by diversifying our fixed income investment portfolio;
- We seek to enhance our capabilities and effectiveness in performing credit risk assessment with respect to our fixed income investments by establishing our internal credit rating system and our management procedures for extending credit;
- We monitor the risk levels of various investment sectors and adjust asset allocations accordingly. For investment assets carried at historical cost, once we determine that it is probable that we will not be able to collect all the amounts due according to applicable contractual terms, an impairment loss is recognized in our financial results;
- To reduce the credit risk associated with our reinsurance agreements, specific counterparty exposure measures and limits are imposed. In addition, we monitor the cumulative risk in our reinsurance arrangements and seek to avoid concentration risk involving our reinsurers; and
- We regularly review overdue balances in our premiums receivable accounts and impose strict control to keep the overall balances below a reasonable amount.

Operational Risk Management

Operational risk is the risk of loss resulting from breakdowns in information, communication, transaction processing, settlement systems and procedures. Operational risk includes failure to obtain proper internal authorizations or to properly document transactions, equipment failure, inadequate training or errors by employees.

We have adopted the following measures to manage operational risk:

- We compiled and started enforcing compliance manuals for various positions throughout our organization, which define major compliance risks at different types of positions and set forth compliance "dos and don'ts" relating to these risks;
- We actively promote a culture of compliance within our organization and have introduced such concepts as "Compliance creates value", "Ensure compliance proactively" and "Compliance is everyone's responsibility". We have focused on compliance training and related review by including the status of internal control and compliance management within the scope of our performance review and incentives mechanism, and impose strict sanctions and penalties on violators;

- We have implemented what we believe to be appropriate and sufficient controls to identify, prevent and mitigate operational risk by establishing standardized operational procedures as well as regular self-assessment of risks and related controls. We also replenish or otherwise provide for appropriate resources to mitigate or offset potential losses, as we seek to minimize the impact of operational risk on our operational objectives. For example, we have set up a tiered authorization system relating to our underwriting and claims settlement processes, which is reinforced by automatic settings in our information technology system that help prevent unauthorized approvals;
- We have accelerated the establishment and improvement of our operational risk management system to provide for an internal control and supervision system across our organization that combines such different functions as prevention, monitoring and remediation throughout the entire process of a risk event; and
- Our internal and external audit functions carry out strict procedures to evaluate the effectiveness of our risk controls, and we adopt appropriate measures to address control deficiencies that are detected, based on recommendations to management in internal and external audit reports.

Solvency Margin Adequacy Compliance Risk Management

We have adopted the following measures to manage solvency margin adequacy compliance risk:

- CPIC Group has raised funds through share issuances and capital increases, which, in the form of capital injections to CPIC Life and CPIC Property, have strengthened their capital base. We have also stepped up our efforts to maintain in place a platform for sustained financing in order to meet solvency margin needs as a result of the future expansion in our business activities;
- We have continued to proactively adjust our business mix, optimize our asset allocation, improve our asset quality and enhance our operating efficiency so as to underscore the role of profitability in solvency margin; and
- We have also implemented measures in connection with solvency margin ratio monitoring, warning and stress testing.

Liquidity Risk Management

Liquidity risk is the risk of not having access to sufficient funds in a timely manner to meet our obligations as they become due. We are exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. We seek to manage our liquidity risk by matching, to the extent possible within the current regulatory framework and market environment, the duration of the cash flows from our investment assets with the duration of the cash flows required under our insurance policies. We also seek to manage our liquidity risk through selection of liquid assets and through asset diversification.

We rely on a broad range of liquidity sources to meet our funding needs. We fund our operations principally from the receipt of written premiums and policy fees from policyholders and the related investment income. We may also obtain short-term financing in the form of repurchase agreements, whereby we sell securities to a counterparty with an obligation to repurchase them at a pre-determined price on a specified future date, as well as funds through the sale of investments. We conduct stress tests on our cash flows from time to time to analyze our liquidity risk, and have developed contingency plans to ensure the availability of adequate liquidity under a variety of market conditions. In addition, we have developed a set of analytical indicators to alert us to potential liquidity problems in our operations.

Concentration Risk Management

Concentration risk is the risk of incurring a major loss as a result of having a significant portion of our investments concentrated in a single entity, group of related entities, asset class or industry segment. We seek to control our concentration risk by limiting the proportion of investment in any single entity or group of related entities.

Due to current PRC regulatory restrictions on investments by insurance companies, substantially all of our investments are concentrated in a limited number of investments that are located in the PRC. Subject to compliance with applicable PRC regulations, we intend to diversify our investment portfolio by increasing our investments in new investment vehicles, particularly those with a longer maturity. In addition, although we currently do not have extensive investments that are located outside the PRC, we may, subject to compliance with applicable PRC regulations, explore investment opportunities outside the PRC.

INTERNAL AUDIT

Our audit center assists our management in the day-to-day operations by evaluating the adequacy and effectiveness of our internal controls and procedures, recommending improvements to these controls and procedures and supervising and monitoring related implementation. Our internal audit function also reports directly to our audit committee, which has overall oversight responsibility for the internal controls and procedures of our Company, our subsidiaries and our branch entities.

Our audit center is centrally staffed and administered at the CPIC Group level, and carries out its audits through three audit departments that are each responsible for the auditing of our life insurance business, our property and casualty insurance business and our asset management business, and seven regionally located special supervisor's offices that are responsible for the auditing of our branch entities. We believe that our centralized internal audit function helps ensure independent, centralized and more reliable reporting of audit findings regarding our operations to our audit center and our audit committee.

INFORMATION TECHNOLOGY

Overview

We believe that the use of information technology is critical to the efficient operation and performance of our business and is a key contributor to our success and future growth. Important operational and management areas that rely upon information technology include product development, underwriting and claims settlement, sales support and channel management, customer relationship management, investment management, actuarial practice, financial management and risk management, among others.

We have always aligned our information technology development with our overall strategies. Our information technology systems provide a strong support and safeguard for our business development and the implementation of our strategies through their advanced system framework design, infrastructure, application development and operations management.

Decision-Making Mechanism and Professional Team

Our information technology working committee under the leadership of our President, consisting of our senior management and heads of our information technology department and relevant business departments, is responsible for formulating our information technology plans as well as coordinating and supervising related implementation to support our decision-making.

Planning and Development

In 2002, we collaborated with an internationally leading information technology company in formulating a comprehensive information technology strategic plan, or ITSP, based on our business development strategy. ITSP sets forth the all-round, strategic plan for our information technology management framework, technology infrastructure and business operations and management platform. We have been implementing and optimizing ITSP since 2002 and have substantially in place an information technology management framework and a technology framework. We have also made significant progress in the construction of our core business networks.

We believe that, based on the Insurance Application Architecture, or IAA, our modularized ITSP is one of the largest, most comprehensive and most technologically advanced information technology strategic plans undertaken to date in the PRC insurance industry. The progress we have made with ITSP has resulted in a well-functioning technology platform and infrastructure for the overall development of our businesses and has contributed to the increase in the value of our businesses. We believe that ITSP will be able to contribute even more significantly to our business operations as we complete the construction of related system applications. With the implementation of ITSP, we have made further progress in centralizing management, technology, personnel, systems and information, which reflects our centralized management concept and lends a powerful support to our decision-making process, business operations and risk management, among other things.

Features

Key features of our information technology systems include:

- **System framework that effectively supports centralized business management.** We have endeavored to centralize and manage our information systems throughout our Company. The systems that have been or are in the process of being centralized include core business operations, underwriting and claims settlement, actuary, finance, customer services system, data center, corporate network, information exchange platform and internal information technology support. In particular:

  — We have centralized all business data of our property and casualty insurance business, which has helped us increase the core value of our property and casualty insurance business by supporting business growth, improving operational efficiency, controlling operating costs and assisting in regulatory compliance;

  — We have completed the construction of a back-office technology support platform for our life insurance business, which is expected to provide professional support for the operational management, sales management, comprehensive management and internal control in our life insurance business;

  — We have constructed an information technology platform for customer service that features the sharing of a single 95500 hotline by our life insurance business and property and casualty insurance business and that supports customer service centers located in our regional or provincial operations centers. Two customer service centers for our life insurance business have commenced operation in regional operations centers located in Shanghai and Zhengzhou, with a third expected to commence operation in Changsha in 2009. The customer service centers for our property and casualty insurance business have commenced operation in provincial operations centers. These efforts have helped enhance the quality of our customer service and demonstrated the benefits of centralized resources;

  — We have successfully implemented a centralized financial management system with timely collection of all financial data within our organization, which has enhanced our internal control, management and business decision-making capabilities;

— We have commenced the operation of our new ISO 20000 accredited data center in Shanghai, which help enhance the stability of our central management platform; and

— We have centralized our internal information technology support throughout the PRC, providing information technology support to all of our branch entities through our nationwide hotline around the clock.

- **Standardized Decision-Making and Development Process.** Since 2003, facilitated by leading international information technology companies, we have established a business-oriented framework for managing information technology projects. Based on the advanced "One Team" concept, our information technology working committee acts as the decision-maker of our information technology projects and our professional project teams are responsible for the management and execution of these projects. Our information technology projects follow a six-stage management process: concept formulation, planning, development, assessment, promotion and life cycle, with standardized control and monitoring at key junctures. Through the "One Team and Six Stages" mechanism, we have standardized our information technology development model and enhanced our information technology capabilities.

- **Consistent Open Technology Standards.** We apply consistent technology standards in developing our systems. For example, all our server equipment is based on open system platforms, our database management systems have standardized versions and substantially all of our applications are written in Java computer language. This makes us cost-effective, flexible and responsive to the changing business needs as we avoid integration problems relating to incompatible hardware systems and are not locked in by a particular hardware vendor. We maintain good working relationships with our information technology vendors, which are reviewed periodically.

- **Reliable System Operations.** During the past three years, we have never experienced a material system failure caused by software or hardware defects that resulted in widespread and substantial loss of service or other significant damages. For example, although the operation of our information technology system and related business operations in the Sichuan Province and other affected areas were initially disrupted following the occurrence of the Sichuan earthquake in May 2008, we were able to utilize our backup information technology facilities located elsewhere shortly thereafter to provide required information technology support. As a result, we did not lose key business data or suffer material financial losses on our information technology system from the impact of the Sichuan earthquake. On 3 February 2008, we entered into an investment and cooperation agreement with the management committee of Chengdu High and New Technology Industrial Development Zone. Pursuant to this agreement and subject to approval by our shareholders, we plan to set up an emergency disaster recovery center in Chengdu, Sichuan Province that would support our disaster recovery efforts and provide research, development and other support services in connection with our information technology system. Through a combination of backup communications lines and standby systems, we seek to maintain the uninterrupted availability of our information technology system throughout our nationwide branch network.

- **Industry-Leading Technology Standards.** Some of our accomplishments in information technology development have won us awards. We were selected by the CIRC in 2006 as the lead editor of Insurance Glossary, the first set of standard insurance terms for the PRC insurance industry, which won wide acclaim for being useful and up-to-date. *P13: Definition and Implementation of Information Technology Security Rules*, one of our ITSP projects, received the Outstanding Insurance Industry Security Plan Award at the 2007 PRC Enterprise Information Security Executive Conference jointly organized by the China Information Economics Society and the China Computer World. We were ranked by the National Informatization Evaluation Center among "The 2007 iPower 500", an award that honors the top 500 PRC companies in enterprise informatization. We were also awarded "The 2007 Best IT Governance Award" by the National Informatization Evaluation Center. In the 2008 China IT Users Annual Conference, we were awarded the "China Enterprise of Excellence in Informatization Award". We were also ranked among "The 2008 iPower 500" and awarded the "Chinese Enterprise Group Informatization Achievement Award" in 2008.

COMPETITION

We face competition in both life insurance and property and casualty insurance, including our overseas operations. Competition in the insurance industry is based on many factors, including price, sales force strength and abilities, product design features, customer service, claims services, reputation, perceived financial strength and the experience of the insurance company in the line of insurance to be written. The number of participants and the level of competition in the PRC insurance market have been increasing in recent years, in part as the CIRC has been gradually relaxing controls over the insurance industry and granting an increasing number of operating licenses to new entrants to encourage competition. We also compete with other insurance companies and financial institutions to attract and retain experienced personnel.

Our primary competitors are domestic and foreign-invested life insurance, property and casualty insurance, pension insurance and health insurance companies. Some of these companies may have greater financial, management and other resources than we do, and may have longer and more extensive operating experience than us. Furthermore, these companies may be able to offer a broader range of products and services and may have a stronger capital base than us. In addition, some of our domestic competitors have benefited from more extensive distribution networks than we have. Some large corporate groups in the PRC with substantial insurance needs have established their own self-insurance subsidiaries, which may impair our existing customer base and negatively affect our business, results of operations and financial condition, as well as our market position. We also face competition from smaller insurance companies, which have been making efforts to expand their market shares and may develop strong positions in various regions in which we operate. We also face potential competition in the PRC from commercial banks, which may be able to invest in, or form alliances with, existing insurance companies to offer insurance products and services that compete against us, or establish subsidiaries of their own to engage in insurance business directly.

The presence of foreign-invested insurance companies in the PRC market has continued to increase in recent years, and their business activities have continued to expand as the industry becomes more open to foreign competition as a result of the PRC's commitments pursuant to its WTO accession agreement. In particular, some new foreign entrants may be able to commence operations rapidly by forming alliances and joint ventures with other PRC insurance companies and by employing products and skills developed in their home markets.

In addition, changes in PRC investment regulations have relaxed rules on the formation of equity investment funds and sales of securities, among others, and have led to greater availability and variety of financial investment products. These products may be more attractive to the public and adversely affect the sale of some of our insurance products that offer similar or related financial investment functions. See the section headed "Risk Factors — Risks Relating to the PRC Insurance Industry — If we cannot effectively respond to the increasing competition in the PRC insurance industry, our profitability and market share could be materially and adversely affected".

Life Insurance

As of 31 December 2008, there were 30 licensed PRC life insurance companies. In addition, as of the same date, there were 26 foreign life insurance companies licensed to conduct insurance business in the PRC through joint ventures and other arrangements with PRC companies. Based on

PRC GAAP financial data published by the CIRC, China Life, Ping An and we accounted for approximately 39.7%, 16.8% and 8.1%, respectively, of the gross written premiums received by PRC life insurance companies in the first nine months of 2009. We also face competition in some areas from New China Life Insurance Co., Ltd. and Taikang Life Insurance Co., Ltd.

Our market share in the PRC life insurance market, in terms of gross written premiums, based on PRC GAAP financial data published by the CIRC, was 9.3%, 10.2%, 9.0% and 8.1% in 2006, 2007, 2008 and the first nine months of 2009, respectively. The slight decrease in our market share from 2007 to the first half of 2009 primarily resulted from our proactive management of the growth of certain products with lower profitability, such as bancassurance products and group life insurance products with shorter terms, as well as the increasingly intense competition in the PRC life insurance market with an increasing number of competitors.

We believe that we hold a solid competitive position in the PRC life insurance industry. Rather than focusing solely on the growth of gross written premiums, policy fees and deposits, we have developed a strategy that emphasizes profitable insurance products that provide a more sustainable profit source, such as regular premium individual life insurance products, regular premium bancassurance products and short-term accident insurance products.

Property and Casualty Insurance

As of 31 December 2008, there were 31 licensed PRC property and casualty insurance companies. In addition, as of the same date, there were 16 foreign-invested property and casualty insurance companies licensed to conduct business in the PRC. Based on PRC GAAP financial data published by the CIRC, PICC, Ping An and we accounted for approximately 41.1%, 12.3% and 11.6%, respectively, of the gross written premiums received by PRC property and casualty insurance companies in the first nine months of 2009.

We believe that we have a competitive advantage in the PRC property and casualty insurance industry. Our approach to property and casualty insurance business is increasingly focused on maintaining stable market share while improving profitability, and we intend to avoid competing for customers solely on the basis of price. We intend to continue focusing our efforts on the acquisition of higher quality property and casualty insurance customers.

Impact of PRC Accession to the WTO

As a result of the PRC joining the WTO in December 2001, the PRC government has been gradually reducing restrictions on foreign participation in the PRC insurance market. This has resulted in the gradual opening, and is expected to result in the further opening, of the PRC insurance market to foreign insurance companies. See the section headed "Supervision and Regulation — Major Insurance Industry Commitments Upon PRC's Accession to the WTO" for more information. The further opening of the PRC insurance market to foreign insurance companies may adversely affect our business as well as our future profitability.

Applicable PRC regulations require that the CIRC approve the establishment as well as the commencement of operations of a foreign-invested insurance company. By 31 December 2008, the CIRC had granted approval for the establishment of 48 foreign-invested insurance companies. Although these companies have increased, and are expected to further increase, competition in the PRC insurance industry, we believe the increased competition will also help accelerate the development and expansion of the PRC insurance market.

Overseas Operations

Our overseas operations are principally focused on the Hong Kong insurance market. CPIC HK primarily competes with local and international insurance companies that conduct business in Hong Kong, in particular local insurance companies that are affiliated with PRC insurers or banks, some of which have greater financial, management and other resources than we do, and may have more extensive operating experience than us.

OVERSEAS INVESTORS

On 31 December 2005, Carlyle Holdings Mauritius Limited, or Carlyle Mauritius, and Parallel Investors Holdings Limited, or Parallel Investors, collectively acquired approximately 24.975% of the then issued and outstanding share capital of CPIC Life pursuant to a number of investment and cooperation agreements with CPIC Life and CPIC Group, or the Life Investment Agreements. As a result of this investment, Carlyle Mauritius and Parallel Investors held approximately 5.273% and 19.702% of the then issued and outstanding share capital of CPIC Life, respectively. Carlyle Mauritius and Parallel Investors are both investment entities controlled by Carlyle-managed funds. We refer to Carlyle Mauritius and Parallel Investors collectively as the Overseas Investors. Pursuant to arrangements between Carlyle Mauritius and Parallel Investors, Carlyle Mauritius and Parallel Investors are required to act as one under the Life Investment Agreements. Pursuant to the Life Investment Agreements, certain matters relating to the management and operation of CPIC Life were subject to the affirmative vote of the shareholders of CPIC Life representing more than 78% of the voting shares at a duly convened shareholders' meeting where the representatives of both CPIC Group and the Overseas Investors should be present and/or the affirmative vote of more than 80% of the Directors present at a duly convened board meeting.

On 30 April 2007, the Overseas Investors transferred their entire equity interests in CPIC Life to us and subscribed for an aggregate of 1,333,300,000 of our shares in a private placement to certain then existing shareholders of us and the Overseas Investors pursuant to a share transfer agreement and a share subscription agreement with CPIC Group, or the Share Transfer and Subscription Agreements. As a result, Carlyle Mauritius and Parallel Investors held approximately 4.202% and 15.698% of our issued and outstanding share capital, respectively. Consequently, the Life Investment Agreements were terminated in their entirety. For more detailed information about the share subscription and transfer under the private placement, the Life Investment Agreements and the Share Transfer and Subscription Agreements, please refer to Appendix X — "Statutory and General Information".

After our A Share Offering and as of the Latest Practicable Date, Carlyle Mauritius and Parallel Investors held approximately 3.66% and 13.66% of our issued and outstanding share capital, respectively.

The Overseas Investors' Rights and Obligations Under the Share Transfer and Subscription Agreements

Pursuant to the Share Transfer and Subscription Agreements, the Overseas Investors have, among others, the following rights and obligations:

Conversion of Shares

Upon the listing of our H Shares, all of CPIC Group's shares held by the Overseas Investors will be converted into H shares listed on the Hong Kong Stock Exchange. Such conversion was approved by the CSRC on 23 November 2009.

Share Lock-Up

The Overseas Investors agreed that, prior to 31 December 2008, they would not transfer to any other party all or any part of the shares subscribed by them in CPIC Group pursuant to the Share Transfer and Subscription Agreements. For details, see the section headed "Share Capital — Share Lock-Up" in this prospectus.

Waiver of the Overseas Investors' Rights Under the Share Transfer and Subscription Agreements

Under the terms of the Share Transfer and Subscription Agreements, we agreed to compensate the Overseas Investors for any potential additional loss relating to the rectifying measures with respect to our investment in Finance Institute incurred by CPIC Group. We had made a provision of RMB325 million in 2006 for the potential loss relating to the rectifying measures with respect to our investment in Finance Institute. If the actual loss exceeds such provision, we agreed to compensate the Overseas Investors for the amount of 19.9% of the excess loss.

Pursuant to a letter dated 9 November 2009 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company, the Overseas Investors waived its rights under the Share Transfer and Subscription Agreements with respect to the above indemnity regarding the excess loss and confirmed that they have no right to, and would not require us to pay to them, any excess loss.

LEGAL AND REGULATORY PROCEEDINGS

General

We are involved in legal and regulatory proceedings in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.

The CIRC and other PRC governmental agencies, including the SAT, the SAIC, the PBOC, the Ministry of Human Resources and Social Security of the PRC and their local counterparts, from time to time make inquiries and conduct on-site or off-site examinations or investigations concerning our compliance with PRC laws and regulations in relation to our financial condition and business operations, our solvency adequacy, tax payment, labor and social welfare, among other things.

According to the Administrative Provisions on Insurance Companies, the CIRC shall conduct both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the CIRC or its local bureaus on an insurance institution may focus on one or more aspects, including the good standing of an insurance institution, its capitalization and reserves, solvency margin, use of funds, financial condition, transactions with insurance intermediaries, appointment of senior management and other matters deemed necessary by the CIRC.

For example, in April 2007, the CIRC, as part of its regular supervision practice in respect of PRC insurance companies, requested three PRC insurance companies, including CPIC Life, to conduct a review and assessment of their internal controls. Accordingly, CPIC Life engaged a reputable accounting firm to conduct a review and assessment of its internal control system from May 2007 to September 2007. According to the final report issued by this accounting firm, CPIC Life shared the notion that an effective risk management mechanism plays a key role in an enterprise and, consistent with that notion, had established various components of, and sought to continue to integrate and improve over time, its organizational structure of risk management framework, its risk identification and assessment mechanisms and its risk control and supervision mechanisms. The report was submitted to the CIRC in September 2007. As we have not received any comment or other feedback from the CIRC on such review and assessment, no follow-up review has been conducted.

In February 2009, in light of the unraveling global financial crisis, the CIRC requested eight PRC insurance holding companies, including us, to conduct a self-assessment of their risk exposures based generally on data as of and for the year ended 31 December 2008. The self-assessment covered risk exposures arising from nine areas: (i) solvency margin, (ii) financial condition, (iii) corporate governance, (iv) major investments, (v) internal management and control, (vi) brand name and reputation, (vii) compliance with laws and regulations in operations, (viii) legal proceedings and (ix) other areas. Based on an examination and assessment of our risk exposures and related risk management measures in these areas, we did not identify risk events in 2008 that in our view would have a material adverse effect on our business or operations, while at the same time noting the challenges arising from the global financial crisis and the need to continue to improve our risk management mechanisms. We submitted our self-assessment report to the CIRC in March 2009 and have not received any comment or other feedback from the CIRC.

As of the Latest Practicable Date, we were not aware of any material examination or investigation that is ongoing with respect to us. In the past, we have been found to have violated certain laws and regulations, including, among others, Regulations on Administration of Insurance Companies, Regulations on Registration Administration of Companies, Enterprise Income Tax Law and Regulations on the Management of Foreign Exchange, in connection with our normal business operations. As a result, we have been subject to penalties, including, among others, fines. In 2006, 2007, 2008 and the first six months of 2009, we were penalized for 116 times, 46 times, 70 times and 14 times and were fined a total of approximately RMB2.95 million, RMB4.58 million, RMB3.87 million and RMB1.00 million, respectively, by PRC regulatory authorities, including, but not limited to, the CIRC and its local bureaus, the local bureaus of the SAIC and the tax bureaus. These fines covered violations relating to, among other things, improper payments to those intermediaries that lacked proper qualifications in connection with sales of insurance products, improper payment in cash of handling fees to insurance agents without complying with the necessary procedures as required by applicable laws and regulations and failure to complete the tax registration with the relevant tax authorities within a stipulated period of time. These penalties have not had a material adverse effect on our business, financial condition or results of operations. As of 30 June 2009, the total claims in unresolved legal and arbitral proceedings involving claims in excess of RMB5 million in which we were defendant or respondent amounted to approximately RMB230 million. The majority of these claims involved general commercial disputes arising from the operations of our insurance businesses. In the opinion of King & Wood PRC Lawyers, our PRC legal counsel, these proceedings will not have a material adverse effect on our business. While we cannot predict the outcome of any pending or future examination, investigation or litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any future litigation or regulatory proceeding will not have an adverse outcome, which could have a material adverse effect on our operating results or cash flows. See the section headed "Risk Factors — Risks Relating to Our Company — Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect our reputation, business, results of operations and financial condition".

As required by relevant PRC regulations, the SAB conducted an audit in 2006 in respect of the performance by our former Chairman of his economic responsibilities, as well as our assets, liabilities, profits and losses as of and for the years ended 31 December 2003, 2004 and 2005 during his term of office, and issued its audit report and audit decision in December 2006. In addition, the MOF Office conducted an accounting information audit of our Company for the year 2005 and issued an audit opinion in December 2006. Although the audits by the SAB and the MOF Office concluded that our historical financial statements under PRC GAAP for the relevant periods, in general, truthfully reflected our financial condition and results of operations during those periods and were generally in compliance with the applicable PRC GAAP standards and related rules, the SAB and the MOF Office also identified certain errors in our accounting treatment as well as incidents of noncompliance with relevant regulations and required us to take corrective measures. Such identified accounting errors primarily related to the improper application of PRC GAAP standards and related rules in connection with certain income statement and balance sheet line items in our PRC GAAP financial statements for those periods. Other violations or incidents of noncompliance identified primarily included (i) deficiencies in our investment decision-making process, in particular in connection with our prior investment in Finance Institute, (ii) improper payments of handling fees to insurance agents, (iii) violations in connection with insurance business activities, such as improper refund payments associated with sales of insurance policies and (iv) internal control deficiencies, such as those in connection with expenditures and information systems.

We have submitted to the SAB and the MOF Office in April 2007 our plans to remediate such identified accounting and other violations and have taken measures to implement such plans, and have not received any further comments from these regulators. All identified accounting errors have been corrected and adjusted in accordance with the requirements stipulated by the SAB and the MOF Office. With respect to other violations or incidents of noncompliance identified, we have also implemented a series of measures in order to strengthen the overall control environment and reinforce the existing controls to prevent the re-occurrence of such violations and incidents of noncompliance. Specifically, we have been taking proactive measures to improve our internal control system, in particular our internal audit division that supervises and monitors our risk management and compliance management, and to enhance our internal audit division's inspections and risk assessments of our branches and sub-branches, in an effort to help ensure the effectiveness of our internal control and the integrity of our operations. Our internal audit division, which is responsible for following up on the findings identified by the SAB and the MOF Office as well as related remedial measures, has included in our 2008 annual internal audit plan specific audit procedures relating to such remedial measures, with the results of such audit reviewed by our management and significant findings reported to our Board. With respect to improper payments of handling fees to insurance agents, we have revised our policies and procedures to put in place specific payment conditions and methods as well as new controls, including, among others, segregation of duties of initiation, approval and payment, termination of unqualified agents, restriction on cash and cash check payments, and requirement of obtaining official invoices from insurance agents before payments, so as to help ensure that handling fees are paid based on properly signed agency agreements and are not directly offset against insurance premiums and that premium receipts are deposited in a timely manner. With respect to improper refund payments associated with sales of insurance policies, we have also revised our policies and procedures regarding refund of surrendered group insurance policies, such that refunds from any surrendered policies are strictly prohibited from cash or cash check settlements and all surrenders must be properly approved through formal applications. In particular, we have taken a series of rectifying measures with respect to our prior investment in Finance Institute. See the section headed "— Fudan-Pacific Institute of Finance" below.

Insurance agents in the PRC are required to obtain a qualification certificate from the CIRC in order to conduct insurance agency business. According to the Provisions on the Administration of Insurance Agents, the CIRC may order rectification, issue warnings and impose a fine of not more than RMB30,000 if an insurance company entrusts insurance agents that do not possess such qualification certificates to conduct insurance agency business. In cases involving severe violations, the CIRC may order the noncompliant insurance company to dismiss and replace its senior management and other persons that are directly responsible for such noncompliance, and may refuse to approve any application from such company for setting up a branch or subsidiary. As of 30 June 2009, approximately 1.66% of our individual life insurance agents and approximately 0.60% of our individual property and casualty insurance agents had not obtained such a certificate. In the opinion of King & Wood PRC Lawyers, our PRC legal counsel, since a high percentage of our insurance agents have obtained such qualification certificate, the penalties that have been imposed on us are limited to warnings and fines of insignificant amounts, and there have not been any severe administrative penalties imposed on us, such noncompliance will not have a material adverse impact on our business. We have also been advised by King & Wood PRC Lawyers that, as insurance agents are not a party to the insurance policies, the lack of relevant qualification certificates does not and will not affect the validity of the insurance policies sold through the involvement of such insurance agents. In addition, since February 2008, we have imposed an internal policy that requires our individual insurance agents to obtain the required qualification certificates.

As the legal and regulatory framework governing the operations of PRC insurance companies is still evolving and undergoing significant changes, we may require a significant period of time before we are able to achieve full compliance with certain new laws and regulations. Furthermore, our growth and expansion have strained our management and other resources and have from time to time affected our ability to maintain stringent internal controls at all times. We have taken a number of measures to prevent future breaches of laws and regulations and have adopted a set of internal procedures to monitor our litigation and regulatory exposure. Our integrated compliance system includes a compliance and risk management working committee composed of our senior management and the heads of related departments, as well as relevant policies and manuals including, among others, a compliance policy and a compliance management and operations manual. We also seek to circulate internally the latest laws and regulations promulgated by relevant PRC authorities to keep our employees informed of legal and regulatory developments. Our legal and compliance department is responsible for our day-to-day compliance- and litigation-related matters. In particular, our legal and compliance department has developed an anti-money laundering policy and a related operations manual that outline detailed procedures to help prevent money laundering. We have also set up a client identification system to help monitor suspicious transactions. Furthermore, our legal and compliance department has developed an operations manual to help identify significant litigation matters and streamline the reporting of litigation matters from our subsidiaries and branch entities to our legal and compliance department as they arise.

Our management at each corporate level is responsible for compliance with laws, regulations and internal policies within their individual territories or departments. Our branches at the provincial level are required to report material litigation and regulatory matters to our head office on a timely basis. We may penalize our employees or individual agents who commit misconduct or fraud, breach the terms of their employment or agency agreements, exceed their authorization limits or fail to follow prescribed procedures in delivering insurance policies and premium payments, in each case having regard to the severity of the offense. Moreover, our training center has introduced courses and seminars, which are given on a regular basis, to keep our employees and individual insurance agents up to date on the evolving legal and regulatory framework of the PRC insurance industry. We plan to continue to improve our control and compliance policies in the future.

Fudan-Pacific Institute of Finance

Our Investment in Fudan-Pacific Institute of Finance

In 2004, we, along with Fudan University and four other investors, jointly established Fudan-Pacific Institute of Finance, or Finance Institute. As of 31 December 2006, before we rectified our investment in Finance Institute, we contributed an aggregate of RMB52.5 million in return for a 21.656% ownership interest in Finance Institute. Under the cooperation agreement entered into by us and Fudan University, we, as a major investor in Finance Institute, were responsible for the construction of its educational facilities and related infrastructures and for raising funds to support its early operations.

Our Rectifying Measures with Respect to Finance Institute

Our above investment in Finance Institute was inconsistent with the CIRC's approval in 2003 of our establishment of a staff training center and exceeded our authorized business scope. Therefore, we have taken the following rectifying measures:

- Finance Institute has ceased to enroll new students since 2007.
- With the written consent of the relevant creditors of Finance Institute, we paid off, or otherwise resolved, all outstanding bank loans and construction-related payables owed by Finance Institute to these creditors. As of 31 March 2007, we, including CPIC Life and CPIC Property, became the largest creditor of Finance Institute, with a total claim of RMB923 million.

- On 21 June 2007, we entered into an asset-debt swap agreement with Finance Institute, under which Finance Institute paid off the aggregate debt of RMB923 million it owed to us with its buildings, related facilities and other assets having a total audited book value of RMB978 million. We settled the difference between these two amounts by way of a cash payment of RMB54 million to Finance Institute.

- On 21 June 2007, CPIC Group entered into an agreement with Fudan University to terminate the prior cooperation agreement between them relating to Finance Institute. Under this agreement, we would transfer our ownership interests in Finance Institute to Fudan University for a consideration of RMB1 and we have undertaken to Fudan University to continue to provide, free of charge, teaching locations, lodgings and related facilities to all students currently enrolled in the four-year undergraduate programs of Finance Institute until 31 August 2010. This agreement became effective on 26 July 2007.

The above rectification plan with respect to Finance Institute was approved by PRC education authorities and the CIRC in July 2007. In the opinion of our PRC legal counsel, King & Wood PRC Lawyers, other than our prior investment in Finance Institute as described in this section headed "Fudan-Pacific Institute of Finance", we have complied with all applicable laws and regulations restricting the use of funds by PRC insurance companies during each year of 2006, 2007 and 2008 and the first six months of 2009.

In addition, we entered into agreements with four of the remaining investors in Finance Institute, other than Fudan University, under which we agreed to pay these investors an aggregate of RMB81 million in return for the abandonment of their entire ownership interests in Finance Institute. We subsequently paid these investors an aggregate of RMB81 million. We recorded a provision of RMB94 million as of 30 June 2009, for impairment losses in connection with our disposal of Finance Institute, to cover recompense payments to relevant parties involved and potential losses arising from our future disposal of the assets of Finance Institute. Based on their assessment of the available information and circumstances as of the Latest Practicable Date, the Directors are of the view, with which Ernst & Young, our auditors and reporting accountants, concurs, that such provision of RMB94 million as of 30 June 2009 is adequate for its purpose. Depending on the market conditions and subject to approvals by relevant PRC regulatory authorities, we may sell, lease or otherwise dispose of the land and other properties relating to Finance Institute in accordance with applicable laws and regulations as well as the asset-debt swap agreement entered into between us and Finance Institute.

Our non-compliance with the CIRC's approval in 2003 in connection with our prior investment in Finance Institute was primarily attributable to deficiencies in our internal control, compliance and corporate governance systems, in particular deficiencies in our investment decision-making process, at that time. In recent years, we have sought to improve our internal control, compliance and corporate governance systems in an effort to prevent the occurrence of similar incidents. Such measures have included, among others, (i) amending our articles of association, as well as the procedures governing our shareholders' general meetings, our Board meetings and the meetings of our Board of Supervisors, to improve our corporate governance structure in accordance with applicable PRC laws, rules and regulations, including applicable CIRC requirements, (ii) establishing a Board structure that includes independent directors and several board committees, such as an audit committee and a risk management committee, (iii) implementing a series of investment decision-making policies and procedures that aim to be more transparent and standardized, (iv) strengthening our financial management with respect to budgeting and fund allocations, (v) establishing a legal and compliance department that conducts compliance review and research in connection with our significant business decision-making (consulting with external legal counsel when necessary), and (vi) enhancing the function of the office of the Board, which reviews proposed Board resolutions before their submission to the Board for approval and assists in related compliance review. We review our internal control, compliance and corporate governance systems from time to time, and may need to adopt additional policies and procedures in the future with a view to further improving such systems.

EMPLOYEES

As of 31 December 2006, 2007 and 2008, we employed 54,192, 59,996 and 64,131 employees, respectively, in the PRC. The following table sets forth the number of our employees by function as of 30 June 2009:

	Number of employees	% of total employees
Management	589	0.8%
Professional staff[1]	26,862	37.7
Sales and marketing	28,385	39.9
Others	15,388	21.6
Total	71,224	100.0%

(1) Professional staff includes primarily our actuarial, underwriting, claims settlement, accounting and investment staff.

The following table sets forth the total number of our employees by age as of 30 June 2009:

	Number of employees	% of total employees
Under 31	27,530	38.7%
31 to 40	27,617	38.8
41 to 50	12,684	17.8
Over 50	3,393	4.8
Total	71,224	100.0%

The following table sets forth the total number of our employees by education as of 30 June 2009:

	Number of employees	% of total employees
Master's degree or above	1,404	2.0%
Bachelor's degree	21,789	30.6
Others	48,031	67.4
Total	71,224	100.0%

The number of our employees set forth above in this section does not include individual insurance agents not employed by us.

We believe that our sustainable growth depends on the capability and dedication of our employees and we recognize the importance of human resources for improving our business and results of operation. We have devoted substantial attention and resources to recruiting and training our employees. In 2002, we engaged an international human resources consulting firm to establish job qualifications and standards for all of our positions throughout our organization. We have also implemented a policy under which employees must hold required internal or external credentials in order to fill certain professional positions within our organization. In addition, we have been exploring an incentive mechanism that seeks to link employee compensation with business performance.

We also provide our employees with benefits in accordance with PRC laws and regulations on basic pension insurance, basic health insurance, work related injury insurance, unemployment benefits, maternity insurance and housing fund or allowances.

None of our employees is subject to collective bargaining agreements governing employment with us. We believe that our employee relations are satisfactory.

PROPERTIES

Head Office

We are headquartered in the South Tower of the Bank of Communications Financial Building at 190 Central Yincheng Road, Pudong New District, Shanghai, the PRC.

Buildings and Units

As of 30 September 2009, we owned 603 buildings and units in the PRC with an aggregate gross floor area of approximately 1,015,224 square meters, among which 575 buildings and units with an aggregate gross floor area of approximately 774,042 square meters are occupied and used by us, while 28 buildings and units with an aggregate gross floor area of approximately 241,182 square meters are currently occupied and used by Finance Institute pursuant to an agreement between Fudan University and us dated 21 June 2007. We also owned 1 office and 5 residential units in Hong Kong with an aggregate gross floor area of approximately 385.8 square meters.

Our owned buildings and units in the PRC are primarily used for offices, business operations of our branches and sub-branches and staff quarters. Among them, 383 buildings and units with an aggregate gross floor area of approximately 715,918 square meters are commercial or office properties and 220 buildings and units with an aggregate gross floor area of approximately 299,306 square meters are used for residential, educational or ancillary purposes.

We have obtained the relevant title certificates for most of the buildings and units occupied and used by us in the PRC as follows:

- We have obtained all relevant land use right certificates and building ownership certificates for 460 buildings and units with an aggregate gross floor area of approximately 725,232 square meters.

- We have not obtained the relevant land use right certificates and/or building ownership certificates for 81 buildings and units with an aggregate gross floor area of approximately 44,130 square meters. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates. We have only obtained the relevant allocated land use right certificates with respect to 34 buildings or units with an aggregate gross floor area of approximately 4,680 square meters. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain approvals from relevant authorities and settle the payment of land transfer premium and other related fees for such land use rights.

  The above 115 buildings and units without the relevant title certificates or with only restricted use, comprise 34 commercial properties with an aggregate gross floor area of approximately 39,045 square meters and 81 residential and ancillary properties with an aggregate gross floor area of approximately 9,765 square meters, represented 6.3% of the total 575 buildings and units occupied and used by us as of 30 September 2009. As of 30 September 2009, these 115 buildings had a total net book value of approximately RMB187 million, representing approximately 0.3% of our consolidated net asset value.

According to the asset-debt swap agreement entered into between Finance Institute and us on 21 June 2007, Finance Institute paid off the aggregate debt of RMB923 million it owed to us with its buildings, related facilities and other assets having a total audited book value of RMB978 million. According to the agreement entered into between Fudan University and us on 21 June 2007, we have undertaken to continue to provide, free of charge, teaching locations, lodgings and related facilities to all students currently enrolled in the four-year undergraduate programs of Finance Institute until 31 August 2010. Pursuant to the above arrangements, Finance Institute currently occupies and uses 28 buildings and units of ours with an aggregate gross floor area of approximately 241,182 square meters, which buildings and units we refer to as the Properties Related to Finance Institute. We have already obtained all relevant land use rights certificates and construction work completion certificates for the Properties Related to Finance Institute, and are currently applying for the building ownership certificates for these 28 buildings and units. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant building ownership certificates and there is no material legal impediment for us to obtain the outstanding building ownership certificates for such properties. For the details on the rectifying measures with respect to Finance Institute, please see the section headed "Business — Legal and Regulatory Proceedings — Fudan-Pacific Institute of Finance".

We are in the process of applying for the relevant title certificates for the above properties without the property ownership certificates (including the Properties Related to Finance Institute). We believe that such properties are not crucial to our operations and the lack of the title certificates does not and will not have a material adverse effect on our business, results of operations and financial condition because: (i) the Properties Related to Finance Institute were transferred to us as repayment of assets pursuant to the asset-debt swap agreement and have been used for educational purpose, therefore their defects do not and will not materially affect our business and operation; and (ii) the defective properties other than the Properties Related to Finance Institute represent a minimal portion of the total value of our properties and we believe we can, if necessary, relocate to alternative premises without materially affecting our operations.

Land Use Rights

In addition to the above owned buildings and units, we owned land use rights in three parcels of vacant land in Shandong province (with a total site area of approximately 20,266 square meters) and three parcels of land in Shanghai (with a total site area of approximately 822,614 square meters) in the PRC as of 30 September 2009.

Units to Be Acquired

We have entered into 17 agreements to acquire 17 office buildings or units in the PRC as our offices, including an office building located in Beijing for a consideration of approximately RMB2.2 billion. We plan to use this building as our office building in Beijing. Such office units are still being renovated and have a total gross floor area of approximately 152,965 square meters.

Leased Properties

As of 30 September 2009, we leased approximately 4,118 buildings and units with an aggregate lettable area of approximately 1,690,333 square meters in the PRC and two properties in Hong Kong with an aggregate lettable area of approximately 565 square meters from independent third parties. Our leased properties are used for office, commercial and residential purposes.

For 2,904 buildings and units out of the 3,784 buildings and units in the PRC leased by us, representing an aggregate lettable area of approximately 1,103,017 square meters, the relevant lessors have not provided us with relevant land use right certificates, building ownership certificates and/or real estate certificates. For 590 leased buildings and units, with an aggregate lettable area of approximately 256,116 square meters, the relevant lessors have not provided us with confirmation letters to undertake to indemnify us for losses arising from their defective legal titles or other rights to such buildings and units. In addition, we have not registered the lease agreements with the relevant PRC authorities for 3,649 buildings and units with an aggregate lettable area of approximately 1,490,863 square meters. Based on the Interpretation of PRC Contract Law by the Supreme People's Court, our PRC legal counsel, King & Wood PRC Lawyers, is of the view that the lack of registration of the lease agreements will not affect the legality of such lease agreements. However, under the Regulations on City House Leasing, relevant PRC authorities are entitled to order us to post register the leasing agreement and may impose penalties (the amount of penalties has not been specified by relevant laws and regulations) on us for such lack of registration. We are in the process of registering, and requesting the relevant lessors to assist us to register, these leases with the relevant PRC authorities. We believe that most of these buildings and units leased by us can, if necessary, be replaced by other comparable alternative premises in relevant region without any material adverse effect on our operations or financial condition.

Property Valuation

Jones Lang LaSalle Sallmanns Limited, an independent valuer appointed by us for the purpose of the Listing, has valued properties owned by us as of 30 September 2009 at approximately RMB7,366 million, with RMB7,281 million attributable to the Group. The text of the letter and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are set out in the valuation report set forth in Appendix V to this prospectus.

Exemption and Waivers from the Hong Kong Stock Exchange and the SFC in respect of the property valuation report

In view of the above, we have applied to the Hong Kong Stock Exchange for the following exemption and waivers from the Hong Kong Stock Exchange and the SFC in respect of the disclosure of certain particulars of our properties in the property valuation report in this prospectus, as set forth in Appendix V to this prospectus:

- with respect to the format and contents of the property valuation report, a waiver from strict compliance with Rule 5.01 and Rule 5.06 and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and an exemption from the SFC from strict compliance with paragraph 34(2) of the Third Schedule to the Companies Ordinance on the grounds that (i) it would be unduly burdensome to include the full valuation report in this prospectus in full compliance with the relevant requirements and (ii) taking into account the nature of the Company's business, it would be of little relevance and assistance to potential investors to include the level of details on each property in this prospectus in full compliance with the relevant requirements. A summary of the valuation report is included in the prospectus and the full valuation report (in Chinese) complying with the requirements of the Hong Kong Listing Rules and the Companies Ordinance will be available for inspection; and
- a waiver from strict compliance with Rule 19A.27(4) of the Hong Kong Listing Rules so that no certified English translation of the full valuation report will be required to be made available for inspection on the grounds that (i) it would be unduly burdensome to prepare an English translation of the valuation report, as substantially all of the properties are located in the PRC and consequently the underlying valuation and title information is in Chinese and (ii) the provision of such report in English language would be of little relevance to potential investors in an insurance company.

The Directors are of the view that the above exemption and waiver granted will not prejudice the interests of our potential investors.

INTELLECTUAL PROPERTY

We conduct business under the "CPIC" and "太平洋保險保太平" brand names and logos. We are also the registered owner of 17 domain names, including "www.cpic.com.cn" and "www.95500.com.cn". Details of our intellectual property rights are set out in the paragraph headed "Our intellectual property rights" under the section headed "Further Information About

Our Business" in Appendix X to this prospectus. As of the Latest Practicable Date, we have registered 34 trademarks in the PRC and one trademark in Hong Kong. We are in the process of applying for the registration of 17 trademarks in the PRC and Hong Kong.

As of the Latest Practicable Date, we were not aware of any material incidence of intellectual property rights infringement claims or litigation initiated by others and vice versa for the three years ended 31 December 2008 and the six months ended 30 June 2009.

CONNECTED TRANSACTIONS

Upon the listing of the H Shares on the Hong Kong Stock Exchange, a number of transactions which we have entered into will constitute connected transactions within the meaning of the Hong Kong Listing Rules. For the purpose of this section, the term "connected person" shall have the meaning as defined under Chapter 14A of the Hong Kong Listing Rules.

Certain of our connected persons have purchased life insurance products and property and casualty insurance products from CPIC Life and CPIC Property, respectively. Based on our estimated percentage ratios, such transactions are exempt from the reporting, announcement and independent shareholders' approval requirements prescribed under Chapter 14A of the Hong Kong Listing Rules. Details of such transactions are set forth below:

Sales of Group Life Insurance

CPIC Life has sold group life insurance products to certain of our connected persons who are not individuals, including some of our substantial shareholders, promoters and their respective associates, on normal commercial terms in the ordinary course of business. These insurance products include, among others, group accident and health insurance products, group endowment insurance products and group annuity products, all of which are available to independent third parties. Our connected persons do not receive any preferential treatment for purchasing these insurance products. The premiums paid by these connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, or are fixed with reference to market reference prices approved by the CIRC.

The sale of group life insurance products by CPIC Life to our connected persons who are not individuals falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. The sale of group life insurance products by CPIC Life to our connected persons is thus exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

We will comply with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Hong Kong Listing Rules if any of the percentage ratios exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

Sales of Individual Life Insurance

CPIC Life has sold individual life insurance products to certain of our connected persons who are individuals, including certain Directors, Supervisors and chief executives of us, or their associates, on normal commercial terms in the ordinary course of business. These insurance products include, among others, individual accident and health insurance products and individual annuity products, all of which are available to independent third parties. Our connected persons purchase these insurance products for private use and do not receive any extra preferential treatment for purchasing these insurance products. The premiums paid by these connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices.

The sale of individual life insurance products by CPIC Life to our connected persons who are individuals constitutes acquisitions by such connected persons of consumer goods for their own private use on normal commercial terms in the ordinary course of business, and thus falls within the exemption as stipulated under Rule 14A.33(1) of the Hong Kong Listing Rules. As a result, it is exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to14A.48 of the Hong Kong Listing Rules.

Sales of Property and Casualty Insurance

In addition, CPIC Property has sold property and casualty insurance products to certain of our connected persons, including certain Directors, Supervisors, chief executives, promoters and substantial shareholders of us and certain of their respective associates as defined by the Hong Kong Listing Rules, on normal commercial terms in the ordinary course of business. These insurance products include, among others, automobile insurance products, commercial property insurance products, personal property insurance products, engineering insurance products, hull insurance products, cargo insurance products and accident insurance products, all of which are available to independent third parties. Our connected persons purchase these insurance products for private use and do not receive extra preferential treatment for purchasing these insurance products. The premiums paid by such connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices.

The sale of property and casualty insurance products by CPIC Property to our connected persons falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. Furthermore, the sale of property and casualty insurance products by CPIC Property to our connected persons who are individuals constitutes acquisitions by them of consumer goods for their own private use on normal commercial terms in the ordinary course of business, and thus falls within the exemption as stipulated under Rule 14A.33(1) of the Hong Kong Listing Rules. As a result, the sale of property and casualty insurance products by CPIC Property to our connected persons is exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

We will comply with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Hong Kong Listing Rules if any of the percentage ratios with respect to the sale of property and casualty insurance products by CPIC Property to our connected persons which are not individuals exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

INSURANCE BUSINESS

Overview

The insurance industry is heavily regulated in the PRC. The CIRC is the regulatory authority supervising the insurance industry. The applicable laws and regulations governing insurance activities undertaken within the territories of the PRC consist principally of the PRC Insurance Law and rules and regulations promulgated thereunder.

Initial Development of Regulatory Framework

The PRC Insurance Law was enacted in 1995, and provided the initial framework for the regulation of PRC insurance industry. Among other things, the major steps taken under the PRC Insurance Law were the following:

- *Licensing of insurance companies and insurance intermediaries.* The PRC Insurance Law, among other things, established requirements for minimum registered capital levels, form of organization, qualification of senior management and the adequacy of the information systems for insurance companies, insurance agencies and brokers.
- *Separation of life insurance and property and casualty insurance.* The PRC Insurance Law classified insurance between life, accident and health insurance businesses, on the one hand, and property, casualty, liability and credit insurance businesses on the other hand.
- *Regulation of market conduct.* The PRC Insurance Law prohibited fraudulent and other unlawful conduct by market participants.
- *Regulation of insurance products.* The PRC Insurance Law gave insurance regulatory authority the power to approve the policy terms and premium rates for certain insurance products.
- *Financial condition and performance of insurance companies.* The PRC Insurance Law established reserve and solvency standards for insurance companies, imposed restrictions on investment powers and established compulsory reinsurance requirements, and put in place a reporting system to facilitate monitoring by insurance regulatory authority.
- *Supervisory and enforcement powers of the regulatory authority.* The PBOC, the then regulatory authority, was given broad powers under the PRC Insurance Law to regulate the insurance industry.

Establishment of the CIRC and 2002 Amendment to the PRC Insurance Law

The CIRC was established in 1998, and was given the mandate to implement reform in the PRC insurance industry, minimize solvency risk for insurers, broaden the types of investment for insurance companies and promote the development of the PRC insurance market.

On 28 October 2002, the PRC Insurance Law was amended followed by a series of regulations promulgated by the CIRC, which reflected a gradual shift in the regulatory environment to a more transparent regulatory process and a convergent movement toward international practices. Significant changes include:

- the increase in the level of disclosures required to be made to the CIRC by insurance companies;
- more stringent reserve and solvency requirements;
- greater freedom for insurance companies to develop insurance products;
- broader investment channels for insurance companies, including allowing insurers to make equity investments in insurance-related enterprises, such as asset management companies;

- increased penalties for insurance market misconduct;
- gradual phasing out of compulsory reinsurance as a result of the PRC's accession into the WTO; and
- reduction of barriers to entry into the PRC insurance industry, including allowing property and casualty insurers to provide the accident and short-term health insurance products, and allowing more foreign insurers to enter into the PRC insurance industry.

2009 Amendment to the PRC Insurance Law

On 28 February 2009, the Standing Committee of the National People's Congress promulgated the further amended PRC Insurance Law, effective on 1 October 2009. In order to reflect the changes in the PRC insurance industry, significant amendments have been made to the PRC Insurance Law, including:

- providing more protection for policyholders, such as imposing restrictions on the termination of insurance policies by insurance companies, limiting an insurance company's ability to exonerate itself from claims and benefit payments and defining the procedures and time limits to facilitate claims settlement for the insureds;
- stipulating that, where the object of a property insurance contract is transferred, the transferee shall succeed to the rights and obligations of the insured specified in the property insurance contract;
- greater regulatory oversight by the CIRC, including oversight of related party transactions and supervision of systematic solvency margin management;
- clarifying legal liabilities and promoting legal compliance in the insurance industry;
- broadening the investment channels for insurance funds, including bank deposits, bonds, stocks, securities investment funds, real estate and other channels as provided by the State Council;
- expanding the organizational forms of insurance companies;
- expanding the business scope of insurance companies, including life insurance business, property and casualty insurance business and other insurance-related businesses as approved by the CIRC; and
- eliminating the requirement of giving priority to reinsurers incorporated in the PRC when an insurance company seeks reinsurance.

The CIRC

The CIRC has extensive supervisory authority over insurance companies operating in the PRC, including:

- promulgation of regulations applicable to the PRC insurance industry;
- examination of insurance companies;
- establishment of investment regulations;
- approving the policy terms and premium rates for certain insurance products;
- setting of standards for measuring the financial soundness of insurance companies;
- requiring insurance companies to submit reports concerning their business operations and condition of assets; and
- ordering the suspension of all or part of an insurance company's business.

Authorization

Under the PRC Insurance Law, the Administrative Regulations for Insurance Companies and other relevant rules and regulations, a permit must be obtained from the CIRC in order to engage in the insurance business. An insurance company is entitled to obtain such permits, subject to, among other things, the following conditions:

- the major shareholder of an insurance company must have good credit standing, be able to sustain its profitability, have no record of material violation of laws and regulations within the past three years, and have net assets of no less than RMB200 million;
- the articles of association of an insurance company must comply with the requirements under the PRC Insurance Law and the PRC Company Law;
- the paid-in registered capital must be no less than RMB200 million;
- directors, supervisors and senior management personnel of an insurance company must have requisite professional knowledge and experience;
- an insurance company must have a sound organization and management system; and
- an insurance company must have business place and office facility suitable for the business development.

Scope of Business Activities

The PRC Insurance Law limits the scope of business activities of insurance companies. Life insurance companies may not engage in property and casualty insurance business in the PRC. Property and casualty insurance companies may not engage in the life insurance business. However, with the approval from the CIRC, a property and casualty insurance company may engage in the short-term health insurance and accident insurance businesses. With the approval of the CIRC, different companies within the same corporate group may separately engage in life insurance and property and casualty insurance businesses. With approval of the CIRC, an insurance company may also engage in other insurance-related businesses. The specific scope of business of an insurance company and the geographic area that an insurance company may operate in must be approved by the CIRC or its designated organizations. Insurance companies may also engage in ceding reinsurance and assuming reinsurance, subject to the CIRC approval.

Under the Interim Administrative Regulations for Foreign Exchange of Insurance Business, an insurance company may engage in foreign exchange insurance business with the approval from the State Administration for Foreign Exchange or its local branches.

Corporate Governance

In accordance with the PRC Company Law, the PRC Insurance Law, the Tentative Guidelines for Standardization of the Corporate Governance Structure, effective as of 5 January 2006, the Opinions on Regulating the Articles of Association of Insurance Companies (關於規範保險公司章程的意見), effective on 1 October 2008, the Guidelines on the Operation of the Board of Directors of Insurance Companies (保險公司董事會運作指引), effective on 1 October 2008, and other relevant regulations, insurance companies are required to establish a corporate governance structure under which management and supervisory powers and responsibilities are divided among the shareholders, the board of directors, the board of supervisors and senior management. Insurance companies are required to appoint at least two independent directors and establish an audit committee and a nomination and remuneration committee of the board of directors. They are also required to establish a supervisory board to oversee and supervise the board of directors, senior management and other officers and to review and supervise the company's financial activities.

The Tentative Guidelines for Standardization of the Corporate Governance Structure also require insurance companies to establish an audit department, a risk management department and a compliance department. Insurance companies' internal regulations in respect of connected party transactions need to be implemented and filed with the CIRC and material resolutions of the shareholders' meetings and board meetings must be reported to the CIRC within 30 days after the passing of such resolutions. In addition, the board of directors of an insurance company must submit its internal control evaluation report, risk assessment report and compliance report to the CIRC each year. Furthermore, the CIRC may conduct on-site inspection in respect of the corporate governance practices of insurance companies. The Opinions on Regulating the Articles of Association of Insurance Companies regulate the basic contents of the articles of association of an insurance company and specify the procedures for formulating and amending these articles. The CIRC also promulgated the Guidelines for the Operation of Board of Directors of Insurance Companies, which set forth more detailed guidelines on the appointment and removal of directors, director's qualifications and review of directors' discharge of duties. The Guidelines also require the articles of association of insurance companies to specify the ratio between independent directors, outside directors and executive directors on their boards.

On 28 February 2005, the CIRC also promulgated the Guidelines for the Corporate Governance of Insurance Intermediaries (Trial Implementation) and Guidelines for the Internal Control of Insurance Intermediaries (Trial Implementation), both of which set forth criteria for the corporate governance and internal control of insurance intermediaries.

Pursuant to relevant provisions under the Administration of Director and Senior Management Qualifications of Insurance Companies, effective as of 1 September 2006, the CIRC and its agencies have adopted a review and approval system and a reporting system with respect to the qualification of directors and senior management of insurance companies. Exit audits of directors and senior management prior to their departure may be conducted in accordance with the relevant regulations of the CIRC.

Pursuant to the Interim Provisions on Independent Directors of Insurance Companies, effective on 6 April 2007, an insurance company shall have at least two qualified independent directors on its board by 30 June 2007. For insurance companies with total assets of more than RMB5 billion as of the end of 2006, at least one third of the board of directors shall consist of independent directors by 30 December 2007. Independent directors shall be elected and replaced at shareholders' general meetings. In addition to the duties required by the PRC Company Law and other applicable laws and regulations, an independent director has the duty to carefully review, among other things, material related party transactions, nomination, appointment and removal of directors and senior management of the head office, salary and compensation of directors and senior management, profit distribution plans and material transactions that are not covered by the operational plans, as well as issues which may have a material effect on the insurance company, its minority shareholders or the insured.

The newly amended PRC Insurance Law, effective on 1 October 2009, requires an insurance company to establish rules on the management of related party transactions and information disclosure. The controlling shareholders, de facto controlling persons, directors, supervisors and senior management personnel of an insurance company are not allowed to impair the interests of the insurance company through related party transactions. Pursuant to the Interim Provisions on Related Party Transactions of Insurance Companies, effective on 6 April 2007, an insurance company is required to formulate policies on related party transactions and file such policies with the CIRC. An insurance company is also required to file material related party transactions within 15 days of their occurrence, defined as a single transaction with a single related party involving an amount of more than RMB5 million and no less than 1% of the net assets of the insurance company as of the end of the preceding year or transactions with a single related party in a fiscal year involving an aggregate amount of more than RMB50 million and no less than 10% of the net assets of the insurance company as of the end of the preceding year.

Pursuant to the Tentative Guidance Regarding Internal Audits of Insurance Companies, effective on 1 July 2007, an insurance company shall establish an independent internal audit system that fits its governance structure, management and control model and the nature and scope of its businesses, with its own budget, management and performance review. There shall be an audit committee under the board of directors, an officer in charge of auditing matters and an independent, adequately staffed internal audit department. The internal audit department must conduct a comprehensive evaluation of the comprehensiveness, reasonableness and effectiveness of the company's internal control system each year and issue an internal control evaluation report.

Pursuant to the Risk Management Guidance for Insurance Companies (Trial Implementation), effective on 1 July 2007, an insurance company shall establish a risk management structure that is under the direct leadership of the insurance company's senior management and falls under the ultimate responsibility of the board of directors. The risk management committee or, in the absence of a risk management committee, the audit committee under the board of directors is responsible for monitoring the effectiveness of the risk management system and matters concerning risk management shall be handled by a designated department.

Pursuant to the Guidelines for Compliance Management of Insurance Companies (保險公司合規管理指引), effective on 1 January 2008, and the Notice on Relevant Matters Relating to the Enforcement of the Guidelines for Compliance Management of Insurance Companies (關於《保險公司合規管理指引》具體適用有關事宜的通知), effective on 18 April 2008, the board of directors, supervisors and the general manager of an insurance company are charged with powers and duties concerning compliance management. In addition, an insurance company is required to have a full-time compliance officer who reports to the general manager and the board of directors, and to set up a compliance management department at the head office level. The Guidelines explicitly impose a variety of duties on the compliance officer and compliance department, including formulating and updating compliance policies and handbooks, monitoring, identifying, evaluating and reporting compliance risks, preparing compliance reports, offering compliance trainings and performing other compliance duties.

Terms and Premium Rates of Insurance

Pursuant to the Administration of Insurance Terms and Premium Rates of Property Insurance Companies, effective as of 1 January 2006, the terms and premium rates of the following types of insurance products shall be submitted to the CIRC for review and approval:

- compulsory insurance required by law;
- automobile insurance, including automobile loss insurance, commercial third party liability insurance and corresponding endorsements;
- investment-type insurance; and
- guaranty insurance and credit insurance with an insured period exceeding one year.

The terms and premium rates of Insurance products other than aforementioned types shall be filed with CIRC or its local bureau within 10 days after they have been adopted in the business.

Pursuant to the Administration of Review, Approval and Filing of Life Insurance Products, effective as of 1 July 2004, the terms and premium rates of the following life insurance products must be submitted to the CIRC for review and approval:

- insurance products determined by the CIRC as affecting public interest;
- compulsory insurance required by law; and
- new types of life insurance products as determined by the CIRC.

Terms and premium rates for all other insurance products must be filed with the CIRC within seven days of their initial sale.

The terms and premium rates of insurance policies shall be plain, clear and easy to understand. Under any of the following circumstances, the CIRC may require insurance companies to modify or stop using the terms and premium rates of insurance policies:

- the terms and premium rates are in violation of laws, administrative regulations or prohibitive rules set forth by the CIRC;
- the terms and premium rates are in violation of relevant state financial policies;
- the terms and premium rates are against public interest;
- the terms and premium rates are obviously unfair or constitute price monopoly or are against the legal interest of the policyholder, the insured or the beneficiary;
- the terms and premium rates are poorly designed, including with unreasonable interest rates, which may endanger the solvency of such insurance company; or
- other circumstances as determined by the CIRC under the principle of prudential supervision.

Compulsory Auto Liability Insurance

Pursuant to relevant provisions of the Regulation on Compulsory Auto Liability Insurance, effective as of 1 July 2006, domestically-invested insurance companies may, upon the approval of the CIRC, conduct compulsory auto liability insurance business. The CIRC may also require an insurance company to conduct such business. A policyholder may not add any terms and conditions other than the terms and premium rates specified in such a policy. The insurance company may not force the policyholder to enter into a commercial insurance contract or require additional terms and conditions. Insurance companies may not rescind the compulsory auto liability insurance contracts, unless the policyholder fails to perform his or her obligation to provide material information truthfully. Upon rescinding the contract, an insurance company shall withdraw the insurance policy and the insurance mark and notify the automobile administration department in writing.

Paid-in Capital

Under the Administrative Regulations for Insurance Companies, the minimum registered capital as well as the paid-in capital for the establishment of an insurance company is RMB200 million. In addition, insurance companies are required to increase their registered capital by RMB20 million for each branch office they apply to open for the first time in each province, autonomous region or directly-administered municipality other than their domicile. Insurance companies with a registered capital of at least RMB500 million may open branches without increasing their registered capital as long as they have Adequate Solvency as defined by the CIRC.

Security Deposit

An insurance company is required by the PRC Insurance Law to deposit, as a security deposit, 20% of its registered capital into a bank designated by the CIRC. This security deposit may not be used for any purpose other than paying off debts during liquidation proceedings. Pursuant to the Provisional Measures for the Administration of Security Deposit of Insurance Companies (保險公司資本保證金管理暫行辦法) and the Notice on Providing for Security Deposit by Insurance Group (Holding) Companies and Mutual Insurance Companies (關於保險集團(控股)公司、相互制保險公司資本保證金提存有關問題的通知) released by the CIRC on 2 August 2007 and 12 August 2008, respectively, insurance group (holding) companies that have no direct insurance operations and insurance liabilities may elect not to make provisions for security deposit.

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises, Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative) and Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative), insurance companies must make allocations to the following reserves:

- *Future liability reserve,* which represents the reserve allocated at the date of reserve assessment for future liabilities undertaken for non-life insurance policies, including the reserve allocated for future liabilities undertaken for in-force insurance policies of no greater than 12 months in duration and long-term liability reserve allocated for future liabilities undertaken for in-force insurance policies of greater than 12 months in duration. Insurance companies shall adopt the 1/24 method, the 1/365 method or another method that is more prudent and reasonable to assess the future liability reserve for non-life insurance business.

- *Claims reserve,* which represents the reserve allocated for pending liabilities for unsettled claims in connection with non-life insurance (not including long-term health insurance) business, including incurred and reported claims reserve, incurred but not yet reported claims reserve and reserve for loss adjustment expenses. Incurred and reported claims reserve should be allocated prudently using the case-by-case-estimate method, the average loss method or another method recognized by the CIRC. For incurred but not yet reported claims reserve, insurance companies shall apply at least two methods, including the chain ladder method, the average loss method, the reserve progress method and the B-F method, to make a prudent assessment and determine the best estimate of the reserve in accordance with the maximum assessment result derived from using these methods. For reserve for direct loss adjustment expenses, the case-by-case-estimate method shall be used; and for reserve for indirect loss adjustment expenses, a reasonable proportional allocation method shall be used.

- *Life insurance reserve and long-term health insurance reserve,* which represent the reserves allocated for future liabilities undertaken in life insurance policies and long-term health insurance policies, respectively, at an amount determined using actuarial projections of future cash flows.

- *Other reserves as required by the CIRC*.

In addition to the PRC Accounting Standards for Business Enterprises, Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative) and Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative), allocation to reserves is also regulated by the PRC Company Law, the Administrative Regulation of Solvency of Insurance Companies (保險公司償付能力管理規定), effective on 1 September 2008, the Measurement on Actuarial Practice for Life Insurance Products, Accident Insurance Products and Health Insurance Products issued by the CIRC in June 1999, the Measurement on Actuarial Practice for Individual Participating Life Insurance Products issued by the CIRC in May 2003 and the Measurement on Actuarial Practice for Investment-Linked Life Insurance Products and Universal Life Insurance Products issued by the CIRC in March 2007.

Statutory and Discretionary Revenue Reserve Fund

The PRC Company Law requires a company to set aside 10% of the net profit recorded in its statutory accounts, prepared in accordance with PRC GAAP, for a statutory revenue reserve fund until the fund has reached 50% of the company's registered capital. The company may also make appropriations from its net profit to a discretionary revenue reserve fund, provided the appropriations are approved by shareholders' resolution.

The statutory revenue reserve fund and the discretionary reserve fund may be used to cover for losses of the company or to expand business operations of the company or may, subject to approval by shareholders' resolution, be transferred to the company's paid-in capital, provided that the remaining portion of such statutory revenue reserve fund shall not be less than 25% of the registered capital of the insurance company prior to the increase. If the statutory revenue reserve fund is insufficient to cover losses of the previous fiscal year, profits in the then-current fiscal year shall be used to cover for such losses before allocations to the statutory revenue reserve fund are made. However, the capital reserve fund may not be used to cover losses of the company.

General Reserve

Pursuant to the Financial Rules for Financial Enterprises (金融企業財務規則), effective on 1 January 2007, and related implementing guide, a financial enterprise engaged in insurance business shall allocate 10% of its net profits each year as general reserve to compensate for exposures to catastrophe risk. Net profits allocated as general reserve may not be used for dividend distribution or capital increase purposes. See note 35(c) to the Accountants' Report set forth in Appendix I to this prospectus for further information about the general reserve of CPIC Life and CPIC Property.

Insurance Guarantee Fund

In accordance with the Administrative Measures on Insurance Guarantee Fund, which came into effect on 11 September 2008, as well as the Notice on Certain Matters Relating to Insurance Guarantee Fund, starting from 1 January 2009, insurance companies shall pay the insurance guarantee fund with respect to insurance businesses within the scope of remedy of the insurance guarantee fund as follows:

- 0.8% of the premium income, in the case of property insurance of a non-investment type, or 0.08% of the premium and deposits, in the case of property insurance of an investment type with guaranteed yield, or 0.05% of the premium and deposits in the case of property insurance of an investment type without guaranteed yield;
- 0.15% of the premium and deposits in the case of life insurance with guaranteed yield, or 0.05% of the premium and deposits in the case of life insurance without guaranteed yield;
- 0.8% of the premium income in the case of short-term health insurance, or 0.15% of the premium income in the case of long-term health insurance; and
- 0.8% of the premium income, in the case of accident insurance of a non-investment type, or 0.08% of the premium and deposits in the case of accident insurance of an investment type with guaranteed yield, or 0.05% of the premium and deposits in the case of accident insurance of an investment type without guaranteed yield.

An insurance company may suspend the payment of the insurance guarantee fund if:

- its balance in the insurance guarantee fund amounts to 6% or more of its total assets, in the cases of property insurance companies; or
- its balance in the insurance guarantee fund amounts to 1% or more of its total assets, in the cases of life insurance companies.

To the extent the ratio of the insurance guarantee fund balance of an insurance company to its total assets falls below the respective percentage set forth in the preceding sentence, due to the decline in the insurance guarantee fund balance or the increase in total assets, the insurance company's obligation to pay the insurance guarantee fund shall resume automatically.

Solvency Margin

The PRC Insurance Law requires an insurance company to maintain minimum solvency margin commensurate with the scale of its business operations and risk exposures. In addition, on 10 July 2008, the CIRC promulgated the Administrative Regulation of Solvency of Insurance Companies to measure the financial soundness of insurance companies and to provide policyholders with better protection under a proper regulatory system.

Under the Administrative Regulation of Solvency of Insurance Companies, an insurance company is required to have sufficient capital commensurate with its risk exposures and scale of business to ensure a solvency margin ratio of no less than 100%. The solvency margin ratio, i.e., capital adequacy ratio, means the ratio of an insurer's actual capital to its minimum capital. Minimum capital is defined as the amount of capital that an insurance company must maintain to respond to the adverse impact of asset risks and underwriting risks on its solvency margin, while actual capital refers to the margin between the recognized assets and the recognized liabilities of an insurance company. The CIRC requires insurance companies to assess their solvency margin ratio, to calculate their minimum capital and actual capital and to conduct dynamic solvency tests on a regular basis.

Furthermore, the CIRC also requires insurance companies to forecast and evaluate the trends of their solvency under various future circumstances. In cases of occurrence of events that will have significant impact on an insurance company's solvency margin, such as substantial investment losses, significant claims payments and policy cancellations, material litigations, financial crisis or conservatorship by financial regulators of the insurance company's subsidiary, its joint venture or its parent company, the headquarters of a foreign insurance company with a branch office located in the PRC suffering an administrative punishment or supervisory measure or applying for bankruptcy protection due to solvency problems, freeze of major assets by a judicial body or other material administrative punishments by other administrative authorities, the insurance company is required to report to the CIRC within five days of the occurrence of such event. In order to comply with such solvency assessment requirements, an insurance company is required to prepare and file various solvency reports, which include annual, quarterly and interim reports. In particular, an insurance company must submit a report to the CIRC within five working days after discovery of its insolvency.

Based on their solvency margins, the CIRC classifies insurance companies into three categories:

- Inadequate Solvency: insurance companies with solvency margin ratio of less than 100%;
- Adequate Solvency I: insurance companies with solvency margin ratio of between 100% and 150%; and
- Adequate Solvency II: insurance companies with solvency margin ratio of higher than 150%.

For an insurance company in the category of Inadequate Solvency, the CIRC may take one or more of the following supervisory measures: (i) order the insurance company to increase its capital or restrict its distribution of dividends; (ii) limit the compensation and spending of directors and senior managements; (iii) impose restrictions on its advertising; (iv) restrict its establishment of new branches, limit its business scope, or order it to cease starting new business and to transfer or cede its business to other insurance companies; (v) order an auction of the insurance company's assets or restrict it from purchasing additional fixed assets; (vi) restrict the channels for the application of its insurance funds; (vii) change the person in charge and management personnel; (viii) assume control of the insurance company; and (ix) other necessary measures.

The CIRC may require an insurance company in the category of Adequate Solvency I to submit and implement an insolvency prevention plan, which may include a detailed plan to set up a functioning solvency risk prevention mechanism. Where there is any significant insolvency risk in an insurance company in the category of Adequate Solvency I or Adequate Solvency II, the CIRC may order it to make a rectification, which may include specific requirements for the insurance company to increase its solvency margin ratio to a specified level, or take other necessary supervisory measures against it.

Use of Insurance Funds

Under the PRC Insurance Law, as amended in 2009, the Interim Provisions Regarding Investment by Insurance Institutional Investors in Bonds (保險機構投資者債券投資管理暫行辦法), effective on 17 August 2005, the Notice on Increasing Bond Investment Choices for Insurance Institutions (增加保險機構債券投資品種的通知), effective on 19 March 2009, the Interim Provisions Regarding Investments by Insurance Companies in Equity Investment Funds (保險公司投資證券投資基金管理暫行辦法), effective on 17 January 2003, the Interim Provisions Regarding Investments by Insurance Institutional Investors in Stocks (保險機構投資者股票投資管理暫行辦法), effective on 24 October 2004, the Notice on Regulating Stock Investments by Insurance Institutional Investors (關於規範保險機構股票投資業務的通知), effective on 18 March 2009, the Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds (保險資金間接投資基礎設施項目試點管理辦法), effective on 14 March 2006, the Guidelines for the Introduction of Products of Infrastructure Debt Investment Plans (基礎設施債權投資計劃產品設立指引) and the Notice on Investments of Insurance Funds in Infrastructure Debt Investment Plans (關於保險資金投資基礎設施債權投資計劃的通知), both effective on 19 March 2009, the Circular on the Investment in Equity Interests of Commercial Banks by Insurance Institutions (關於保險機構投資商業銀行股權的通知), effective on 16 October 2006, the Interim Provisions Regarding the Management of Offshore Investments of Insurance Funds (保險資金境外投資管理暫行辦法), effective on 28 June 2007 and other related regulations and circulars, the use of insurance funds is limited to the following, subject to the satisfaction of conditions prescribed for each form of investment:

- bank deposits;
- government bonds;
- financial bonds (including central bank notes, policy bank financial bonds, policy bank subordinated bonds, commercial bank financial bonds, commercial bank subordinated bonds, commercial bank subordinated term debts, insurance company subordinated term debts and RMB-denominated bonds issued by international development agencies);
- enterprise (corporate) bonds;
- convertible bonds;
- short-term financing bonds;
- other bonds as approved by relevant government agencies;
- securities investment funds;
- RMB-denominated common shares listed on PRC stock exchanges;
- shares of unlisted commercial banks;
- infrastructure projects;
- real estate;
- offshore investments; and
- other forms of use of capital as stipulated by the State Council.

Investment in Bonds

Prior to June 2003, PRC insurance companies were only allowed to invest in bonds issued by four types of State-owned enterprises. Since 2004, PRC insurance companies may invest in subordinated bonds issued by the PRC commercial banks, subordinated term debts issued by insurance companies and convertible bonds, as approved by the CIRC, and RMB-denominated common shares listed on PRC stock exchanges.

Under the Interim Administrative Measures on Investments in Bonds by Insurance Institutional Investors, promulgated by the CIRC on 17 August 2005, PRC insurance companies may invest in bonds and subordinated bonds issued by any qualified commercial bank in connection with either a public offering or a private placement. An insurer's total investment in commercial bank bonds and subordinated bonds on a cost basis may not exceed 30% (and 10% in any single bank) of its total assets as of the end of the prior quarter. The total investment in any single issue by a commercial bank with a rating of AA or above may not exceed 20% of the issue, and the balance of such investment may not exceed 5% of the total assets of such insurer as of the end of the prior quarter. The total investment in any single issue by a commercial bank with a rating of A or above may not exceed 10% of the issue, and the balance of such investment may not exceed 3% of the total assets of such insurer as of the end of the prior quarter. PRC insurance companies may also invest in subordinated term debts issued by any qualified insurance company in connection with a private placement. An insurer's total investment in insurance company subordinated term debts on a cost basis may not exceed 20% (and 4% in any single insurance company) of its net assets as of the end of the prior quarter. The total investment in any single issue by an insurance company may not exceed 20% of the issue, and the balance of such investment may not exceed 1% of the net assets of such insurer as of the end of the prior quarter. PRC insurance companies may also invest in qualified enterprise (corporate) bonds, convertible enterprise (corporate) bonds and short-term financing bonds.

Under the Notice on Increasing Bond Investment Choices for Insurance Institutions, PRC insurance companies are now allowed to invest in local government bonds issued and honored by the Ministry of Finance on behalf of local governments, medium-term notes and other debt financing instruments issued in the domestic market by non-financial enterprises, and bonds, convertible debentures and other types of unsecured bonds with required ratings issued in the Hong Kong market by large State-owned enterprises. An insurance company may freely determine the percentage of its total investment and each single investment in local government bonds. However, the balance of its aggregate investments in the relevant unsecured bonds shall not exceed 15% of the insurance company's total assets at the end of the preceding quarter.

Under the Notice on Matters Relating to Investments in Bonds, issued by the CIRC on 22 September 2009, PRC insurance companies are currently permitted to invest up to 40% of their total assets as of the end of the prior quarter in enterprise (corporate) bonds. PRC insurance companies may invest in bonds and convertible bonds issued in the Hong Kong market by large State-owned enterprises, companies with H shares listed on the Hong Kong Stock Exchange and red-chip companies, provided that such bonds and convertible bonds have a long-term credit rating of the equivalent of BBB or above assigned by an internationally recognized credit rating agency.

Securities Investment Funds

Under the Interim Provisions Regarding Investments by Insurance Companies in Equity Investment Funds, insurance companies, subject to the satisfaction of certain conditions, may apply to engage in the securities investment fund business. The securities investment fund business of an insurance company must meet the following requirements:

- on a cost basis, the investment of an insurance company in equity investment funds may not exceed 15% of the total assets of the insurance company as of the end of the previous month;

- on a cost basis, the amount of investment in a single fund by an insurance company may not exceed 3% of the total assets of the insurance company as of the end of the previous month;
- the amount of investment in a single closed-end fund by an insurance company may not exceed 10% of the fund; and
- the securities investment fund business of an insurance company must be conducted solely by the headquarters of such insurance company, and branches of such insurance company may not engage in equity investment fund trading.

RMB-Denominated Common Shares Listed on PRC Stock Exchanges

Pursuant to the Notice on Regulating Stock Investments by Insurance Institutions, stock investments of insurance companies shall be reported to the CIRC for archival filing. An insurance company shall decide on whether to engage in stock investments directly or through qualified insurance asset management companies according to the Standards for Stock Investments by Insurance Companies (保險公司股票投資能力標準) and the market principle, and report to the CIRC.

An insurance company shall, depending on the characteristics of its insurance funds and its solvency margin, allocate its foreign and domestic stock assets on a uniform basis and reasonably determine the scale and proportion of its stock investments. For insurance companies with solvency margin ratio of above 150%, stock investments can be conducted normally according to the relevant regulations. However, an insurance company with solvency margin ratio of between 100% and 150% in four consecutive quarters may need to adjust its stock investment strategy, and if the solvency margin ratio of an insurance company falls below 100% in two consecutive quarters, no stock investment can be increased and the insurance company shall report the market risk immediately and take effective and preventive measures in dealing with such risk.

According to the Interim Provisions Regarding Investments by Insurance Institutional Investors in Stocks, an insurance institution may not hold 30% or more of RMB-denominated common shares of a listed company.

Under the Circular on Stock Investments by Insurance Institutional Investors promulgated by the CIRC on 7 February 2005, insurance companies' investments in stocks are subject to the following restrictions:

- for traditional insurance products, the balance of stock investments, on a cost basis, may not exceed 5% of the company's total assets (net of assets in relation to investment-linked insurance products and universal life insurance products) at the end of the prior year; the proportion of assets, on a cost basis, of investment-linked insurance products invested in stocks may not exceed 100% of the total assets in each account; for universal life insurance products, the proportion of assets, on a cost basis, invested in stocks may not exceed 80%;
- an insurance company's balance of its investments in listed companies with a public float of less than RMB100 million, on a cost basis, may not exceed 20% of such insurance company's assets eligible for stock investment, including investment-linked products and universal life products;
- the balance of an insurance company's investments in the tradable shares of a single listed company, on a cost basis, may not exceed 5% such insurance company's assets eligible for stock investments;
- the amount of an insurance company's investments in the tradable shares of a single listed company may not exceed 10% of such listed company's tradable equity and 5% of such listed company's share capital; and

- an insurance company should include its holding of bonds that are convertible into listed company shares in such insurance company's stock investment account for purposes of calculating the proportions of its stock investments.

Pursuant to a notice issued by the CIRC in July 2007, the maximum balance of stock investments, on a cost basis, for traditional insurance products was adjusted from 5% of the company's total assets (net of assets in relation to investment-linked insurance products and universal life insurance products) at the end of the prior year to 10% of the company's total assets (net of assets in relation to investment-linked insurance products and universal life insurance products) at the end of the prior quarter.

Investment in Infrastructure

Under the Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds, an insurance company may invest in a qualified infrastructure project through a trustee.

The Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds set forth the provisions governing the administration or disposition, by a third party, of insurance funds that have been invested, in such third-party's name but at the direction of the holder of such insurance funds, in infrastructure projects for the interest of the beneficiaries or any other special purpose. Pursuant to this regulation, no investment shall be made in any infrastructure project involving any of the following circumstances:

- such infrastructure project is prohibited or restricted explicitly by the PRC government;
- such infrastructure project requires legal and valid permits, which haven't been granted;
- such infrastructure project involves legal risks due to uncertain identity or ownership or other reasons;
- the developer of such infrastructure project does not have legal person status; and
- such infrastructure project involves other circumstances specified by the CIRC.

On 19 March 2009, the CIRC issued the Notice on Investments of Insurance Funds in Infrastructure Debt Investment Plans, which provides that qualified insurance companies with solvency margin ratio of above 120% for the most recent two years may invest in infrastructure debt project plans initiated by insurance asset management companies, trust companies and other professional management institutions. An insurance company shall, on the basis of its investment management capacity and risk management capacity, independently decide the manners of its investment in the debt investment plans, and make appropriate filings with the CIRC.

Insurance companies with investments in debt investment plans shall comply with the following percentage requirements:

- The balance of investment in a debt investment plan by a life insurance company shall not exceed 6% of its total assets at the end of the preceding quarter; in the case of a property insurance company, the balance of such investment shall not exceed 4% of its total assets at the end of the last quarter;
- The balance of investment in a single debt investment plan shall not exceed 40% of the assets allocated to be invested in debt investment plans;
- The proportion of investment in a single debt investment plan in the form of Category A or B credit upgrade shall not exceed 50% of the issued amount under the investment plan; and the proportion of investment in a single debt investment plan in the form of Category C credit upgrade shall not exceed 40% of the issued amount under the investment plan;

- The aggregate proportion of investments made by insurance companies from the same insurance group in a single debt investment plan issued by an affiliated professional management institution shall not exceed 60% of the total issued amount under such investment plan; and
- In the case of State Council approved major projects, the proportion of investment in a single debt investment plan may be adjusted properly.

Investment in Unlisted Commercial Banks

Pursuant to the Circular on the Investment in the Equity Interests of Commercial Banks by Insurance Institutions, promulgated by the CIRC on 16 October 2006, insurance institutions in the PRC may engage in equity investments in qualified unlisted commercial banks, such as State-owned commercial banks, joint-stock commercial banks and city commercial banks, within the PRC, subject to the following conditions:

- an insurance institution's combined balance of "ordinary investments", defined as investments with a total value less than 5% of the share capital or the paid-in capital of the target bank, and "material investments", defined as investments with a total value exceeding 5% of the share capital or the paid-in capital of the target bank, shall not exceed 3% of such insurance institution's total assets as of the end of the prior year;
- the balance of ordinary investments by a single insurance institution in a single bank shall not exceed 1% of such insurance institution's gross assets as of the end of the prior year;
- the balance of material investments by a single insurance institution shall be submitted to the CIRC for approval and its corporate capital tied to material investments shall not exceed 40% of the insurance institution's paid-in capital as of the end of the prior year minus accumulated losses;
- the insurance institutions must meet certain qualifications in terms of their corporate governance, risk management and business operations to be able to make ordinary investments, and must meet higher qualification standards, both quantitative and qualitative, to be able to make material investments;
- ordinary investments shall be filed with the CIRC in advance and material investments must be approved by the CIRC; and
- generally, an insurance institution cannot make material investments in more than two commercial banks.

Offshore Investment

Pursuant to the Interim Provisions Regarding Management of Offshore Investments of Insurance Funds, jointly promulgated by the CIRC, the PBOC and the SAFE on 28 June 2007, PRC insurance asset management companies and other professional investment management institutions may invest in offshore assets for insurance companies, insurance group companies and insurance holding companies incorporated in the PRC. Permitted investments include:

- money market products such as commercial paper, large-amount negotiable deposits, repurchase agreements, reverse repurchase agreements and money market funds, among others;
- fixed income instruments such as bank deposits, structured deposits, bonds, convertible bonds, bond funds, securitization products and trust products, among others;
- equity investments such as stocks, stock investment funds, equities and equity-type products, among others; and
- other investments permitted by the PRC Insurance Law and the State Council.

An insurance company may determine the amount of its investments in offshore assets in accordance with its needs in asset allocation and risk management, provided that the following conditions are met:

- the aggregate amount invested in offshore assets may not exceed 15% of the insurance company's total assets as of the end of the prior year;
- the aggregate amount actually invested may not exceed the foreign currency investment quota approved by the SAFE; and
- an insurance company must comply with relevant CIRC regulations regarding the proportion of its assets invested in any one single entity.

Changes to specific investment percentage, form or asset type previously approved are subject to application with, and approval by, the CIRC. Material equity investments must be approved by the CIRC.

Under the Guidance on Risk Control for Use of Insurance Funds (Tentative), a CIRC regulation that became effective on 1 June 2004, insurance companies and insurance asset management companies are required to establish comprehensive and effective risk control systems with respect to the use of insurance funds. In particular, such risk control system shall cover, among others, asset-liability management, investment policy management, information technology system management and human resource management. In addition, insurance companies are required to conduct, at least annually, a comprehensive and systematic internal review of the use of insurance funds. The result of such review shall be reported to the board of directors.

Areas Prohibited for Use of Funds of an Insurance Company

The PRC Insurance Law and CIRC regulations have strict limitations on the use of funds by PRC insurance companies. In particular, the PRC Insurance Law and CIRC regulations prohibit PRC insurance companies from, among other things, using their funds to engage in other activities that are outside of the scope permitted and regulated by the CIRC.

Investments in Insurance Industry

Equity investments in insurance companies established in the PRC are subject to the PRC Insurance Law and the Administrative Regulations for Insurance Companies, effective on 1 October 2009, and other relevant rules and regulations. A major shareholder of an insurance company must have good credit standing, be capable of sustained profitability, have no record of material violation of laws and regulations within the past three years and have net assets of no less than RMB200 million.

If the total amount of shares of an insurance company directly held or beneficially owned by a single shareholder (including shares held by related companies of or beneficially owned by such shareholder) will exceed 10% of the total capital of such insurance company, approval from the CIRC must first be obtained.

The Establishment of Insurance Brokering Institutions

In accordance with the PRC Insurance Law and the Measures on the Supervision of Insurance Brokerage Institutions, effective as of 1 October 2009, the establishment of an insurance brokerage institution must meet the following conditions:

- its shareholder or promoter must have good credit standing and have no record of material violation of law within the past three years;
- its registered capital satisfies the minimum required amount and must be paid-in capital in cash;

- its articles of association comply with applicable laws;
- its chairman, executive directors and senior management personnel satisfy the required qualifications for serving in the relevant positions;
- it has a sound organizational structure and management system;
- it has a regular domicile that is suitable for its business; and
- it has business and financial computer hardware and software suitable for its business operations.

Insurance brokering institutions may engage in:

- proposing insurance plans, choosing insurers, handling insurance matters on behalf of proposers;
- assisting insured or beneficiaries to file insurance claims;
- engaging in the reinsurance brokering business;
- providing consultation services on damage prevention, risk evaluation or risk management for clients; and
- other insurance business determined by the CIRC.

Insurance Agents

Insurance agents are entities or individuals entrusted by an insurer to sell insurance products on behalf of the insurer within the scope of the insurer's authorization and charge commissions to the insurer. Insurance agents include individual insurance agents, full-time institutional insurance agents and ancillary agency organizations. Insurers may not employ institutional or individual insurance agents not certified by the CIRC.

Pursuant to the relevant requirements of the PRC Insurance Law, whenever an agent's services are engaged by an insurance company, the insurance company must enter into an agency agreement, which must stipulate the rights and obligations of the respective parties as well as other matters pertaining to the agency relationship in accordance with the law.

According to the relevant requirements of the PRC Insurance Law, the insurer must be responsible for the actions of an insurance agent in carrying out insurance business activities pursuant to terms of the agency agreement. The insurer shall bear insurance liability for actions of its agent even if the agent has acted in the name of the insurer without engagement, beyond its scope of engagement or after the termination of engagement, provided that the proposer had reason to believe that the agent was acting within its scope of engagement. However, the insurer may bring an action against an agent that has acted beyond the scope of its engagement.

Individual Insurance Agents

Under the Administrative Measures on Individual Insurance Agents, effective on 1 July 2006, in order to engage in insurance agency services, an individual applicant must have a Qualification Certificate for Engaging in Insurance Agency Business, an executed insurance agency agreement with an insurer and an operating certificate issued by such insurer.

Before issuing the operating certificate, an insurer shall register its agents with the local insurance association. An individual insurance agent shall engage in insurance sales activities within the scope authorized by the insurer to which he or she belongs, shall, on his or her own initiative, agree to be managed by the insurer to which he or she belongs, and shall perform the obligations as stipulated in the insurance agency agreement. An individual insurance agent performing life insurance business activities may not be concurrently engaged by more than one insurer.

Full-Time Institutional Insurance Agents

A full-time institutional insurance agent must possess the qualifications stipulated by the CIRC, obtain a Permit for Insurance Agency Business from the CIRC, register with and obtain a business license from the relevant local bureau of the SAIC, and either deposit a guarantee fund or obtain professional liability insurance coverage. A full-time institutional insurance agent may sell insurance products, collect insurance premiums, perform damage investigations and process claims on behalf of the insurer and engage in other businesses as stipulated by the CIRC.

The Establishment of Full-Time Insurance Agent Institutions

In accordance with the PRC Insurance Law and the Measures on the Supervision of Full-Time Insurance Agent Institutions, effective as of 1 October 2009, the establishment of a full-time insurance agent institution must meet the following conditions:

- its shareholder or promoter of must have good credit standing and have no record of material violation of law within the past three years;
- its registered capital satisfies the minimum required amount and must be paid-in capital in cash;
- its articles of association comply with applicable laws;
- its chairman, executive directors and senior management personnel satisfy the required qualifications for serving in the relevant positions;
- it has a sound organizational structure and management system;
- it has a regular domicile that is suitable for its business; and
- it has business and financial computer hardware and software suitable for its business operations.

Insurance agent institutions may engage in:

- selling insurance products on behalf of insurers;
- collecting insurance premiums on behalf of insurers;
- conducting loss investigations and claims settlement in respect of insurance businesses on behalf of insurers; and
- other insurance agency businesses determined by the CIRC.

Ancillary Agency Organizations

Ancillary agency organizations must have their qualifications approved by the CIRC and must obtain the Permit for the Ancillary Agency Organizations Business. Upon the establishment of an agency relationship, an insurer shall confirm that the ancillary agency organization is in possession of a Permit for Ancillary Agency Organizations Business. An insurer may not engage an ancillary agency organization to issue insurance policies without the approval of the CIRC.

Bancassurance

Commercial banks in the PRC are not permitted to underwrite insurance policies. However, they are allowed to act as agents to sell insurance products through their distribution networks. Commercial banks providing insurance agency services are required to comply with all applicable regulations issued by the CIRC.

Pursuant to the Interim Measures on the Administration of Ancillary Agency Insurance Business, promulgated by the CIRC on 4 August 2000, commercial banks are required to obtain licenses from the CIRC before conducting insurance agency business. In accordance with the Notice Regarding

Standardization of Insurance Agency Business Conducted by Banks, issued by the CIRC and the CBRC on 15 June 2006, such licenses are required for all tier-1 branches of commercial banks conducting such business.

Pursuant to the Notice Regarding Standardization of Insurance Agency Business Conducted by Banks:

- an insurance company shall not pay any fee, other than the commission charges under the cooperation agreement, to the agency or any of the agency's offices or handlers in any name or any form;
- the training fees of the sales staff of the banks' offices shall be borne by the insurance companies, and the cooperation agreement shall clarify the frequency, method and contents of the trainings as well as the training fee rates; and
- starting from 31 October 2006, each sales staff member engaging in banks' commission insurance business who sells investment-linked products, universal products or other products determined by the regulatory authority must pass the qualification examination for insurance agency practitioners and obtain the Qualification Certificate for Insurance Agency Practitioner.

Establishment of Insurance Asset Management Companies

The Interim Administrative Regulations for Insurance Asset Management Companies set forth regulations on the establishment, modification, termination, scope of business, operation rules, risk control and supervision and administration of the insurance asset management companies. Insurance companies and insurance holding companies meeting certain conditions may establish insurance asset management companies, subject to regulatory approval.

According to the Interim Administrative Regulations for Insurance Asset Management Companies, an insurance assets management company should be set up by at least a qualified insurance company or insurance holding (group) company as the promoter or shareholder. The registered capital of an insurance asset management company should be no less than RMB 30 million or an equivalent amount in other exchangeable currencies. The registered capital should be paid-in capital. Where the registered capital of an insurance asset management company is less than 1‰ of the trustee insurance fund, the registered capital shall be increased to ensure it is no less than 1‰ of the trustee insurance fund or it reaches RMB 500 million.

According to the Interim Administrative Regulations for Insurance Asset Management Companies, an insurance asset management company may engage in the following businesses:

- managing as a trustee and utilizing the insurance funds in Renminbi or in foreign currencies owned by its shareholders;
- managing as a trustee and utilizing the funds owned by the insurance companies controlled by its shareholders;
- managing its own funds in Renminbi or in foreign currencies; and
- other businesses as determined by the CIRC or other departments of the State Council.

Reinsurance Requirement

Under the PRC Insurance Law, the liability of an insurance company for the maximum amount of loss that may be caused by a single insured event, may not be more than 10% of the sum of paid-in capital and the reserve revenue fund. Any part exceeding the 10% limit must be reinsured.

Risk Control in Reinsurance Operations

On 15 November 2007, the CIRC issued the Circular Concerning Safety and Soundness Issues in Reinsurance Operations, which became effective on 1 January 2008. Pursuant to the Circular Concerning Safety and Soundness Issues in Reinsurance Operations, a PRC insurance company which cedes reinsurance must establish a sound risk management system and review its reinsurance plans on an annual basis. In addition, the reinsurer to whom a PRC insurance company may cede reinsurance must satisfy the following requirements:

- Except for nuclear insurance and aviation and aerospace insurance, the leading reinsurer (or the reinsurer assuming the largest portion of reinsurance) of treaty reinsurance must be (i) a State-owned or a state-controlled insurance company or (ii) an insurance agency with its latest credit ratings meeting the standards set forth in the Circular Concerning Safety and Soundness Issues in Reinsurance Operations.
- Except for nuclear insurance and aviation and aerospace insurance, the reinsurer must have a paid-in capital of no less than RMB200 million or its equivalent in other currencies. When the lead reinsurer or the reinsurer assuming the largest portion of reinsurance is not a professional reinsurance agency, such reinsurer must have a paid-in capital of no less than RMB1 billion or its equivalent in other currencies.
- The reinsurer must be in compliance with solvency requirements imposed by the local supervision authorities of its place of incorporation.
- The reinsurer must have not committed any material violations of laws or regulations in the two fiscal years immediately preceding the commencement date of the reinsurance contract.

Anti-Money Laundering

According to the PRC Anti-Money Laundering Law and the Anti-Money Laundering Regulations for Financial Institutions and other relevant regulations, financial institutions incorporated in the PRC are subject to the following obligations, among other things:

- A financial institution and each of its branch entities shall establish a sound internal control system of anti-money laundering in accordance with the law;
- A financial institution shall set up and implement a client identification system according to the relevant provisions;
- A financial institution shall properly preserve a client's identification materials and relevant transaction information and documentation, including the amount of a transaction, the relevant voucher and account books, and other materials for a prescribed period of time;
- A financial institution shall report to the China Anti-Money Laundering Monitoring and Analysis Center any large-sum transaction or any suspicious transaction in RMB or in a foreign currency;
- If a financial institution suspects of any criminal activities, it shall timely submit a written report to the local branch of the PBOC and to the local public security bureau;
- A financial institution shall submit anti-money laundering statements and materials to the PBOC in accordance with the law; and
- A financial institution and its staff members have an obligation to assist in the anti-money laundering law enforcement activities.

MAJOR INSURANCE INDUSTRY COMMITMENTS UPON PRC'S ACCESSION TO THE WTO

The PRC joined the WTO in December 2001. Its WTO accession commitments are summarized in the following table:

Subject matter	The PRC's commitments
Restrictions on Foreign Equity Ownership	**Non-Life Insurers** • Upon accession, foreign non-life insurers permitted to establish as a branch or as a joint venture with up to 51% foreign ownership • Joint venture partners may freely agree to the terms of their engagement, provided they remain within the limits of the commitments contained in WTO commitment schedule • Within two years after accession, foreign insurers permitted to operate through wholly-owned subsidiaries **Life Insurers** • Upon accession, foreign life insurers permitted 50% foreign ownership in a joint venture • Joint venture partners may freely agree to the terms of their engagement, provided they remain within the limits of the commitments contained in WTO commitment schedule **Insurance Brokers** • For insurance and reinsurance brokering of large scale commercial risks and insurance and reinsurance brokering of international marine, aviation, and transport • Upon accession, foreign brokers permitted to establish joint ventures with up to 50% foreign ownership • Within three years after accession, foreign ownership permitted to increase to 51% • Within five years after accession, wholly-owned foreign subsidiaries permitted
Geographic Restrictions	• Upon accession, foreign insurers and brokers permitted to provide services in Shanghai, Guangzhou, Dalian, Shenzhen and Foshan • Within two years after accession, foreign life and non-life insurers and insurance brokers permitted to provide services in Beijing, Chengdu, Chongqing, Fuzhou, Ningbo, Shenyang, Suzhou, Tianjin, Wuhan and Xiamen • Within three years after accession, no geographic restrictions

Subject matter	The PRC's commitments
Business Scope	**Non-Life Insurers** • Upon accession, foreign non-life insurers permitted to provide "master policy" insurance of large-scale commercial risks, with no geographic restrictions • Upon accession, foreign non-life insurers permitted to provide insurance of enterprises abroad as well as property insurance, related liability insurance and credit insurance of foreign-invested enterprises in the PRC • Within two years after accession, foreign non-life insurers permitted to provide a full range of non-life insurance services (excluding compulsory products) to both foreign and domestic clients **Life Insurers** • Upon accession, foreign insurers permitted to provide individual (not group) insurance to foreigners and PRC citizens • Within three years after accession, foreign insurers permitted to provide health insurance, group insurance and pension/annuities insurance to foreigners and PRC citizens **Insurance Brokers** • Foreign brokers permitted to provide "master policy" insurance no later than PRC brokers, under conditions no less favorable than PRC insurance brokers **Reinsurance** • Upon accession, foreign insurers permitted to provide reinsurance services for life and non-life insurance as a branch, joint venture, or wholly-owned subsidiary, without geographic or quantitative restrictions on the number of licenses issued

Restrictions on Foreign Equity Ownership

Since the PRC's accession to the WTO on 11 December 2001, foreign property and casualty insurers have been permitted to establish a branch or a joint venture with 51% foreign ownership. Currently foreign property and casualty insurers are permitted to establish wholly-owned subsidiaries. Since the PRC's accession to the WTO, foreign life insurers have been permitted 50% foreign ownership in a joint venture with a partner of their choice. The joint venture partners may freely agree on the terms of their joint venture, provided that the terms remain within the limits of the commitments contained in the WTO schedule.

Currently, foreign investors are permitted to hold up to 51% of ownership in a joint venture insurance brokering company engaging in brokerage business for (i) large scale commercial risks insurance; (ii) reinsurance; and (iii) international marine, aviation and transport insurance and reinsurance. In addition, pursuant to a CIRC announcement on 11 December 2006, foreign insurance brokerage companies are permitted to set up wholly foreign-owned insurance brokerage companies in the PRC within the permitted business scope, subject to qualification requirements. Additional branching of foreign insurance companies will be permitted consistent with the phase-out of geographic restrictions.

Geographic Limitation

Currently, foreign insurance companies are permitted to conduct business throughout the PRC without any geographic restrictions.

Scope of Business

Since the PRC's accession to the WTO, foreign property and casualty insurers have been permitted to provide master policy insurance (a single insurance policy for a company covering its various properties or liabilities located in different geographic regions) and insurance of large scale commercial risks without geographic restrictions. Foreign property and casualty insurers are permitted to provide property and casualty insurance for foreign enterprises as well as property insurance, related liability insurance and credit insurance for foreign-invested enterprises in the PRC. Beginning on 11 December 2003, foreign property and casualty insurers are permitted to provide the full range of property and casualty insurance services (excluding compulsory products) to both foreign and PRC clients.

Since the PRC's accession to the WTO, foreign life insurers have been permitted to provide individual but not group insurance to foreign persons and PRC citizens. Foreign life insurers are permitted to provide health insurance, group insurance and pension/annuities insurance to foreigners and PRC citizens.

Since the PRC's accession to the WTO, foreign insurers have been permitted to provide reinsurance services for life and property and casualty insurance as a branch, joint venture, or wholly foreign-owned subsidiary, without geographic or quantitative restrictions on the licenses issued.

Scope for Statutory Reinsurance

In accordance with the Circular of the CIRC on Certain Policies Regarding Statutory Reinsurance, which became effective on 28 October 2002, the statutory reinsurance requirement has been removed effective 1 January 2006. Insurance companies shall, however, during the validity period of the statutory reinsurance requirement, reinsure the business it underwrites according to the percentage and schedule required by the CIRC.

Foreign-Funded Insurance Companies

Under the Administrative Regulations on Foreign-Funded Insurance Companies and related implementing rules, foreign insurance companies can, subject to the CIRC's approval, establish foreign-funded insurance companies within the PRC in the form of joint ventures, wholly foreign-owned enterprises or branches.

Foreign insurance companies applying to establish a foreign-funded insurance company shall meet the following requirements:

- having been engaging in the insurance business for at least 30 years;
- having a representative office within the PRC for at least two years;
- having total assets of US$5 billion or more as of the end of the year prior to the application;
- being subject to effective and comprehensive insurance regulation in their home countries or regions;
- meeting the solvency margin requirements in their home countries or regions;
- having received approvals from the regulatory authorities in their home countries or regions of their applications; and
- meeting other prudent requirements set forth by the CIRC.

Joint venture insurance companies and wholly foreign-owned insurance companies with the minimum registered capital of RMB200 million shall increase their registered capital by at least RMB20 million for each branch they apply to open for the first time in each province, autonomous region or directly-administered municipality other than their place of domicile. Joint venture insurance companies and wholly foreign-owned insurance companies with the registered capital of at least RMB500 million are not required to increase their registered capital for establishing branches, as long as they meet the solvency margin requirement.

Representative Offices of Foreign Insurance Companies

According to the Administrative Measures of PRC Representative Offices of Foreign Insurance Institutions, effective as of 1 August 2006, the establishment of a representative office of a foreign insurance company must meet the following requirements:

- in good operating condition;
- having engaged in insurance business for more than 20 years if such a foreign insurance company operates insurance business or having been in existence for more than 20 years in all other cases;
- no material violation of laws within the three years immediately prior to the application; and
- other prudential requirements set by the CIRC, including, among other things, a requirement that the total assets of a foreign insurance company, as of the year end prior to the company's application for registration, be over US$2 billion.

Prohibited Activities for Foreign-Funded Insurance Companies

Foreign-funded insurance companies are not permitted to engage in compulsory insurance, such as compulsory auto liability insurance, liability insurance for drivers and operators of public transportation vehicles and commercial vehicles.

PRC SECURITIES LAWS AND REGULATIONS

As our A Shares have been listed on the Shanghai Stock Exchange since 25 December 2007, we are subject to PRC Securities Law and the Shanghai Listing Rules. The Shanghai Listing Rules regulate share listing and information disclosure by the listed companies, including us, and seek to maintain the orderly operation of the stock exchange market and protect the interests of the investors. As a company with A Shares listed on the Shanghai Stock Exchange, we are subject to a number of obligations under the Shanghai Listing Rules, including:

- publishing annual, semiannual and quarterly reports;
- disclosing all information that may have a material impact upon our share price;
- making announcements in relation to certain corporate matters; and
- appointing a secretary to our Board, who is responsible for, among other things, certain corporate administration matters and information disclosure matters.

We are also subject to a number of PRC laws governing the securities markets. The CSRC is responsible for drafting regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by public PRC companies, and regulating trading of securities. For example, a listed company is prohibited from using insider information in connection with the issue of or trading in securities. A company that has securities listed in the PRC and overseas must also simultaneously disclose material information to the investing public pursuant to both the laws and regulations of the PRC and the applicable laws and regulations of the other market in which such company's securities are listed. Further information is set forth in Appendix VIII — "Summary of Principal Legal and Regulatory Provisions".

COMPLIANCE WITH LAWS AND REGULATIONS

As of 30 June 2009, our statutory deposits, insurance reserves, insurance guarantee fund, statutory revenue fund and solvency margin ratios were in compliance with applicable regulatory requirements.

In the opinion of King & Wood PRC Lawyers, our PRC legal counsel, except as described in the sections headed "Risk Factors — Risks Relating to Our Company — If we cannot timely obtain capital to satisfy the regulatory requirements regarding solvency margin, the authorities may impose regulatory sanctions on us, which may have a material and adverse effect on our business and results of operations", "Risk Factors — Risks Relating to Our Company — Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect our reputation, business, results of operations and financial condition", and "Risk Factors — Risks Relating to Our Company — We have not obtained formal title certificates to some of the properties we occupy and some of our landlords lack relevant title certificates for properties leased to us, which may materially and adversely affect our right to use such properties", we have complied in all material respects with all regulatory requirements, set forth in this section headed "Supervision and Regulation".

GENERAL

Our Board shall consist of 15 members and it currently has 13 members, consisting of two Executive Directors, six Non-Executive Directors and five Independent Non-Executive Directors.

Our Executive Directors, Mr. GAO Guofu and Mr. HUO Lianhong, are in charge of the Company's daily operations and management, including, without limitation, implementing resolutions of the Board, formulating the Company's basic management system and proposing to the Board the appointment or dismissal of our other senior management members. The other members of our senior management assist the Executive Directors to discharge different management responsibilities according to the authorizations granted to them by the Executive Directors and our Articles of Association. A general management meeting of our senior management is normally held at least once a month to discuss and resolve issues arising from the daily operations of the Company.

Our Non-Executive Directors perform their respective duties and obligations as directors in accordance with the applicable laws and regulations and our Articles of Association. Like all the other Directors of the Company, they operate, manage and supervise the Company primarily through attending Board meetings. The duties and obligations of our Directors have been summarized in Appendix IX to this prospectus. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or re-appointment.

According to our Articles of Association, the functions and powers of our Board include, among others:

- to be responsible for convening shareholders' general meetings and to report on its work to shareholders' general meetings;
- to implement resolutions of shareholders' general meetings;
- to determine operating plans and investment plans of our Company;
- to formulate our proposed annual preliminary and final financial budgets;
- to formulate our profit distribution plans and plans for recovery of losses;
- to formulate proposals for increase or reduction of our registered capital and the issue of corporate bonds and other securities by our Company or the listing of our Company;
- to formulate plans of substantial acquisition by our Company, acquisition of the shares of our Company or merger, separation, dissolution and changes of the form of our Company;
- unless otherwise stipulated by laws, administrative regulations, rules or our Articles of Association, to decide on matters concerning external investments, acquisitions and sales of assets, assets write-off, assets mortgages, external guarantees, entrustment of assets, related party transactions and external donations, thereby setting up strict examination and approval procedures and clarifying limitations imposed by approval authorities;
- to decide on the establishment of our internal management structure;
- to appoint or remove our President and Secretary of the Board and, based on the nominations of the President, to appoint or remove the Vice-Presidents, Chief Actuary, professional Directors and other senior officers and to decide on their remuneration;
- to formulate our basic management system;
- to formulate proposals for any amendment to our Articles of Association;
- to manage the disclosure of matters relating to the Company;

- to propose to shareholders' general meetings the engagement, termination or non-renewal of engagement, or change of an accounting firm acting as the auditor of our Company;
- to review the working report issued by the President and to assess the performance of the President; and
- to exercise such other functions and powers as conferred by laws, administrative regulations, departmental rules or our Articles of Association.

In principle, the statutory powers of the Board shall not be delegated to the Chairman of the Board, any Director or any other individual or institution. Where it is necessary to authorize any of the aforesaid person or institution to make a decision on a specific matter, it shall be done by way of a resolution of the Board. The Board shall follow the principle of "one authorization for one matter" and shall not delegate all its powers or delegate such powers permanently to any other institution or individual.

The passing of a Board resolution requires the affirmative vote of a majority of our Directors pursuant to our Articles of Association.

The PRC Company Law requires a joint stock company with limited liability to establish a board of supervisors. The board of supervisors is responsible for monitoring our financial matters and supervising the acts of our Board and members of our management. Our Board of Supervisors consists of five Supervisors. According to our Articles of Association, two members of our Board of Supervisors must be employee representatives elected by our employees. The remaining members must be appointed by shareholders in shareholders' general meetings. Members of the Board of Supervisors shall not include any Director or members of our senior management. The term of office of our Supervisors is three years, which is renewable upon re-election and/or re-appointment.

According to our Articles of Association, the functions and powers of our Board of Supervisors include, among others:

- to examine our Company's financial activities;
- to supervise the Directors, President, Vice-President and other members of our senior management in performance of their duties and to propose the removal of Directors, President, Vice-Presidents and other members of our senior management who have contravened any laws, administrative regulations, our Articles of Association or resolutions of shareholders' general meetings;
- to demand rectification from Directors, President, Vice-Presidents or any other senior executive officer when the acts of such persons are harmful to our Company's interest;
- to verify the financial information such as the financial report, business operation report and plans for distribution of profits to be submitted by the Board to shareholders' general meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by certified public accountants or practising auditors;
- to propose to convene shareholders' extraordinary general meetings and to convene and preside over shareholders' general meetings when the Board fails to perform its duties of convening and presiding over shareholders' general meetings under the PRC Company Law;
- to make new proposals at shareholders' general meetings;
- to represent us in negotiation with or bringing an action against Directors or senior executive officers;

- to investigate when our Company's operations show abnormal signs and to engage accounting firms, law firms or other professional organizations to assist if necessary with the relevant expenses being paid by our Company;
- to make suggestions on our Company's appointment of certified public accounting firms and to appoint another certified public accounting firm on behalf of our Company to independently examine our Company's financial activities when necessary and to report directly to the CSRC and other relevant authorities; and
- to exercise other powers conferred by our Articles of Association.

The business address of each of our Directors, Supervisors and members of our senior management is South Tower, Bank of Communications Financial Building, 190 Central Yincheng Road, Pudong New District, Shanghai 200120, PRC. All of our Directors, Supervisors and members of our senior management meet the qualification requirements for their respective positions under the relevant PRC laws and regulations.

The following table sets forth the positions held by our Directors, Supervisors and members of our senior management in our shareholders:

Name	Position held in our shareholders
YANG Xianghai	Chairman of Shenergy Group Co., Ltd.
MA Guoqiang	General Manager of Baoshan Iron & Steel Co., Ltd.
ZHOU Ciming	Board Secretary and Deputy Chief Economist of Shenergy Group Co., Ltd.
ZHANG Jianwei	Deputy General Manager of Shanghai Jiushi Corporation
HUANG Kongwei	Vice-General Manager of Shanghai Meishan Iron and Steel Co., Ltd.
YANG Xiangdong	Managing Director of Carlyle and Co-Head of Carlyle Asia Partners
FENG Junyuan, Janine	Managing Director of Carlyle
XU Hulie	Deputy General Manager of Shanghai Tobacco (Group) Corporation
LIN Lichun	General Manager of Shanghai Hongta Hotel

DIRECTORS

The following table sets forth certain information concerning our Directors:

Name	Age	Position	Nominated by
GAO Guofu	53	Chairman and Executive Director	Board
HUO Lianhong	52	Executive Director and President	Board
YANG Xianghai	57	Vice-Chairman and Non-Executive Director	Shenergy Group Co., Ltd.
ZHOU Ciming	58	Non-Executive Director	Shenergy Group Co., Ltd.
HUANG Kongwei...	43	Non-Executive Director	Baosteel Group Corporation
YANG Xiangdong ..	44	Non-Executive Director	Carlyle Holdings Mauritius Limited
FENG Junyuan, Janine..........	40	Non-Executive Director	Parallel Investors Holdings Limited
XU Hulie	59	Non-Executive Director	Shanghai Tobacco (Group) Corporation
XU Shanda........	63	Independent Non-Executive Director	Shenergy Group Co., Ltd.
XIAO Wei.........	49	Independent Non-Executive Director	Board
LI Ruoshan........	60	Independent Non-Executive Director	Board
YUEN Tin Fan	57	Independent Non-Executive Director	Board
CHANG Tso Tung Stephen	61	Independent Non-Executive Director	Parallel Investors Holdings Limited

Mr. XU Shanda and Mr. CHANG Tso Tung Stephen were nominated by Shenergy Group Co., Ltd. and Parallel Investors Holdings Limited respectively pursuant to our Articles of Association. The appointments of Mr. Xu and Mr. Chang as our Independent Non-Executive Directors are not on the condition that they have to act according to the will of the relevant nominating shareholder or in favour of such nominating shareholder's interest. Each of Mr. Xu and Mr. Chang has confirmed that he is independent from our shareholders, including the nominating shareholder, and that he is not appointed to the Board specifically to protect the interests of an entity whose interests are not the same as those of the shareholders of the Company as a whole.

Our Non-Executive Directors, including our Independent Non-Executive Directors, perform their duties through attending the meetings of the Board and do not participate in the day-to-day management of our business operations.

GAO Guofu, 53, has been a Director and the Chairman of the Board of the Company since 15 September 2006. Mr. Gao has more than ten years' experience in large enterprises. From December 1993 to April 1995, Mr. Gao served as the general manager of Shanghai Waigaoqiao Free Trade Zone Development (Holding) Co. From April 1995 to August 1996, Mr. Gao served as the acting president of Shanghai Wanguo Securities Company and was in charge of establishing Shenyin & Wanguo Securities Co., Ltd. From August 1996 to May 2001, he successively served as the vice-general manager and the general manager of Shanghai Jiushi Corporation. From June 2001 to August 2006, he served as the general manager of 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 in 1997.

Mr. HUO Lianhong, 52, has been an Executive Director and the President (previously entitled General Manager) of the Company since 18 October 2000. He also serves as the chairman of CPIC

Property and CPIC Asset Management and a director of CPIC Life. Mr. Huo has engaged in the finance and insurance industries for more than 20 years, with extensive experience in managing large financial and insurance institutions. Since he joined the Company in 1993, he has held various positions, including the vice-general manager and the general manager of Beijing Branch of the Company from November 1998 to October 2000 and the vice-general manager and the general manager of Hainan Branch of the Company from January 1993 to November 1998. Prior to that, he worked for Hainan Branch of Bank of Communications as the deputy manager of its insurance department from August 1991 to January 1993. Mr. Huo is a senior economist. He received a bachelor's degree in Automation from the Central South Institute of Mining and Metallurgy in 1981.

Mr. YANG Xianghai, 57, has been a Non-Executive Director and the Vice-Chairman of the Board of the Company since 18 October 2000. He also serves as the chairman of Shenergy Group Co., Ltd. Mr. Yang has been a director of Shenergy Company Limited, a company listed on the Shanghai Stock Exchange, between 1999 and March 2008 and the chairman of Shanghai Gas (Group) Co., Ltd. since December 2003. Prior to that, Mr. Yang served as a director of Shanghai Securities Administration Office from June 1993 to September 1995, the general manager of the Shanghai Stock Exchange from September 1995 to August 1997, and the deputy chief commissioner of Shanghai Planning Commission from August 1997 to March 1999. Mr. Yang has over ten years' working experience in securities operations and business management. Mr. Yang is a senior economist. He received a master's degree in Economics from Fudan University in 1997.

Mr. ZHOU Ciming, 58, has been a Non-Executive Director of the Company since 18 October 2000. He also serves as the vice-chairman of CPIC Property and a director of CPIC Life. From October 2001 to March 2006, Mr. Zhou served as the vice-chairman of CPIC Life. From June 2006 to January 2008, he served as the 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 has over ten years' working experience in the finance industry. Mr. Zhou also served in Shanghai University of Finance and Economics from September 1982 to April 1992, including serving as an assistant professor and the associate dean at the university. 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 in 1988.

Mr. HUANG Kongwei, 43, has been a Non-Executive Director of the Company since 16 November 2004. He also serves as a director of CPIC Asset Management. 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. He is currently the vice-general manager of Shanghai Meishan Iron and Steel Co., Ltd. From March 1996 to May 2003, Mr. Huang worked at the Investment Management Office of the Planning & Financial Department of Baosteel Group. Between October 2007 and December 2008, Mr. Huang was a director of Industrial Bank Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Huang is a senior engineer. He received a master's degree in Management Information System from Zhejiang University in 1990.

Mr. YANG Xiangdong, 44, has been a Non-Executive Director of the Company since 22 June 2007. He also serves as the vice-chairman of CPIC Life and a director of CPIC Asset Management. Since 2001, he has been the managing director and the co-head of Carlyle Asia Partners participating in direct investments by Carlyle in Asia. Prior to joining Carlyle, Mr. Yang worked for Goldman Sachs for nine years, serving as the managing director, the co-head of Principal Investment Asia and a member of the Asia Management Committee. Mr. Yang is also an independent non-executive director of SmarTone Telecommunications Holdings Limited, a company listed on the Hong Kong Stock Exchange. Mr. Yang received a bachelor's degree in Economics from Harvard University in 1987 and a master's degree in Business Administration from Harvard Business School in 1992.

Ms. FENG Junyuan, Janine, 40, has been a Non-Executive Director of the Company since 22 June 2007. She also serves as a director of CPIC Life and CPIC Property. She is a managing director of Carlyle Group. Over the past ten years or more, Ms. Feng has been involved in many direct investments by Carlyle Asia Partners in financial enterprises in the PRC and elsewhere in Asia. Apart from her position with the Company, Ms. Feng also serves as a non-executive director of Chongqing Polycomp International Corporation and Zhejiang Kaiyuan Hotel Management Co., Ltd. Prior to joining Carlyle in 1998, Ms. Feng worked for Credit Suisse First Boston's New York office for approximately five years, engaging in investment banking business. Ms. Feng received a master's degree in Business Administration from Harvard Business School in 1996.

Mr. XU Hulie, 59, has been a Non-Executive Director of the Company since 8 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. From March 2005 to January 2008, he served as an assistant inspector of Shanghai Tobacco (Group) Corporation and the general manager of China Tobacco Shanghai Import and Export Co., Ltd. Mr. Xu was the general manager of China Tobacco Shanghai Import and Export Co., Ltd. from August 1998 to March 2005. He is an economist and received a professional diploma in Enterprise Operation and Management from the Shanghai TV University in 1986.

Mr. XU Shanda, 63, has been an Independent Non-Executive Director of the Company since 24 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 Advisory Committee for State Informatization, a member of the Accounting Standards Committee of the Ministry of Finance, and a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants. He is also a member of Chinese Economics 50 Forum and a member of its academic committee. He serves as vice-president of Chinese Finance Society. Mr. Xu is also an independent non-executive director of the Industrial and Commercial Bank of China Limited, a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Mr. Xu has engaged in research in macro-economics, finance and taxation over an extensive period of time. He is a part-time professor or guest research fellow at Tsinghua University, Beijing University, China National School of Administration, University of Science and Technology of China, Nankai University, Xi'an Jiaotong University, Central University of Finance and Economics and Zhejiang Institute of Science and Technology. Mr. Xu was formerly a deputy director-general of the State Administration of Taxation from December 1999 to December 2006. Prior to that, Mr. Xu held various governmental positions, including deputy director of the Policy Research Division of the State Administration of Taxation under the Ministry of Finance, director of the Research Office of the Taxation Science Research Institute under the State Administration of Taxation, deputy director-general of the Department of Tax Reform, deputy director-general of the Department of Policy and Legislation, director-general of the Department of Local Taxation and director-general of the Department of Auditing under the State Administration of Taxation. The golden tax project (a VAT information management system) led by Mr. Xu was awarded the second PRC national prize for progress in science and technology in 2006. Mr. Xu graduated from the Automation 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 Fiscal Studies from the University of Bath in the United Kingdom.

Mr. XIAO Wei, 49, has been an Independent Non-Executive Director of the Company since 22 June 2007. He has been a partner of Junhe Law Firm since 1989. He was also an independent director of Shenzhen Guangju Energy Co., Ltd., a company listed on the Shenzhen Stock Exchange between April 2003 and May 2009. Mr. Xiao was previously a member of the Listing Review Committee of the CSRC and of the Review Committee for Major Reorganizations by Listed Companies of the CSRC. Mr. Xiao is primarily engaged in providing legal services in the areas of foreign investments and securities and has extensive experience in leading transactions in restructuring, reorganizations, mergers, acquisitions, incorporation, securities offerings and listings. Mr. Xiao received a master's degree from the Chinese Academy of Social Sciences in 1987 and a master's degree in Law from Columbia University.

Mr. LI Ruoshan, 60, has been an Independent Non-Executive Director of the Company since 22 June 2007. He is currently the dean of the Finance Department of the School of Management of Fudan University. Mr. Li is a member of the Experts Committee for Listed Companies of the Shanghai Stock Exchange, a member of Shanghai Committee of Judicial Accounting Appraisal, the vice-chairman of the Shanghai Accounting Academy and the director of Fudan Finance and Futures Research Institute. Mr. Li has engaged in research in accounting, auditing and enterprise internal control over an extensive period of time. In addition, Mr. Li has led more than ten scientific and research projects, including those sponsored by the National Natural Science Foundation of the PRC, and has published many monographs and theses. He served as an independent director of Fuyao Glass Group Industries Co. Ltd. from September 2001 to September 2007, Sinochem International Corporation from December 2002 to May 2009 and Shanghai Jinfeng Investment Co., Ltd. between July 2002 to June 2007, all of which are companies listed on the Shanghai Stock Exchange. He is also an independent director of Shanghai Pudong Road & Bridge Construction Company Limited, a company listed on the Shanghai Stock Exchange, and an independent director of Zhejiang Guangbo Group Co., Ltd. and Zhejiang Wanfeng Auto Wheel Co., Ltd., both of which are companies listed on the Shenzhen Stock Exchange. Mr. Li received a doctorate degree in Economics from Xiamen University in 1989.

Mr. YUEN Tin Fan, 57, has been an Independent Non-Executive Director of the Company since 22 June 2007. He also serves as the vice-chairman of Pacific Century Regional Developments Limited. Mr. Yuen has more than ten years' operational and management experience in the insurance and telecommunications industries. 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 has been a non-executive director of Kee Shing (Holdings) Ltd. since December 1995 and an independent non-executive director of China Foods Limited since April 1992. Both of these companies are listed on the Hong Kong Stock Exchange. Mr. Yuen received a bachelor's degree in Economics from the University of Chicago in 1975.

Mr. CHANG Tso Tung Stephen, 61, has been an Independent Non-Executive Director of the Company since 22 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, a member of the Management Committee, managing partner of Professional Services, and the chairman of Audit and Advisory Business Services. Since December 2004, Mr. Chang has been an independent director of China World Trade Center Company Ltd., a company listed on the Shanghai Stock Exchange. He served as an independent non-executive director of GST Holdings Limited between February 2005 and December 2009, and of Nam Hing Holding Limited between April 2005 and August 2008, both of these companies are listed on the Hong Kong Stock Exchange. Mr. Chang has more than 30 years' experience in auditing and related professional services. Mr. Chang is a member of the Institute of Chartered Accountants in England and Wales. He received a bachelor's degree in Science from the University of London in 1973.

COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors had any competing interest, which competes or is likely to compete, either directly or indirectly, with our businesses.

SUPERVISORS

The following table sets forth certain information concerning our Supervisors:

Name	Age	Position	Nominated By
MA Guoqiang	46	Supervisor and Chairman of the Board of Supervisors	Baosteel Group Corporation
ZHANG Jianwei	55	Supervisor	Shanghai Jiushi Corporation
LIN Lichun	39	Supervisor	Yunnan Hongta Group Co., Ltd.
SONG Junxiang	54	Supervisor	Employees of the Company
YUAN Songwen	42	Supervisor	Employees of the Company

Mr. MA Guoqiang, 46, has been a Supervisor of the Company since May 2004 and currently serves as the Chairman of the Board of Supervisors of the Company. He joined Baosteel Group Corporation in 1995. He was a deputy general manager of Baosteel Group Corporation between 2001 and 2009 and has been appointed as the general manager of Baoshan Iron & Steel Co., Ltd. since 2009. Prior to that, he was a teacher and served concurrently 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 and an executive director of Baoshan Iron & Steel Co., Ltd., both of which are listed on the Shanghai Stock Exchange. In May 2005, Mr. Ma was awarded an executive master's degree in Business Administration, granted by Arizona State University.

Mr. ZHANG Jianwei, 55, has been a Supervisor of the Company since June 2007. He is also a supervisor of CPIC Property. 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. He has been a director of Haitong Securities Company Limited since 2002, and Haitong Securities Company listed on the Shanghai Stock Exchange in 2007. He has also been a director of Shanghai Highly (Group) Co., Ltd. since May 1999 and Shenergy Company Limited since April 2005, both of which are companies listed on the Shanghai Stock Exchange. Between September 2005 and September 2008, he was a director of Shanghai Pudong Development Bank Co., Ltd., a company listed on the Shanghai Stock Exchange. Mr. Zhang is a senior economist. He received a master's degree in Business Management from China Europe International Business School in 1999.

Ms. LIN Lichun, 39, has been a Supervisor of the Company since June 2007. She has also been a supervisor of CPIC Property since 2001. Ms. Lin served as a supervisor of CPIC Life from 2001 to 2007. She is the head of Shanghai office of Hongta Group, and a director and the general manager of Shanghai Hongta Hotel. Prior to that, Ms. Lin had extensive experience in finance and served as the chief financial officer 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 in 1993.

Mr. SONG Junxiang, 54, has been a Supervisor of the Company since August 2008. Mr. Song joined our Company in 2003. He currently serves as 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, 42, has been a Supervisor of the Company since May 2004. He also serves as the deputy general manager of the Auditing Department of the Company since 2005. Since joining the Company in 1993, he has been engaged in internal auditing. He was involved in the development of the non-field auditing system of the Company and was in charge of other audit-related projects including the formulation of the overall appraisal program for internal control. 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 in 2002.

SENIOR MANAGEMENT

Our senior management are responsible for the day-to-day management of our business. The following table sets forth certain information concerning our senior management personnel.

Name	Age	Position
HUO Lianhong	52	President of the Company, Chairman of CPIC Property and Chairman of CPIC Asset Management
XU Jinghui	52	Executive Vice-President of the Company
SHI Jierong	56	Vice-President of the Company
TANG Dasheng	55	Vice-President of the Company and General Manager of CPIC Asset Management
GU Yue	44	Vice-President and Chief Auditor of the Company
SUN Peijian	46	Vice-President and Chief Compliance Officer of the Company
CHI Xiaolei	40	Chief Actuary of the Company
NGO Tai Chuan Alan	36	Chief Financial Officer of the Company
CHEN Wei	42	Board Secretary of the Company
HUANG Xueying	42	Chief Information Technology Officer of the Company

HUO Lianhong, See "— Directors".

Mr. XU Jinghui, 52, has been a Vice-President (previously entitled Deputy General Manager) and an Executive Vice-President (previously entitled Deputy Executive General Manager) of the Company since 2005 and 2007, respectively. He also serves as a director of CPIC Life, CPIC Property and CPIC Asset Management. Since he joined the Company in May 1991, he has held various positions, including the general manager of the Second Domestic Business Department, the general manager of our Dalian Branch, special assistant to the President of the Company, and the general manager of the E-Commerce Department of the Company. 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 more than 15 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., a company listed on the Shanghai Stock Exchange. Mr. Xu is a senior economist. He received a master degree in Business Administration from Nanyang Technological University in Singapore in 2005.

Mr. SHI Jierong, 56, has been a Vice-President of the Company since 1991 in charge of the property insurance and life insurance businesses in succession. He is also the chairman of Pacific-Antai, the chairman of the board of supervisors of CPIC Property, the chairman of the board of supervisors of CPIC Life. From December 1984 to September 1985, Mr. Shi worked as a secretary of the Governor's Office of Heilongjiang Provincial Government, and from November 1987 to June 1991, he was 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 in 1983.

Mr. TANG Dasheng, 55, has been a Vice-President of the Company since 1999. Mr. Tang also serves as the general manager and a director 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 from 1977 to 1988 and deputy general manager of the financial and accounting department of Bank of Communications from 1991 to 1993. From September 2003 to October 2007, he was also an independent director of Shanghai Jiao Yun Co., Ltd., a company listed on the Shanghai Stock

Exchange. Mr. Tang is a senior accountant. He received a master's degree in Insurance from Shanghai University of Finance and Economics in 1996.

Mr. GU Yue, 44, has been the chief auditor of the Company since December 2007 and a Vice-President of the Company since March 2001. He also serves as the chairman of the board of supervisors of CPIC Asset Management and Pacific-Antai, as well as a director of CPIC HK. Since he joined the Company in 1993, he has held various positions, including the vice-general manager of the Planning and Financial Department, the general manager of Suzhou Branch and Nanjing Branch of the Company, the chairman of the board of supervisors of CPIC Life and CPIC Property, the Board secretary, and the general manager of the Human Resources Department of the Company, successively in charge of legal affairs, development strategy research and e-commerce. Prior to that, Mr. Gu worked for the Shanghai Statistics Bureau. Mr. Gu is an economist. He graduated from the Shanghai University of Finance & Economics with a bachelor's degree in Economics and received an executive master's degree in Business Administration from China Europe International Business School in 2005. Mr. Gu also attended a three-month advanced study and training program of financial industry management at the Wharton School of the University of Pennsylvnia as a visiting scholar in 2005.

Mr. SUN Peijian, 46, has been a Vice-President of the Company since 2005 and the Chief Compliance Officer of the Company since April 2007, responsible for risk management and compliance. He currently serves as a director of CPIC Property, CPIC Life and CPIC Asset Management. Since joining the Company in 1991, he has held various positions, including our Chief Information Technology Officer, the general manager of the Reinsurance Department of the Company in charge of the operation and management of the reinsurance business of CPIC Property and CPIC Life. Mr. Sun led a program establishing a concentrated underwriting and claims settlement system for the property insurance and life insurance businesses and a program updating the development processes of property and life insurance products in cooperation with international reinsurers. He also led many projects involving the application of information technologies. Prior to that, Mr. Sun worked for the insurance business department of Shanghai Branch of Bank of Communications. He received a bachelor's degree in Shipping and Oceanic Engineering and a master's degree in Engineering from Shanghai Jiao Tong University in 1988 and an executive master's degree in Business Administration from China Europe International Business School.

Ms. CHI Xiaolei, 40, has been the Chief Actuary of the Company since November 2007. She joined our Company in July 2007 and served as a Deputy Chief Actuary. She also serves as a director of CPIC Life and CPIC Property. Prior to joining our Company, Ms. Chi served as the managing director and a senior consultant of Milliman (Shanghai) Co., Ltd. and a consultant of Towers Perrin in its Hong Kong Office. From 2000 to 2004, Ms. Chi worked at London Life Insurance Company (Canada), with her last position as the deputy manager. From 1992 to 1996, she was the senior underwriter and assistant economist of the foreign division of the Shanghai branch of PICC. Ms. Chi has 17 years of operational and management experience in the life insurance industry in North America and China. She is a fellow member of the Society of Actuaries, Canadian Institute of Actuaries, Hong Kong Society of Actuaries and Chinese Society of Actuaries. Ms. Chi graduated with distinction from East China Normal University with a bachelor's degree majoring in Mathematics and Statistics and minoring in International Commence and Economics, and from Concordia University (Canada) with a master's degree in Actuarial Science.

Mr. NGO Tai Chuan Alan, 36, has been the Chief Financial Officer of the Company since February 2008. He is also a director of CPIC Life and CPIC Property. 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. Mr. Ngo has solid knowledge and rich practical experience in finance and accounting. 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. CHEN Wei, 42, has been the Board Secretary of the Company since 2007. Since he joined the Company in 1995, Mr. Chen has been primarily responsible for the operation of the Company's overseas businesses. He successively held various positions, including the chief representative of our London Representative Office 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 in 1989 and a master's degree from the Business School of Middlesex University in 2001.

Ms. HUANG Xueying, 42, has been our Chief Information Technology Officer since February 2008. Ms. Huang possesses in-depth insurance industry knowledge and experience in both the global and domestic markets. She has the expertise of addressing growing business needs with innovative information technology solutions. Prior to joining the Company, she was the vice-president, the Greater China region, of Accenture Limited, in which she was responsible for developing consulting service practice for the China insurance industry. Prior to that, 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 providing management consulting, information technology consulting and system integration services for insurance clients. 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.

JOINT COMPANY SECRETARIES

CHEN Wei, see "— Senior Management".

NGAI Wai Fung, *FCIS, FCS(PE), CPA, ACCA*, 47, is a joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance degree from the Hong Kong Polytechnic University, Master of Business Administration degree from Andrews University in the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics.

COMPLIANCE ADVISER

We have appointed UBS as our compliance adviser in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

UBS will assist the Company to provide the Company with guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable Hong Kong laws.

The term of its appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year after the Listing Date.

WAIVERS FROM THE HONG KONG STOCK EXCHANGE

Waiver from Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules

According to Rule 8.12 of the Hong Kong Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange in its discretion.

Given that we conduct substantially all of our operations in the PRC and most of our Directors reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong. In order to maintain effective communication with the Hong Kong Stock Exchange, we have put in place the following internal arrangements:

- We have appointed Mr. HUO Lianhong and Mr. CHEN Wei as our authorized representatives. Both of the authorised representatives are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be raised by the Hong Kong Stock Exchange, and to act at all times as the principal channel of communication between the Hong Kong Stock Exchange and us.

- We have retained UBS to act as our compliance adviser for the period commencing on the date of the listing and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the date of our listing on the Hong Kong Stock Exchange.

- We will retain a Hong Kong legal adviser to advise us on the application of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations relating to securities after our listing on the Hong Kong Stock Exchange.

- Our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong so as to be able to meet with the Hong Kong Stock Exchange when required.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant us, a waiver under Rule 8.12 and Rule 19A.15 which require us to have a sufficient management presence in Hong Kong; provided that the internal arrangements as set out above are implemented.

Waiver from Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules

According to Rule 8.17 of the Hong Kong Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of a listed company and who:

(a) is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or

(b) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary of an issuer.

Rule 19A.16 of the Hong Kong Listing Rules, however, provides that the secretary of a PRC issuer needs not be ordinarily resident in Hong Kong, provided such person can meet the other requirements of Rule 8.17.

As Mr. CHEN Wei does not possess the qualification as stipulated in Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules, we have appointed, and will continue to do so for a minimum of three years after the Listing Date, Mr. NGAI Wai Fung, who is a Hong Kong resident having requisite knowledge, qualification and experience as required under Rule 8.17(2) of the Hong Kong Listing Rules to act as our joint company secretary. Mr. NGAI Wai Fung will assist Mr. Chen to enable him to acquire the "relevant experience" under Rule 8.17(3) of the Hong Kong Listing Rules. Both of them will jointly discharge the duties and responsibilities with reference to their past experience and education background.

Mr. Ngai will also provide training to Mr. Chen by introducing him the relevant provisions and requirements of the Hong Kong Listing Rules to enhance and improve Mr. Chen's knowledge of and familiarity with the Hong Kong Listing Rules.

We intend to appoint Mr. NGAI Wai Fung for an initial period of three years from our listing on the Hong Kong Stock Exchange. Upon expiry of the three-year period our Company will conduct a further evaluation of the qualification and experience of Mr. CHEN Wei to determine whether the requirements as stipulated in Rule 8.17 of the Hong Kong Listing Rules can be satisfied. We and Mr. CHEN Wei would then endeavour to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. CHEN Wei, having had the benefit of Mr. NGAI's assistance, would then have acquired the "relevant experience" within the meaning of Rule 8.17(3).

We have applied to the Hong Kong Stock Exchange for, and have been granted, a waiver from strict compliance with the requirements of Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules for an initial period of three years from the date of listing; provided that Mr. Ngai is engaged as a joint company secretary and provides assistance to Mr. Chen during this period.

BOARD COMMITTEES

We have established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules. The main duties of the audit committee include:

- to nominate external auditors;
- to supervise the independence of our Company's internal audit department;
- to supervise our Company's internal audit system and its implementation;
- to review the financial information of our Company and its disclosure;
- to ensure that management has already performed its duty of establishing an effective internal control system, including the adequacy of resources, qualifications and experience of staff of our Company's accounting and financial reporting function and their training programs and budget; and
- to review the financial accounting policies and practices of our Company.

The audit committee shall comprise not fewer than three Directors not involved in the day to day management of the Company and shall be appointed by the Board. The audit committee is currently composed of two Independent Non-Executive Directors, Mr. LI Ruoshan and Mr. CHANG Tso Tung Stephen, and one Non-Executive Director, Mr. ZHOU Ciming. Mr. LI Ruoshan currently serves as the chairman of our audit committee.

We have established a nominations and remuneration committee. The main duties of the nominations and remuneration committee include:

- to provide recommendations to the Board with respect to the remuneration and performance management policy and structures for the Directors and the senior management;

- to determine the annual remuneration of the Directors and the senior management;
- to conduct examination and evaluation of the performance of duties and annual results of the Directors and the senior management;
- to select qualified director candidates; and
- to examine and verify senior management candidates nominated by the President.

The current members of the nominations and remuneration committee are Mr. YUEN Tin Fan, Ms. FENG Junyuan, Janine, Mr. HUANG Kongwei and Mr. XIAO Wei. Mr. YUEN Tin Fan currently serves as the chairman of our nominations and renumeration committee.

We have established a strategic committee to review and evaluate our strategic plans. The main duties of the strategic committee are to deliberate on and to propose suggestions with respect to the Company's long-term development strategy plans, major investments or plans that are subject to the approvals by the Board or shareholders' general meetings pursuant to our Articles of Association, major capital operations and asset operation projects. The current members of the strategic committee are Mr. GAO Guofu, Mr. YANG Xianghai, Mr. YANG Xiangdong and Mr. XU Shanda. Mr. GAO Guofu currently serves as the chairman of our strategic committee.

We have established a risk management committee. The main duty of the risk management committee is to identify, evaluate and control insurance operation risks in order to ensure the operational safety of our Company. The current members of the risk management committee are Mr. CHANG Tso Tung Stephen, Ms. FENG Junyuan, Janine, Mr. HUO Lianhong and Mr. XU Hulie. Mr. CHANG Tso Tung Stephen currently serves as the chairman of our risk management committee.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Chairman, Executive Directors, Supervisors nominated by employees and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits such as contributions to pension plans. Our Non-Executive Directors, Independent Non-Executive Directors and Supervisors (other than Supervisors nominated by our employees) who do not receive salaries from our Company are entitled to receive annual allowances or fees from our Company.

The following table sets forth certain information about the compensation we paid to our Directors, Supervisors and members of our senior management in 2008:

Remuneration	Number of Person
RMB5 million to RMB5.99 million	1
RMB3 million to RMB3.99 million	1
RMB2 million to RMB2.99 million	1
RMB1 million to RMB1.99 million	10
RMB0.99 million or below	17

The aggregate amount of compensation we paid to our Directors and Supervisors in 2006, 2007, 2008 and the six months ended 30 June 2009 was approximately RMB4.54 million, RMB9.50 million, RMB9.60 million and RMB4.75 million respectively, which included the aggregate contributions we paid to pension scheme for our Directors and Supervisors in 2006, 2007, 2008 and the six months ended 30 June 2009 of approximately RMB0.47 million, RMB0.41 million, RMB0.48 million and RMB0.26 million, respectively. Our shareholders' meeting has also resolved to grant incentive rewards to our Chairman and certain members of our senior management for their performance for the year of 2006. The aggregate amount of such incentive rewards was RMB15.37 million. Save as disclosed in this prospectus, no other amounts have been paid or are payable in respect of the three years ended 31 December 2008 or the six months ended 30 June 2009 by us to the Directors and Supervisors.

The aggregate amount of compensation paid by us to our five highest paid individuals in 2006, 2007, 2008 and in the six months ended 30 June 2009 was RMB11.29 million, RMB18.24 million, RMB21.50 million and RMB9.95 million, respectively.

Each of our Non-Executive Directors, Independent Non-Executive Directors and Supervisors (other than Supervisors nominated by our employees) is entitled to receive an annual allowance of RMB250,000 per year payable by us since August 2007. Under the existing arrangements, the aggregate remuneration (including benefits in kind) payable to our Directors and our Supervisors for the year ending 31 December 2009 is estimated to be approximately RMB7.9 million and RMB3.3 million, respectively.

As of the Latest Practicable Date, our share capital consisted of 7.7 billion A Shares. The following are the shareholdings of our A Shares as far as we are aware:

Name	Number of Shares	Approximate percentage of issued share capital
Fortune Investment Co., Ltd.(1)(7)	1,340,000,000	17.40%
Shenergy Group Co., Ltd.(2)(7)	1,278,235,705	16.60
Parallel Investors Holdings Limited(3)	1,051,785,087	13.66
Shanghai State-Owned Assets Operation Co., Ltd.(4)(7)	442,500,000	5.75
Shanghai Tobacco (Group) Corporation(5)(7)	440,000,000	5.71
Carlyle Holdings Mauritius Limited(3)	281,514,913	3.66
Other A Share holders(6)	2,865,964,295	37.22
Total	7,700,000,000	100.00%

(1) Fortune Investment Co., Ltd. (formerly Shanghai No. 5 Steel Works International Trading Co., Ltd.) is a wholly state-owned company with limited liability established on 21 November 1994 and has a registered capital of RMB6,869,000,000. 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.

Baosteel Group Corporation is a State-authorized investment institution approved by the State Council and is a wholly State-owned company with limited liability established on 1 January 1992 and has a registered capital of RMB49,479,000,000. Its main businesses include the operation of State-owned assets, as authorized by the State Council, and relevant investments. It is engaged in businesses relating to steel, metallurgical minerals, chemical engineering and electrical power, as well as ports, storage and transportation and steel-related businesses. It is also engaged in the development, transfer, servicing and management consultancy of related technologies, as well as import and export businesses and domestic and international trade and related services approved by the Ministry of Commerce of the PRC.

Baosteel Group Corporation directly holds 71,804,295 Shares in our Company, representing approximately 0.93% of our entire issued share capital as of the Latest Practicable Date. Baosteel Group Corporation wholly-owns Fortune Investment Co., Ltd. and holds 98% and 69.56% interests in Fortune Trust Investment Co., Ltd. and Xinjiang Bayi Iron & Steel Co., Ltd., respectively. Fortune Investment Co., Ltd., Fortune Trust Investment Co., Ltd. and Xinjiang Bayi Iron & Steel Co., Ltd. hold 1,340,000,000, 18,950,000 and 5,000,000 Shares in our Company, respectively. Baosteel Group Corporation and its related parties hold in aggregate 1,435,754,295 Shares in our Company, representing approximately 18.65% of our entire issued share capital as of the Latest Practicable Date.

(2) 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. It is engaged in investment, development and management of electrical power and basic energy enterprises, investment in natural gas resources and urban gas networks, investment and management of real estate and high-tech companies, entrepreneurial investments, asset management and domestic trade.

(3) Carlyle Mauritius and Parallel Investors are both investment entities controlled by Carlyle-managed funds and hold in aggregate 1,333,300,000 Shares in our Company, representing approximately 17.32% of our entire issued share capital as of the Latest Practicable Date.

(4) 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 main businesses include entrepreneurial investments, capital operations, assets acquisition, restructuring and transfer, enterprise trust and asset custody, bond restructuring, property right brokerage, real estate agency, financial consultancy, investment consultancy, and consulting services related to its authorized businesses, as well as guaranty related to its asset management and capital operation businesses.

Shanghai State-Owned Assets Operation Co., Ltd. is the 100% owner of Shanghai Guoxin Investment Development Co., Ltd. Shanghai Guoxin Investment Development Co., Ltd. holds 34,457,000 Shares in our Company. Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary hold in aggregate 476,957,000 Shares in our Company, representing approximately 6.19% of our entire issued share capital as of the Latest Practicable Date.

(5) Shanghai Tobacco (Group) Corporation is a wholly State-owned company with limited liability established on 2 April 1984 and has a registered capital of RMB1,740,000,000. It is engaged in businesses relating to various tobacco products, storage and automobile cargo transportation, specialized equipment and materials for cigarette industry, tobacco fermentation, labor, fumigation, food, beverages and potable water.

Shanghai Tobacco (Group) Corporation is the 100% owner of Shanghai Tobacco Industry Printing Factory. Shanghai Tobacco Industry Printing Factory holds 48,100,000 Shares in our Company. Shanghai Tobacco (Group) Corporation and its subsidiary hold in aggregate 488,100,000 Shares in our Company, representing approximately 6.34% of our entire issued share capital as of the Latest Practicable Date.

(6) None of these shareholders individually holds 5% or more of our outstanding share capital.

(7) Pursuant to the Implementing Measures for the Transfer of Part of the State-Owned Shares to the NSSF Council in Domestic Securities Market, jointly issued by the Ministry of Finance, the SASAC, the CSRC and the NSSF on 19 June 2009, State-owned enterprises holding our Shares prior to our A Share Offering are required to transfer to the NSSF Council an aggregate of 100,000,000 A Shares. In particular, Fortune Investment Co., Ltd., Shenergy Group Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd. and Shanghai Tobacco (Group) Corporation, which are among our substantial shareholders, are required to transfer 28,558,032 A Shares, 27,241,714 A Shares, 9,430,544 A Shares and 9,377,264 A Shares to the NSSF Council, respectively. As of the Latest Practicable Date, the transfer process was ongoing and, upon its completion, the shareholdings of such substantial shareholders in the Company would be reduced accordingly.

Immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised, our issued share capital would be RMB8,483 million, comprising 2,184,600,000 H Shares and 6,298,400,000 A Shares, representing 25.8% and 74.2%, respectively, of our issued share capital. Particulars of the shareholdings are, as far as we are aware, as follows:

Name	Number of Shares	Approximate percentage of issued share capital
Fortune Investment Co., Ltd.(1)	1,316,808,631	15.52%
Shenergy Group Co., Ltd.	1,256,113,290	14.81%
Parallel Investors Holdings Limited(2)	1,043,896,502	12.31%
Shanghai State-Owned Assets Operation Co., Ltd.(3)	434,841,656	5.13%
Shanghai Tobacco (Group) Corporation(4)	432,384,924	5.10%
Carlyle Holdings Mauritius Limited(2)	279,403,498	3.29%
Other A Share holders(5)	2,858,251,499	33.69%
Other H Share holders(5)	861,300,000	10.15%
Total	8,483,000,000	100.00%

(1) Baosteel Group Corporation and its subsidiaries will hold in aggregate 1,410,905,707 A Shares in our Company, representing approximately 16.63% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

(2) Carlyle Mauritius and Parallel Investors are both investment entities controlled by Carlyle-managed funds and will hold in aggregate 1,323,300,000 H Shares in our Company, representing approximately 15.60% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

(3) Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary will hold in aggregate 468,702,309 A Shares in our Company, representing approximately 5.53% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

(4) Shanghai Tobacco (Group) Corporation and its subsidiary will hold in aggregate 479,652,458 A Shares in our Company, representing approximately 5.65% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

(5) None of these shareholders individually will hold 5% or more of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

Immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full, our issued share capital would be RMB8,600 million, comprising 2,313,300,000 H Shares and 6,286,700,000 A Shares, representing 26.9% and 73.1%, respectively, of our issued share capital. Particulars of the shareholdings are, as far as we are aware, as follows:

Name	Number of Shares	Approximate percentage of issued share capital
Fortune Investment Co., Ltd.(1)	1,312,835,878	15.27%
Shenergy Group Co., Ltd.	1,252,323,652	14.56%
Parallel Investors Holdings Limited(2)	1,043,896,502	12.14%
Shanghai State-Owned Assets Operation Co., Ltd.(3)	433,529,758	5.04%
Shanghai Tobacco (Group) Corporation(4)	431,080,438	5.01%
Carlyle Holdings Mauritius Limited(2)	279,403,498	3.25%
Other A Share holders(5)	2,856,930,274	33.22%
Other H Share holders(5)	990,000,000	11.51%
Total	8,600,000,000	100.00%

(1) Baosteel Group Corporation and its subsidiaries will hold in aggregate 1,406,649,068 A Shares in our Company, representing approximately 16.36% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full.

(2) Carlyle Mauritius and Parallel Investors are both investment entities controlled by Carlyle-managed funds and will hold in aggregate 1,323,300,000 H Shares in our Company, representing approximately 15.39% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full.

(3) Shanghai State-Owned Assets Operation Co., Ltd. and its subsidiary will hold in aggregate 467,288,255 A Shares in our Company, representing approximately 5.43% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full.

(4) Shanghai Tobacco (Group) Corporation and its subsidiary will hold in aggregate 478,205,368 A Shares in our Company, representing approximately 5.56% of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full.

(5) None of these shareholders individually will hold 5% or more of our entire issued share capital immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full.

This section presents certain information regarding our share capital before and upon the completion of the Global Offering.

Before the Global Offering

Immediately before the Global Offering, the entire issued share capital of our Company was categorized as follows:

	Number of Shares	Approximate Percentage of issued share capital(%)
A Shares	7,700,000,000	100.0%
Total	7,700,000,000	100.0%

Upon Completion of the Global Offering

Immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is not exercised, the entire share capital of our Company would be as follows, taking into account the conversion into H Shares of the Sale Shares and the A Shares held by the Overseas Investors, as further described below:

	Number of Shares	Approximate percentage of issued share capital
H Shares	2,184,600,000[1]	25.8%
A Shares	6,298,400,000	74.2
	8,483,000,000	100.0%

(1) Assuming the H Share Over-Allotment Option is not exercised, 78,300,000 A Shares will be converted into H Shares to be offered for sale by the Selling Shareholders. Please refer to the section headed "Structure of the Global Offering — The Selling Shareholders".

Immediately following the completion of the Global Offering and assuming the H Share Over-Allotment Option is exercised in full, the share capital of our Company would be as follows, taking into account the conversion into H Shares of the Sale Shares and the A Shares held by the Overseas Investors, as further described below:

	Number of Shares	Approximate percentage of issued share capital
H Shares	2,313,300,000[1]	26.9%
A Shares	6,286,700,000	73.1
	8,600,000,000	100.0%

(1) Assuming the H Share Over-Allotment Option is exercised in full, 90,000,000 A Shares will be converted into H Shares to be offered for sale by the Selling Shareholders. Please refer to the section headed "Structure of the Global Offering — The Selling Shareholders".

OUR SHARES

Upon completion of the Global Offering, A Shares and H Shares are both ordinary shares in our share capital. However, as of the date of this prospectus, with limited exceptions, H Shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Macau, Taiwan or any country or region other than the PRC, or qualified domestic institutional investors. A Shares, on the other hand, may only be subscribed for by, and traded between, legal and natural persons of the PRC (other than Hong Kong, Macau and Taiwan) or qualified foreign institutional investors and must be subscribed for and traded in Renminbi. All cash dividends in respect of H Shares are to be paid by our Company in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by our Company in Renminbi. In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares, however, must be approved by a special resolution of the shareholders. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

Except as described above and in relation to the distribution of notices and financial reports to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix IX — "Summary of Articles of Association", the A Shares and the H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of A Shares is subject to such restrictions as PRC laws may impose from time to time.

Under our Articles of Association, any change or abrogation of the rights of class shareholders should be approved by way of a special resolution of the general meeting of shareholders and by a separate meeting of shareholders convened by the affected class shareholders. However, as provided in our Articles of Association, the procedures for the approval by separate class shareholders shall not apply:

(a) where we issue and allot, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued H Shares and the issued A Shares existing as of the date of the shareholders' special resolution;

(b) where the plan for the issue of A Shares and H Shares upon its establishment is implemented within 15 months following the date of approval by the authorized securities approval authorities of the State Council, including the CSRC; or

(c) upon the transfer of our A Shares by the holders of our A Shares to overseas investors and the listing and trading of such transferred shares on an overseas stock exchange provided that the transfer and trading of such transferred shares shall have obtained the approval of the authorized securities approval authorities of the State Council, including the CSRC.

We have not approved any share issue plan other than the Global Offering as of the date of this prospectus.

CONVERSION OF OUR A SHARES INTO H SHARES

According to the regulations by the State Council securities regulatory authority and our Articles of Association, the holders of our A Shares may transfer our A Shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange provided that the transfer and trading of such transferred shares shall have obtained the approval by the State Council securities regulatory authorities, including the CSRC. In addition, such transfer shall have completed any requisite internal approval process and complied with the regulations prescribed by the State Council securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant stock exchange.

If any of our A Shares is to be transferred to overseas investors and to be listed and traded on the Hong Kong Stock Exchange, such transfer and conversion will need the approval of the relevant PRC regulatory authorities, including the CSRC. The listing of such converted shares on the Hong Kong Stock Exchange will also need the approval of the Hong Kong Stock Exchange.

Based on the procedures for the transfer and conversion of our A Shares into H Shares as disclosed below, we can apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed transfer to ensure that the transfer process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for the listing and trading of such transferred shares on an overseas stock exchange. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our shareholders and the public of any proposed transfer. The relevant procedural requirements for the transfer and conversion of our A Shares to H Shares are:

(a) The holder of A Shares is to obtain the requisite approval of CSRC or the authorized securities approval authorities of the State Council for the transfer of all or part of its A Shares into H Shares.

(b) The holder of A Shares is to issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

(c) Subject to obtaining the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.

(d) Such specified number of A Shares to be transferred to H Shares are then re-registered on our H Share register maintained in Hong Kong on the condition that:

    (i) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H Share register and the due issuance of share certificate; and

    (ii) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time.

(e) Upon completion of the transfer and conversion, the shareholding of the relevant holder of A Shares in our domestic share register will be reduced by such number of A Shares transferred and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

(f) We will comply with the Hong Kong Listing Rules to inform shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

So far as our Directors are aware, none of our substantial shareholders proposes to convert any of their A Shares into H Shares, except for the conversion of A Shares into H Shares to be offered for sale by the Selling Shareholders and the conversion of A Shares into H Shares held by the Overseas Investors, as further described below.

Please also see the section headed "Risk Factors — Risk Relating to the Global Offering — We conducted an A Share Offering in 2007, and the characteristics of the A share and H share markets are different".

SHARE LOCK-UP

Pursuant to the PRC Company Law, the Shares issued prior to the listing date of our A Shares should not be transferred within a period of one year from 25 December 2007, the date on which our A Shares commenced trading on the Shanghai Stock Exchange.

Pursuant to the relevant PRC laws and regulations, our Shares issued within twelve months prior to the date of our A Share prospectus should not be transferred within a period of 36 months from the completion of the registration with the relevant administration of industry and commerce for the issuance of such Shares. Accordingly, the Shares issued by our Company in the private placement in 4 June 2007 should not be transferred until 4 June 2010. For more information about the private placement, please refer to Appendix X — "Statutory and General Information — Further Information About Our Company — Changes in registered capital".

Shanghai Shenergy Group Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd., Shanghai Tobacco (Group) Corporation and Baosteel Group Corporation undertook to the Shanghai Stock Exchange not to (i) transfer or entrust others to manage the Shares directly or indirectly held by them (including entities controlled by them) in the Company; or (ii) have such Shares acquired by the Company, in each case within 36 months from the date on which our A Shares commenced trading on the Shanghai Stock Exchange. The above undertaking does not apply to the sale of the Sale Shares in accordance with the relevant PRC laws and regulations. See the section headed "Structure of the Global Offering — The Selling Shareholders".

The Overseas Investors undertook to the Shanghai Stock Exchange not to (i) transfer or entrust others to manage the Shares directly or indirectly held by them in the Company; or (ii) have such Shares acquired by the Company, in each case within 36 months from the date on which our A Shares commenced trading on the Shanghai Stock Exchange. The above undertaking will cease to be effective upon the completion of the Global Offering, but only with respect to the Shares held by the Overseas Investors that are converted into H Shares following relevant PRC regulatory approvals. In that case, however, the following lock-up shall apply to the Shares held by the Overseas Investors notwithstanding any other restrictions on transfer of Shares as described in this prospectus:

- Pursuant to the Share Transfer and Subscription Agreements as disclosed in the section headed "Business — Overseas Investors — The Overseas Investors' Rights and Obligations Under the Share Transfer and Subscription Agreements", the Overseas Investors agreed that, prior to 31 December 2008, they would not transfer to any other party all or any part of the Shares subscribed by them in CPIC Group. Starting from 31 December 2008, the Overseas Investors may transfer up to 775,316,159 Shares they hold in CPIC Group (representing approximately 10.07% of the total issued share capital of CPIC Group following the completion of the A Share Offering), subject to applicable laws and regulations and the requirements of relevant regulatory authorities. The remaining 557,983,841 Shares held by the Overseas Investors (representing approximately 7.25% of the total issued share capital of CPIC Group following the completion of the A Share Offering) may only be transferred on or after 30 April 2010.

- According to the Notice on Regulatory Issues Concerning Foreign Investment in Domestic Insurance Companies promulgated by the CIRC in June 2001 and the relevant approvals of the CIRC relating to the Company, the Overseas Investors are prohibited, unless otherwise approved by the CIRC, from transferring any Shares they hold in CPIC Group within three years after their investment in us.

- On 9 November 2009, the Overseas Investors further undertook to us that they would not transfer their H Shares (convertible from A Shares and excluding such number of H Shares being sold in the Global Offering) within one year from the Listing Date.

SALE OF THE SALE SHARES

In accordance with relevant PRC regulations regarding disposal of State-owned shares, In the event of an initial public offering or a share placement to public shareholders in overseas securities markets by a PRC joint stock company in which the State has an interest, such company shall dispose of its State-owned shares representing 10% of the amount received from such offering or placement. Proceeds generated from the disposal of such State-owned shares shall be remitted to the NSSF Council.

We made a proposal to the Ministry of Finance in connection with the transfer of up to an aggregate of 90,000,000 Shares in accordance with the relevant PRC regulations by the Selling Shareholders to the NSSF Council. Such proposal was approved by the Ministry of Finance on 25 September 2009. The conversion of those Shares into H Shares was approved by the CSRC on 23 November 2009. Pursuant to a letter issued by the NSSF Council (Shebaojijingu [2009] No. 17) on 16 October 2009, the NSSF Council authorized us to sell those Shares currently registered under the names of the Selling Shareholders as the Sale Shares in the Global Offering. See the section headed "Structure of the Global Offering — The Selling Shareholders". We have been advised by our PRC counsel, King & Wood PRC Lawyers, that such sale and conversion have been approved by the relevant PRC authorities and are legal under PRC law.

Transfer of Part of the State-Owned Shares to the NSSF Council in Domestic Securities Market

Pursuant to the Implementing Measures for the Transfer of Part of the State-Owned Shares to the NSSF Council in Domestic Securities Market, or the Transferring Measures, jointly issued by the Ministry of Finance, the SASAC, the CSRC and the NSSF on 19 June 2009, State-owned enterprises holding our Shares prior to our A Share Offering, as confirmed by the SASAC or other relevant State-owned assets supervision and administration authorities, shall transfer to the NSSF Council part of their shareholdings in our Company that, in the aggregate, equal 10% of the aggregate number of A Shares offered in our A Share Offering. If a State-owned enterprise shareholder obligated to make the transfer to the NSSF Council under the Transferring Measures had disposed of our A Shares, it shall discharge its transfer obligations under the Transferring Measures by paying to the NSSF Council the cash equivalent of our A Shares that it is obligated to transfer. The NSSF Council succeeds to any statutory or contractual lock-ups of the transferring State-owned enterprise shareholder and is subject to an additional lock-up period of three years. The NSSF Council is entitled to investment returns arising from the transferred A Shares and may dispose of such Shares subject to its lock-up obligations. However, it will not participate in the day-to-day management of our Company.

CONVERSION OF A SHARES HELD BY THE OVERSEAS INVESTORS

Upon completion of the Global Offering, 1,323,300,000 A Shares held by the Overseas Investors will be converted to H Shares on a one-for-one basis. The conversion of those Shares into H Shares was approved by the CSRC on 23 November 2009.

We have given certain undertakings in respect of the issuance of the Shares and other securities. See the paragraph headed "Undertakings" in the section headed "Underwriting" in this prospectus.

PUBLIC FLOAT

Rule 8.08(1) of the Hong Kong Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. Rule 8.08 (1)(b) provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and the issuer must have an expected market capitalization at the time of listing of not less than HK$50 million.

We have applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to grant, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Hong Kong Listing Rules to allow a minimum public float for the H Shares to be the higher of 10.15% and such a percentage of H Shares held by the public immediately after completion of the Global Offering as increased by the H Shares to be issued upon the exercise of the H Share Over-Allotment Option.

We have made appropriate disclosure of the lower prescribed percentage of public float in this prospectus and will confirm the sufficiency of public float in accordance with Rule 13.35 of the Hong Kong Listing Rules in successive annual reports of our Company after listing.

The Cornerstone Placing

We have entered into placing agreements with the following investors, or the Cornerstone Investors, who in the aggregate have agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with an aggregate amount of US$395 million (or approximately HK$3,061 million). Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be approximately 107,599,400 H Shares, representing approximately 1.27% of our issued and outstanding share capital or approximately 4.93% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised). The Cornerstone Investors are unrelated to one another and each of them is independent from us. None of the Cornerstone Investors is an existing shareholder of the Company, and none of them will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective placing agreement. Immediately following the completion of the Global Offering, no Cornerstone Investor will have any board representation in our Company, nor will any Cornerstone Investor become a substantial shareholder of our Company. The shareholdings of the Cornerstone Investors will be counted towards the public float of our H Shares.

The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering".

Our Cornerstone Investors

We set forth below a brief description of our Cornerstone Investors:

Allianz Finance II Luxembourg S.a.r.l.

Allianz Finance II Luxembourg S.a.r.l. has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$150 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, Allianz Finance II Luxembourg S.a.r.l. would subscribe for approximately 40,860,600 H Shares, representing approximately 0.48% of our issued and outstanding share capital or approximately 1.87% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

Allianz Finance II Luxembourg S.a.r.l. is a limited liability company organized under the laws of Luxembourg. It is an indirectly wholly-owned subsidiary of Allianz SE and acts as one of the holding companies through which Allianz SE holds participations in various insurance and other companies.

Allianz SE is a stock corporation in the form of a European Company (*Societas Europaea*), incorporated in the Federal Republic of Germany and organized under the laws of the Federal Republic of Germany and the European Union. Allianz SE is the ultimate parent of the Allianz Group. The Allianz Group is one of the leading integrated financial services providers worldwide, with property-casualty insurance, life/health insurance, banking and asset management operations in more than 70 countries.

In addition, we and Allianz SE entered into a non-binding set of key principles on 3 December 2009 regarding cooperation in asset management, in particular as related to the pension business, and regarding the evaluation of opportunities for future cooperation in other areas such as insurance product development, reinsurance and investment. The parties intend to discuss and negotiate the terms and conditions of their future cooperation in such areas, using the non-binding principles as the basis for their discussions.

Mitsui Sumitomo Insurance Co., Limited

Mitsui Sumitomo Insurance Co., Limited has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$65 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, Mitsui Sumitomo Insurance Co., Limited would subscribe for approximately 17,706,200 H Shares, representing approximately 0.21% of our issued and outstanding share capital or approximately 0.81% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

Mitsui Sumitomo Insurance Co., Limited is a wholly-owned subsidiary of Mitsui Sumitomo Insurance Group Holdings, Inc., a Japan-based holding company whose shares are listed on the Tokyo Stock Exchange, and a market leader in Japan's non-life insurance industry. Through a nationwide domestic network of 645 sales branch offices and about 41,000 agents, Mitsui Sumitomo Insurance Co., Limited provides both commercial line and personal line non-life insurance products.

Ceroilfood Finance Limited

Ceroilfood Finance Limited has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, Ceroilfood Finance Limited would subscribe for approximately 13,620,200 H Shares, representing approximately 0.16% of our issued and outstanding share capital or approximately 0.62% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

Ceroilfood Finance Limited is a general trading and investment company registered in Hong Kong. It is a wholly-owned subsidiary of COFCO Corporation, which is a leading grain, oils and foodstuffs import and export group and one of the largest food manufacturers in the PRC. It also engages in real estate, hotel businesses and financial services. Fortune magazine lists it as one of the world's top 500 enterprises.

China Overseas Finance Investment Limited

China Overseas Finance Investment Limited, or COFI, has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, COFI would subscribe for approximately 13,620,200 H Shares, representing approximately 0.16% of our issued and outstanding share capital or approximately 0.62% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

COFI is a wholly-owned subsidiary of China Overseas Holdings Limited, or COHL, which in turn is a wholly-owned subsidiary of a large state-owned enterprise. It is an investment holding company incorporated in Hong Kong and primarily engaged in the provision of financial advisory services as well as investment strategies for COHL. The scope of COFI's services includes, but is not limited to, fund-raising activities from capital markets, evaluations and implementations of equity investments, corporate restructuring and mergers and acquisitions advisory.

Mr. Lo Yuk Sui, H.P. Nominees Limited and Honormate Nominees Limited

Mr. Lo Yuk Sui, or Mr. Lo, H.P. Nominees Limited and Honormate Nominees Limited have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, Mr. Lo, H.P. Nominees Limited and Honormate Nominees Limited would subscribe for approximately 13,620,200 H Shares, representing approximately 0.16% of our issued and outstanding share capital or approximately 0.62% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

Mr. Lo is the chairman and chief executive officer of Century City International Holdings Limited (stock code: 355), or Century, Paliburg Holdings Limited (stock code: 617), or Paliburg, and Regal Hotels International Holdings Limited (stock code: 78), or Regal, all of which are companies listed on the Hong Kong Stock Exchange. Mr. Lo is also the non-executive chairman of Regal Portfolio Management Limited, the manager of Regal Real Estate Investment Trust (stock code: 1881), or Regal REIT, the associate of Regal listed on the Hong Kong Stock Exchange. Mr. Lo is the controlling shareholder of Century, of which Paliburg is the listed subsidiary, and Regal is the listed associate of Paliburg.

H.P. Nominees Limited is a company incorporated in Hong Kong and is principally engaged in investment holding, nominee services and securities investment businesses. It is a wholly-owned subsidiary of Paliburg, which is the immediate listed holding company of the Paliburg group (comprising Paliburg and its subsidiaries), or the Paliburg Group. The significant investments and principal business activities of the Paliburg Group mainly comprise property development and investment, construction related businesses and other investments including, in particular, its interests in Regal, the listed associate of Paliburg. The significant investments of Regal comprise its interests in the operation and management of Regal Hotels, including the five Regal Hotels in Hong Kong, the investment in Regal REIT (which owns the five Regal Hotels), the asset management of Regal REIT, interests in certain luxurious properties and other investment businesses.

Honormate Nominees Limited is a company incorporated in Hong Kong and is principally engaged in nominee services and securities investment businesses. It is a wholly-owned subsidiary of Regal, which is the ultimate listed holding company of the Regal Group (comprising Regal and its subsidiaries). The significant investments and principal business activities of the Regal Group comprise its interests in the operation and management of Regal Hotels, including the five Regal Hotels in Hong Kong, the investment in Regal REIT (which owns the five Regal Hotels), the asset management of Regal REIT, interests in certain luxurious properties and other investment businesses.

World Prosper Limited and Progress Investment Management Company (BVI) Limited

World Prosper Limited and Progress Investment Management Company (BVI) Limited have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US$30 million at the Offer Price. Assuming an Offer Price of HK$28.45, being the mid-point of the estimated Offer Price range set forth in this prospectus, World Prosper Limited and Progress Investment Management Company (BVI) Limited would subscribe for approximately 8,172,000 H Shares, representing approximately 0.10% of our issued and outstanding share capital or approximately 0.37% of our H Shares upon completion of the Global Offering (assuming that the H Share Over-Allotment Option is not exercised).

World Prosper Limited is a company incorporated in Hong Kong. It is a wholly-owned subsidiary of Dah Sing Financial Holdings Ltd., whose shares are listed on the Hong Kong Stock Exchange (stock code: 440), or DSFH. DSFH has entered into the placing agreement as the guarantor for the obligations of World Prosper Limited under the placing agreement. It holds subsidiaries operating or investing in the banking, life and general insurance, investment, and financial services in Hong Kong, Macau and the PRC. DSFH's principal and wholly-owned insurance subsidiaries include Dah Sing Life Assurance Company Limited, or DSLA, and Dah Sing Insurance Company Limited, both of which operate mainly in Hong Kong. DSLA has an 11.87% interest in Great Wall Life Insurance Company Limited, a life insurance company incorporated and operating in the PRC. DSFH's principal banking subsidiary is Dah Sing Bank, Limited, or DSB, a licensed bank incorporated and operating in Hong Kong active in the commercial and retail banking businesses. DSB operates its banking businesses in Macau and the PRC through its two wholly-owned banking subsidiaries, Banco Comercial de Macau and Dah Sing Bank (China) Limited, which are banks authorized under the respective banking regulations of Macau and the PRC.

Progress Investment Management Company (BVI) Limited is a company incorporated in the British Virgin Islands. It is a company beneficially owned by Mr. David Shou-Yeh Wong, the Chairman and a controlling shareholder of DSFH. Mr. David Shou-Yeh Wong has entered into the placing agreement as the guarantor for the obligations of Progress Investment Management Company (BVI) Limited under the placing agreement.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements;

(2) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked; and

(3) neither the Hong Kong Underwriting Agreement nor the International Purchase Agreement having been terminated.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during a period of six months following the Listing Date, dispose of (as defined in the relevant placing agreement) any of the H Shares subscribed for by it pursuant to the relevant placing agreement (or any interest in any company or entity holding any of the H Shares), other than transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that such wholly-owned subsidiary undertakes in writing, and such Cornerstone Investor undertakes in writing to procure, that such wholly-owned subsidiary will abide by the restrictions on disposals imposed on the Cornerstone Investor. The Company and the Joint Bookrunners confirm that, unless under exceptional circumstances, the Corporate Investors would not be released from the above restrictions.

You should read the discussion and analysis of our results of operations and financial condition set forth below in conjunction with Appendix I — "Accountants' Report", which has been prepared in accordance with HKFRS. The financial data relating to us set forth below have been prepared in accordance with HKFRS except for (i) the discussion of solvency margin, which is calculated in accordance with applicable CIRC guidelines and based on PRC GAAP; (ii) the discussion of certain gross written premiums, policy fees and deposits from our life insurance and property and casualty insurance operations in the section headed "— Overview — General"; and (iii) the discussion of certain data relating to our legacy high guaranteed return products in the section headed "— Overview — Negative Interest Rate Spread on Legacy High Guaranteed Return Products". These discussions are not part of the Accountants' Report.

As applied to insurance companies, PRC GAAP and HKFRS differ in certain significant respects, including, among other things, (i) the definitions of insurance and investment contracts and resulting recognition and measurement of gross written premiums and policy fees; (ii) methods to measure insurance and investment contract liabilities; and (iii) accounting for deferred acquisition costs, as well as deferred tax and minority interest effects arising as a result.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors".

OVERVIEW

General

We are a leading composite insurance group in the PRC, providing, through our subsidiaries and affiliates, a broad range of life and property and casualty insurance 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.

In 2008 and the first nine months of 2009, we ranked third in the PRC life insurance market with a market share of 9.0% and 8.1%, respectively, and ranked second and third in the PRC property and casualty insurance market with a market share of 11.4% and 11.6%, respectively, in terms of gross written premiums, based on PRC GAAP financial data published by the CIRC. Our gross written premiums, policy fees and deposits were RMB94,628 million in 2008, of which RMB66,704 million, or approximately 70.5%, was from our life insurance operations and RMB27,875 million, or approximately 29.5%, was from our property and casualty insurance operations. Our gross written premiums, policy fees and deposits were RMB54,294 million in the first six months of 2009, of which RMB35,612 million, or approximately 65.6%, was from our life insurance operations and RMB18,656 million, or approximately 34.4%, was from our property and casualty insurance operations.

We operate two principal business segments:

- ***Life insurance***, which offers traditional, participating and universal life insurance and accident and health insurance products to individual and institutional customers; and
- ***Property and casualty insurance***, which offers a broad range of property and casualty insurance products to individual and institutional customers, such as automobile insurance, commercial property and engineering insurance, short-term accident insurance, cargo insurance, hull insurance, homeowners insurance and liability insurance.

We conduct our life insurance business primarily through our 98.29% ownership in CPIC Life and conduct our property and casualty insurance business primarily through our 98.30% ownership in CPIC Property. We also operate Pacific-Antai, a life insurance joint venture with an affiliate of ING

Groep N.V., which is accounted for by us under the equity method of accounting. In addition, we conduct our overseas operations in Hong Kong through CPIC HK, our wholly owned subsidiary, which engages in general insurance business and whose results are included in our property and casualty insurance business segment in the Accountants' Report set forth in Appendix I to this prospectus. In 2006, 2007, 2008 and the first six months of 2009, CPIC HK represented approximately 0.4%, 0.3%, 0.3% and 0.2% of our total income, respectively.

In addition to life insurance and property and casualty insurance, we also derive a small amount of income from our corporate and other activities.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition, as well as the period-to-period comparability of our financial results, are significantly affected by a number of external factors, most of which are beyond our control, including:

- economic and demographic conditions and socioeconomic policies in the PRC;
- fluctuations in market interest rates;
- investment environment;
- reinsurance market; and
- regulatory environment for PRC insurance companies.

In addition, our results of operations and financial condition may be significantly affected by losses arising out of catastrophic events, which are unpredictable by nature. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Catastrophic events, which are unpredictable by nature, could materially and adversely affect our profitability and financial condition".

Economic and Demographic Conditions and Socioeconomic Policies in the PRC

Our results of operations are significantly affected by the economic and demographic conditions and socioeconomic policies in the PRC. In particular, the PRC is in the midst of an economic and demographic transformations, which involve, among other things, the gradual reform of State-owned enterprises and a reduced focus on government- or employer-sponsored benefits that those enterprises have traditionally provided to their employees, such as housing, medical and retirement benefits. Recent reform efforts in social welfare have instead focused on shifting the provision of social welfare benefits to a mix of private and public providers. The PRC government is gradually establishing a state social welfare and security system to provide basic social welfare protection of pension, medical and unemployment benefits. Insurance companies are expected to act as private providers of supplemental social welfare protection by offering group and individual insurance products. As a result, demand for insurance-related products, such as life insurance, health insurance and pension plans is increasing, which in turn provides an opportunity for further significant expansion and development of the PRC insurance industry.

Moreover, the PRC is undergoing significant demographic transformations, including an increase in life expectancy, a decrease in birth rate, an ageing population and a growth in urban population and income, all of which are expected to create substantial growth opportunities for life insurance, health insurance and pension products. At the same time, the expanding private sector in the PRC is giving rise to a middle class that has growing levels of disposable income and is increasing its spending on insurable property, such as automobiles and residential housing. With the economic and demographic transformations, the Chinese public has also become increasingly aware of the need and attractiveness of insurance products, further fostering the demand for insurance products.

As we conduct most of our business and generate substantially all of our revenues in the PRC, economic conditions in the PRC have a significant effect on our results of operations and financial condition, as well as our future prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued during 2009 has led to a marked slowdown in the economic growth of the PRC. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our insurance products and services could be adversely affected. In addition, we may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may also choose to defer paying insurance premiums or stop paying insurance premiums altogether. If the PRC economy experiences or continues to experience a slower growth or a significant downturn, our results of operations and financial condition would be materially and adversely affected. See "Risk Factors — Risks Relating to the PRC — An economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our results of operations, financial condition and profitability".

Fluctuations in Market Interest Rates

Our insurance products and our investment returns are highly sensitive to interest rate fluctuations, and changes in interest rates could affect our investment returns and results of operations. In periods of rising interest rates, while the increased investment yield will increase the returns on newly-added assets in our investment portfolio, surrenders and withdrawals of existing life insurance policies and annuity contracts may also increase as policyholders seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments to policyholders requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realized investment losses. These cash payments would result in a decrease in total invested assets and a decrease in net income. Early surrenders and withdrawals may also prompt us to accelerate amortization of deferred acquisition costs, which reduces net income. Moreover, a rise in interest rates would adversely affect our shareholders' equity in the immediate fiscal year due to a decrease in the fair value of our fixed income investments.

Conversely, a decline in interest rates could result in reduced investment returns on our newly added assets and a decline in our profitability. During periods of declining interest rates, our average investment yield will decline as our maturing investments, as well as bonds or similar debt investments that are redeemed or prepaid by an issuer or borrower, as applicable, to take advantage of the lower interest rate environment, are replaced with new investments with lower yields. In addition, our life insurance policies tend to have a longer duration than our investment assets, and because our premiums are generally calculated based on a fixed assumed investment yield, lower interest rates tend to reduce the yield on our investment portfolio while our premium income from outstanding policies remains unchanged, thereby reducing our profitability.

A significant portion of our in-force life insurance policies are participating and universal life insurance policies. Holders of these policies are credited with a portion of the investment returns earned by the invested assets that support these types of life insurance policies. Since a substantial portion of these invested assets consist of fixed income securities, their returns are affected to a significant degree by fluctuations in market interest rates in the PRC.

In addition, as some of our historical life insurance products provide guaranteed returns to policyholders, we are exposed to the risk that declines in market interest rates may reduce our interest rate spread, or the difference between the rate of return we are able to earn on our investments intended to support our obligations under these policies and the amounts that we are required to pay under these policies.

Investment Environment

Our investments are an integral part of our business. Our results of operations and financial condition are affected by the quality and performance of our investment portfolio. Insurance companies in the PRC generally have limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the lack of liquidity and depth in the PRC capital markets. Prior to 2005, PRC insurance companies were allowed to invest their funds only in PRC bank deposits, government bonds, policy finance bonds, bonds and subordinated bonds issued by commercial banks and other financial institutions, PRC corporate bonds and equity investment funds. In recent years, the PRC regulatory authorities, including the CIRC, have significantly expanded the types of assets that insurance companies may invest their insurance funds in to direct investment in shares of companies listed on the PRC securities market and selected non-PRC securities markets, as well as indirect investment in infrastructure projects, subject to various limitations. In April 2006, the PBOC announced a Qualified Domestic Institutional Investors scheme, under which eligible institutional investors in the PRC may make approved investments in overseas assets. The Certain Opinions of the State Council on the Development and Reform of the Insurance Industry, published in June 2006, suggests that investment regulations would be further relaxed to allow more investments in equities, asset-backed securities, real estate, venture capital, commercial banks and foreign assets. The PRC Insurance Law amended in 2009 also for the first time permits PRC insurance companies to invest in real estate. The asset classes in which insurance companies in the PRC are permitted to invest are expected to further expand to include private equity, among other things, in the future. Despite the relaxation of some of the investment restrictions by the CIRC in recent years, the asset classes and sub-classes in which we are permitted to invest remain limited, as compared to those available to many international insurance companies. Even with the broadened investment channels, our ability to diversify our investment portfolio is affected by limitations on the amount of funds that we may invest in some of these asset classes or sub-classes.

The limitations on the types of investments we are permitted to make affect the investment returns we are able to generate and subject us to various risks that we would not, or to a lesser extent, be subject to if we were able to invest in a wider array of investments. In particular, the limited availability of long-duration investment assets in the markets in which we invest has resulted in the duration of our assets being shorter than that of our liabilities. We believe that with the gradual easing of the investment restrictions imposed on insurance companies in the PRC, our ability to match the duration of our assets to that of our liabilities will improve.

In addition, our results of operations may be materially affected by investment impairments. In particular, a significant portion of our investments are in the PRC securities markets, which are in their early stage of development and whose regulatory, accounting and disclosure requirements are still evolving. The development of the PRC securities markets may be significantly affected by changes in laws, rules, regulations and government policies in the PRC. Furthermore, any potential market and economic downturns or geopolitical uncertainties in the PRC, its neighboring countries or regions or the rest of the world may exacerbate the risks relating to the PRC securities markets. These and other factors may from time to time result in significant price volatility, unexpected losses, lack of liquidity, including potentially more substantial fluctuations in the prices and trading volumes of listed securities compared to more mature securities markets in the world, such as those in the United States and the European Union, and could cause us to incur significant losses on our investments in equity securities. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at 1,706.70 points on 4 November 2008, representing a 72% decline from its all-time high of 6,092.06 points on 16 October 2007. See "Risk Factors — Risks Relating to Our Company — Our investment assets may suffer significant losses or experience sharp declines in their returns, which would have a material adverse effect on our results of operations and financial condition".

Reinsurance Market

The net written premiums and policy fees presented in our historical consolidated income statements are net of amounts ceded to reinsurers. We may purchase treaty reinsurance, facultative reinsurance and catastrophe excess-of-loss reinsurance, among other things. Reinsurance premiums ceded to reinsurers in connection with our reinsurance arrangements were RMB6,394 million in 2006, RMB6,762 million in 2007, RMB8,435 million in 2008 and RMB5,538 million in the six months ended 30 June 2009, accounting for 17.8%, 15.1%, 15.7% and 15.5%, respectively, of our total gross written premiums and policy fees for the respective periods.

The reinsurance market is cyclical, with periodic fluctuations in underwriting capacity in the market affecting the price at which reinsurance can be obtained. Underwriting capacity and rates in the reinsurance market, which are determined largely by underwriting conditions in the international market, may not necessarily move in tandem with those in the domestic PRC direct insurance market. Scarcity of underwriting capacity in the reinsurance market leading to increases in reinsurance rates could raise the cost of reinsurance to us and potentially decrease our underwriting profit. Since the terrorist attacks of 11 September 2001, the occurrence of major regional natural disasters in recent years, such as the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008, and the global financial crisis that unfolded in 2008, reinsurance rates have increased. It may become more difficult to obtain reinsurance in the future.

Regulatory Environment for PRC Insurance Companies

Our business operations, which are conducted primarily in the PRC, are highly regulated. In particular, our life insurance and property and casualty insurance operations are regulated primarily by the CIRC. Changes in regulation can have a significant impact on our revenues, expenses and profitability. Despite recent easing of investment restrictions, insurance companies in the PRC generally still have limited investment opportunities due to the lack of available investment options and vehicles as a result of legal and regulatory constraints as well as the lack of liquidity and depth in the PRC capital markets. As a result, substantially all of our investment assets are concentrated in a limited number of investments that are located in the PRC, and our ability to diversify our portfolio as well as seek an optimal return on our investments is limited. Our inability to diversify our investment portfolio also exposes us to a higher level of risk than in the case where we could have a more diversified investment portfolio.

Our ability to price our insurance products is also directly or indirectly regulated by the CIRC to a significant extent. Under the applicable CIRC regulations, we must submit to the CIRC for its review and approval:

- new types of life insurance products;
- insurance products relating to compulsory insurance; and
- the terms and premium rates of insurance products that affect the public interest.

See the section headed "Supervision and Regulation — Insurance Business — Terms and Premium Rates of Insurance".

We may have to incur significant costs and expenses to comply with, and our prospects may be adversely affected by, the applicable laws, rules and regulations, which may reduce our profitability as well as affect our future growth. For example, the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability, depending on the volume, loss ratio and expense ratio of our compulsory auto liability insurance product and any potential further regulatory changes affecting this product. See "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in demand for automobiles in the PRC and the evolving implementation of compulsory auto liability insurance in the PRC could materially and adversely affect our results of operations and profitability".

Principal Income Statement Components

Gross Written Premiums and Policy Fees

Gross written premiums and policy fees primarily include premiums written by us on long-term life insurance contracts, short-term accident and health insurance contracts and property and casualty insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. Gross written premiums and policy fees also include policy fees that we earn from our investment type insurance contracts and investment contracts and premiums ceded to us from other insurers in our inward reinsurance business.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers represent the portion of gross written premiums ceded to reinsurers, who share part of the insured risk that we have assumed under life insurance contracts and property and casualty insurance contracts.

Net Written Premiums and Policy Fees

Net written premiums and policy fees represent gross written premiums and policy fees less premiums ceded to reinsurers.

Net Premiums Earned and Policy Fees

Net premiums earned and policy fees represent net written premiums and policy fees less net changes in our unearned premium reserves, which are the portions of written premiums relating to unexpired periods of insurance coverage.

Investment Income

Investment income primarily includes (i) dividend income from our investments in equity securities and equity investment funds and interest income from our investments in fixed-income securities, loans and other receivables, including interest income that we earn from securities purchased under agreements to resell; (ii) realized gains from sale of our financial assets at fair value through profit or loss and our available-for-sale financial assets, net of impairment losses; and (iii) unrealized gains due to changes in the fair value of our financial assets at fair value through profit or loss and of our derivative financial instruments classified as held for trading.

Other Operating Income

Other operating income primarily includes interest income from demand deposits, term deposits with original maturities of three months or less, gain from the disposition of fixed assets and revenues from other operating activities.

Life Insurance Death and Other Benefits Paid

Life insurance death and other benefits paid represent death and other benefits, including maturities and surrenders, paid on long-term life insurance policies issued by us.

Claims Incurred

Claims incurred represent claims and claim adjustment expenses incurred on property and casualty insurance contracts and short-term accident and health insurance contracts, net of claims and claim adjustment expenses that are recoverable from reinsurers through pre-existing reinsurance arrangements. Claims incurred also include changes in our claim reserves.

Changes in Long-Term Traditional Insurance Contract Liabilities

Changes in long-term traditional insurance contract liabilities represent the increase in the liabilities with respect to long-term traditional insurance contracts issued by us, net of the portion of such increase in the liabilities that is assumed by our reinsurers through pre-existing reinsurance arrangements. Changes in long-term traditional insurance contract liabilities also include provisions made with respect to dividends payable on our participating life insurance products.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities

Interest credited to long-term investment type insurance contract liabilities represents interest incurred by us and credited to account balances of long-term investment type insurance contracts issued by us.

Policyholder Dividends

Policyholder dividends represent dividends paid on our participating life insurance products.

Finance Costs

Finance costs represent interest expense on policyholders' deposits and interest expense on our other borrowings, including subordinated bonds issued by CPIC Life and securities sold under agreements to repurchase.

Interest Credited to Investment Contracts

Interest credited to investment contracts represents interest incurred by us and credited to account balances of investment contracts issued by us, such as certain group annuities.

Amortization on Deferred Acquisition Costs

Amortization on deferred acquisition costs represents amortization, over the terms of the contracts or the premium paying periods, of commissions and other acquisition costs related to securing new contracts and renewing existing contracts that are initially capitalized as an asset.

Provision for Insurance Guarantee Fund

Before 1 January 2009, we were required under the applicable CIRC regulations to maintain an insurance guarantee fund equal to 1% of the net written premiums for our property and casualty insurance and short-term accident and health insurance, 0.15% of the net written premiums for our long-term life insurance with guaranteed interest and long-term health insurance and 0.05% of the net written premiums for our long-term life insurance without guaranteed interest, subject to a maximum balance equal to specified percentages of our total assets, in each case calculated in accordance with PRC GAAP.

Beginning on 1 January 2009, we are required under the applicable CIRC regulations to maintain an insurance guarantee fund equal to 0.8% of premium income for non-investment type property and casualty insurance and non-investment type accident insurance, 0.08% of premium income and deposits for investment type property and casualty insurance with guaranteed investment returns and investment type accident insurance with guaranteed investment returns, 0.05% of premium income and deposits for investment type property and casualty insurance without guaranteed investment returns and investment type accident insurance without guaranteed investment returns, 0.15% of premium and deposits for life insurance with guaranteed investment returns, 0.05% of premium and deposits for life insurance without guaranteed investment returns, 0.8% of premium income for short-term health insurance and 0.15% of premium income for long-term health insurance, subject to a maximum balance equal to specified percentages of our total assets, in each case calculated in accordance with PRC GAAP.

Change in Deferred Revenue

Change in deferred revenue represents the change in the corresponding liability, primarily consisting of initial and other front-end fees received for rendering future investment management services relating to certain investment contracts issued by us and excess first year charges received for insurance contracts issued by us that are deferred and recognized as income.

Other Operating and Administrative Expenses

Other operating and administrative expenses primarily represent wages, salaries and other employee benefit expenses, office expenses, business taxes and surcharges, operating lease expenses, depreciation and amortization expenses, provision for doubtful debts, traveling and advertising expenses and other operating and administrative expenses, net of deferred acquisition costs.

Profitability

Our profitability depends principally on our ability to price and manage risk on insurance products, our ability to attract and retain customers, our ability to manage expenses and our ability to maximize risk-adjusted investment returns. Specific drivers of our profitability include:

- our ability to design and distribute products and services and to introduce new products that gain market acceptance on a timely basis;
- our ability to price our insurance products at levels that enable us to earn a margin over the costs of providing benefits and the expense of acquiring customers and administering those products;
- our mortality and morbidity experience on individual and group life and health insurance products;
- our lapse experience, which affects our ability to recover the cost of acquiring insurance policies over the lives of such policies;
- our management of risk exposures, including exposure to catastrophic and other losses, on our property and casualty insurance products; and
- the amount and composition of our investment assets and our ability to manage our portfolio and seek an optimal return within our risk parameters.

Other factors, such as competition, taxes, capital market conditions, macroeconomic conditions and legal or regulatory changes, may also affect our profitability.

Negative Interest Rate Spread on Legacy High Guaranteed Return Products

Like other major PRC life insurance companies, we offered life insurance products with relatively high guaranteed rates of return from 1995 to June 1999, primarily as a result of the then prevailing high market interest rates. These high guaranteed return life insurance products included our *Lao Lai Fu Whole Life Insurance* (“老來福終身壽險”), *Bu Bu Gao Increasing Amount Life Insurance* (“步步高增額壽險”) and *Shao Er Le Child Comprehensive Insurance* (“少兒樂綜合保險”).

As market interest rates in the PRC generally decreased over the years from the late 1990s through 2004 and have since remained at relatively low levels, despite some interest rate increases by the PBOC between 2004 and 2007 that were followed by interest rate decreases by the PBOC in 2008, the investment yield earned by us for those products have generally fallen below the assumed interest rates used in the calculation of premiums and policy fees. Since the assumed mortality rates, morbidity rates and administrative expenses used in calculating premiums for our insurance products are estimated conservatively and are generally more stable, the difference between actual and assumed mortality rates, morbidity rates and expense experience have to date generally offset some shortfall in interest rates. However, if the shortfall in interest rates is large enough, lower mortality rates, morbidity rates and administrative expenses may not be sufficient to cover the shortfall. As a result, the substantial shortfall between the investment yield and the guaranteed return rates has resulted in a negative interest rate spread with respect to these products, which has adversely affected our results of operations.

As of 30 June 2009, the policyholders' reserves (excluding unrealized gains/losses) of our high guaranteed return long-term life insurance policies, as calculated based on our PRC GAAP financial data, were approximately RMB45,736 million, with the average valuation interest rate at approximately 6.37%. If our actual investment return is lower than the average valuation interest rate of such high guaranteed return during any given period, these policies will result in a negative interest rate spread. The amount of the negative interest rate spread may be estimated as the average policyholders' reserves multiplied by the difference between our average valuation interest rate for these high guaranteed return policies and our actual investment return in the same period. In the years ended 31 December 2006 and 2008 and the six months ended 30 June 2009, the negative interest rate spreads were approximately RMB362 million, RMB150 million and RMB88 million, respectively, while in the year ended 31 December 2007 the positive interest rate spread was approximately RMB2,426 million. If our average valuation interest rate for these high guaranteed return policies in any future period exceeds our actual investment return in the same period, these policies may continue to result in a negative interest rate spread, which will have an adverse effect on our profitability in the corresponding period.

During the year ended 31 December 2008 and the six months ended 30 June 2009, the total renewal premiums, policy fees and deposits we received from our high guaranteed return policies, as calculated based on our HKFRS financial data, were approximately RMB1,900 million and RMB722 million, accounting for approximately 2.8% and 2.0%, respectively, of the gross written premiums, policy fees and deposits we received for our life insurance business in the respective period. However, we expect that the renewal premiums for such high guaranteed return policies will continue to decline in the future, as policies are terminated and the payment periods expire. In the next several years, our policyholders' reserves for high guaranteed return policies are expected to increase, as we continue to receive renewal premiums from these policies and as we approach the liabilities payment phase under these policies.

As of 31 December 2006, 2007 and 2008 and 30 June 2009, policyholders' reserves for life insurance policies with guaranteed rates of return equal to or in excess of 4%, as calculated based on our PRC GAAP financial data, represented approximately 24.4%, 22.8%, 20.3% and 19.2% of our total policyholders' reserves for long-term life insurance, respectively. The decrease in the proportion of the policyholders' reserves for life insurance policies with guaranteed rates of return equal to or in excess of 4% from 2006 to 30 June 2009 was primarily due to the increased proportion of our total in-force life insurance policies with lower guaranteed rates of return.

As of 30 June 2009, based on PRC GAAP reserves and an assumed discount rate of 11.0%, 11.5% and 12.0%, before deducting the cost of solvency margin, the estimated value of our in-force business written prior to June 1999 was negative RMB2,613 million, negative RMB2,494 million and negative RMB2,385 million, respectively. As of the same date, based on PRC GAAP reserves and an assumed discount rate of 11.0%, 11.5% and 12.0%, before deducting the cost of solvency margin, the estimated value of our in-force business written after June 1999 was RMB33,046 million, RMB31,953 million and RMB30,927 million, respectively.

TRADING RECORD

You should read the selected consolidated financial and operating information set forth below in conjunction with our consolidated financial statements included in the Accountants' Report set forth in Appendix I, which have been prepared in accordance with HKFRS. The selected consolidated income statement information for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and the selected consolidated balance sheet information as of 31 December 2006, 2007 and 2008 and 30 June 2009 set forth below are derived from our consolidated financial statements that have been audited by Ernst & Young and included in the Accountants' Report set forth in Appendix I. The selected consolidated income statement information for the six months ended 30 June 2008 set forth below are derived from our unaudited consolidated financial statements that have been reviewed by Ernst & Young and included in the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	35,926	44,881	53,845	29,393	35,773
Less: premiums ceded to reinsurers	(6,394)	(6,762)	(8,435)	(4,690)	(5,538)
Net written premiums and policy fees	29,532	38,119	45,410	24,703	30,235
Net change in unearned premium reserves	(1,618)	(1,937)	(1,307)	(2,386)	(3,259)
Net premiums earned and policy fees	27,914	36,182	44,103	22,317	26,976
Investment income	9,534	27,230	8,110	14,452	8,878
Other operating income	284	535	816	344	165
Other income	9,818	27,765	8,926	14,796	9,043
Total income	37,732	63,947	53,029	37,113	36,019
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	(7,800)	(10,568)	(13,943)	(7,041)	(7,361)
Changes in long-term traditional insurance contract liabilities	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	(581)	(848)	(532)	(380)	(138)
Interest credited to investment contracts	(221)	(165)	(102)	(59)	(38)
Amortization on deferred acquisition costs	(3,880)	(5,155)	(5,634)	(2,517)	(3,786)
Provision for insurance guarantee fund	(211)	(275)	(318)	(176)	(213)
Change in deferred revenue	240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses	(5,742)	(7,845)	(7,246)	(3,878)	(3,603)
Total benefits, claims and expenses	(33,729)	(49,251)	(50,952)	(30,968)	(30,886)
Share of profits/(losses) of					
A jointly-controlled entity	5	70	(52)	(2)	26
Associates	(8)	—	—	—	—
Profit before tax	4,000	14,766	2,025	6,143	5,159
Income tax	(1,363)	(2,500)	1,161	55	(1,158)
Net profit for the year/period	2,637	12,266	3,186	6,198	4,001
Attributable to:					
- Equity holders of the parent	2,019	11,238	3,086	6,082	3,937
- Minority interests	618	1,028	100	116	64
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.47	1.82	0.40	0.79	0.51

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Balance Sheet Data				
Assets				
Property and equipment	3,928	4,546	6,596	6,913
Intangible assets	117	249	365	342
Prepaid land lease payments	222	217	213	210
Interests in associates	209	—	—	—
Investment in a jointly-controlled entity	322	367	391	417
Financial assets at fair value through profit or loss	4,758	2,463	1,166	416
Held-to-maturity financial assets	36,879	58,120	70,980	81,919
Available-for-sale financial assets	68,430	121,867	96,142	113,572
Investments classified as loans and receivables	7,726	13,923	16,532	22,346
Securities purchased under agreements to resell	1,744	5,500	60	—
Term deposits	53,855	59,262	82,756	91,061
Restricted statutory deposits	889	998	1,838	1,838
Policy loans	219	442	698	986
Interest receivables	2,134	3,393	4,979	6,857
Deferred acquisition costs	11,276	13,468	20,114	22,320
Reinsurance assets	7,247	8,395	9,627	11,082
Deferred income tax assets	79	6	763	705
Income tax receivable	1	408	508	—
Insurance receivables	3,177	3,711	4,303	5,017
Other assets	555	1,384	2,406	2,239
Cash and short-term time deposits	10,142	23,622	17,513	18,734
Total Assets	213,909	322,341	337,950	386,974

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Equity and Liabilities				
Equity				
Issued capital	4,300	7,700	7,700	7,700
Reserves	8,369	51,538	38,264	41,326
Retained profits	1,815	12,706	13,391	15,018
Equity attributable to equity holders of the parent	14,484	71,944	59,355	64,044
Minority interests	3,080	712	671	728
Total Equity	17,564	72,656	60,026	64,772
Liabilities				
Insurance contract liabilities	155,607	201,979	239,467	265,326
Investment contract liabilities	7,449	4,554	3,039	2,632
Subordinated debts	2,038	2,113	2,188	2,226
Securities sold under agreements to repurchase	3,120	11,788	7,020	22,435
Policyholders' deposits	11,315	6,913	576	94
Provisions	985	402	98	98
Deferred income tax liabilities	3,281	6,720	1,753	3,833
Income tax payable	194	64	8	57
Deferred revenue	3,711	4,018	9,469	9,812
Premium received in advance	1,288	2,149	2,788	1,264
Policyholder dividend payable	1,984	2,779	4,147	4,598
Payables to reinsurers	1,694	1,607	2,213	3,040
Other liabilities	3,679	4,599	5,158	6,787
Total Liabilities	196,345	249,685	277,924	322,202
Total Equity and Liabilities	213,909	322,341	337,950	386,974

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
Financial and Operating Ratios					
Group					
Return on average equity[1]	17.46%	26.01%	4.70%	9.25%	6.38%
Return on average assets	1.37%	4.57%	0.97%	1.92%	1.10%
Investment yield[2]	5.97%	11.96%	2.92%	5.29%	3.03%
Life Insurance[3]					
Operating expense ratio[4]	12.70%	16.42%	12.16%	13.75%	10.15%
Investment yield[2]	6.12%	12.88%	4.33%	6.02%	3.15%
Property and Casualty Insurance[5]					
Retention ratio	76.18%	78.29%	76.66%	75.76%	77.32%
Loss ratio	60.36%	59.74%	65.61%	69.49%	62.97%
Expense ratio	37.87%	37.42%	35.39%	35.22%	33.90%
Combined ratio	98.23%	97.16%	101.00%	104.71%	96.86%
Investment yield[2]	5.30%	14.22%	4.62%	4.61%	2.19%

(1) Ratio of net profit attributable to equity holders of the parent to average balance of equity attributable to equity holders of the parent at the beginning and end of the period.
(2) Ratio of investment income (net of interest expense incurred for securities sold under agreements to repurchase) to average investments (net of associated liabilities relating to securities sold under agreements to repurchase) at the beginning and end of the period. The yield information for the six months ended 30 June 2008 and 2009 has not been annualized. See the section headed "Business — Asset Management and Investment Portfolio — Portfolio Composition" for information regarding the composition of our investment portfolio and other information relating to our investment assets.
(3) Financial and operating ratios of life insurance represented those of CPIC Life.
(4) Ratio of operating expenses excluding acquisition cost included in deferred acquisition costs to net premiums earned.
(5) Financial and operating ratios of property and casualty insurance represented those of CPIC Property.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Note 2.2 to the Accountants' Report set forth in Appendix I includes a summary of principal accounting policies used in the preparation of our consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. We believe the following represents our critical accounting policies.

Insurance Contract Liabilities

Long-term life insurance contract reserves. Long-term traditional insurance contracts include whole life and term life insurance, long-term health insurance, endowment insurance and annuity policies with significant life contingency risk. Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the related premiums are recognized. Such liabilities for long-term traditional insurance contracts are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses, withdrawals and investment return, including where appropriate a margin for adverse deviation. The assumptions are established at the time of the issue of the policy and remain unchanged unless adverse experience causes a deficiency in liability adequacy testing. For policies where the premium payment period is less than the policy term, an extra reserve, often known as deferred profit liability, is also included in the policyholder liability for long-term traditional insurance contracts. The deferred profit liability ensures a profit emergence in a constant relationship to the amount of insurance in force.

Long-term investment-type insurance contracts include life insurance and annuity contracts with significant investment features but with sufficiently significant insurance risk to be considered as insurance contracts under HKFRS 4, "Insurance Contracts", as well as investment contracts with discretionary participation features, or DPF. With respect to these contracts, revenue from a contract consists of various charges, such as policy fees, handling fees, management fees, surrender charges, made against the contract for the cost of insurance, expenses and early surrender. Excess first-year charges are deferred as an unearned revenue liability and are recognized in the income statement over the estimated life of the contracts in a constant relationship to estimated gross profits. The unearned revenue liability is included in deferred revenue. To the extent unrealized gains or losses from available-for-sale financial assets affect the estimated gross profits, shadow adjustments are recognized in equity. Policy benefits and claims that are charged to expenses include benefit claims incurred in the year in excess of related contract balances and interest credited to these contracts. The policyholder liability represents the accumulation of premium received less charges, as described above.

Claim reserves. Claims reserves comprise a best estimate of insurance contract provisions for the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of claims and therefore, the ultimate cost cannot be known with certainty at the balance sheet date. The methods of determining such estimates and establishing the resulting liabilities are continually reviewed and updated. Resulting adjustments are reflected in the income statement for the period. We do not discount our claim reserves.

Unearned premium reserves. Upon inception of property and casualty and short term life insurance contracts, premiums are recorded as written and are earned on a pro-rata basis over the term of the related policy coverage. The unearned premium reserves represent the portions of premiums written relating to unexpired periods of coverage.

Liability adequacy test. At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of the related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement initially by writing off deferred acquisition costs and subsequently by establishing a provision for losses arising from the liability adequacy tests. Any deferred acquisition costs written off will not be reinstated subsequently. As mentioned above, long-term traditional life insurance contracts are measured based on assumptions set out at the inception of the policies. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities. For short term life and property and casualty insurance contracts, a provision is assessed on the basis of estimates of future claims, costs, premiums earned and other factors.

Investment Contract Liabilities

Our investment contracts are investment contracts without DPF. Investment contracts without DPF are not considered to be insurance contracts and are accounted for as a financial liability. The liability for investment contracts without DPF is measured at estimated fair value or amortized costs using the effective interest rate method. Revenue from these contracts consists of various charges, such as policy fees, handling fees, management fees and surrender charges, made against the contract for the cost of management, expenses and early surrender. Front-end fees received for rendering future investment management services are deferred and recognized in the income statement over the estimated life of the contracts when the related services are rendered. The deferred front-end fees are included in deferred revenue.

Deferred Acquisition Costs

The costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, which vary with and are primarily related to the production of the new and renewal business, are deferred. Such deferred acquisition costs, or DAC, are subject to recoverability testing at the time of the issue of the policy and at the end of each accounting period. Future investment income is taken into account in assessing recoverability.

For long-term traditional life insurance contracts, DAC is amortized over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contract unless adverse experience causes a deficiency in liability adequacy test.

For long-term investment type insurance contracts, DAC is amortized over the expected life of the contracts 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. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited. Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in the consolidated income statement. When DAC is amortized in proportion to gross profits on the acquired contracts, realized gains/losses are taken into account as well as gains/losses recognized directly in equity (unrealized gains/losses). If these gains/losses were to be realized, the gross profits used to amortize DAC would be affected. Therefore, an adjustment relating to these unrealized gains/losses is recognized in equity and is also reflected in the amount of DAC in the balance sheet, known as shadow accounting.

For property and casualty and short-term accident and health insurance contracts, DAC is amortized over the period in which the related written premiums are earned. DAC is derecognized when the related contracts are settled or disposed of. DAC is periodically reviewed to determine that it does not exceed recoverable amounts. Contributions received from reinsurers towards acquisition costs are deferred in an identical manner.

For investment contracts without DPF, those incremental costs that are directly attributable to the provision of investment management services are deferred and recognized as an asset, to the extent that these costs can be identified separately, measured reliably and it is probable that they will be recovered. This asset is amortized in line with revenue generated by the investment management service and is tested for recoverability at each reporting date.

Classification and Fair Value of Financial Instruments

We classify our financial instruments as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, or available-for-sale financial assets, as appropriate. Certain of these classifications require significant judgments. In making these judgments, we consider our intention of holding these financial assets, our compliance with the relevant requirements under HKFRS and the implications of different classifications on the presentation in the financial statements. We determine the classification of our financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at the balance sheet date.

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 such recent transactions.

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; discounted cash flow analysis; and other valuation models. For discounted cash flow techniques, estimated future cash flows are based on management's 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 value of floating rate and overnight deposits with credit institutions is their carrying value. 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.

Impairment of Available-for-Sale Equity Financial Assets

We determine that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. We collectively consider the magnitude of the decline in fair value relative to the cost, the volatility and the duration of the decline in evaluating whether a decline in fair value is significant. We consider 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 the cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of the decline, the more likely objective evidence of impairment of an equity instrument exists.

Revenue Recognition

Premiums and policy fees. Premiums from long-term traditional life insurance contracts are recognized as revenue when due from policyholders. Amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue. These primarily include fees for the cost of insurance, administrative charges and surrender charges.

Premiums from the sale of property and casualty insurance contracts and short-term accident and health insurance contracts, net of endorsements, are recorded as written at the inception of risk and are earned on a pro-rata basis over the term of the related policy coverage. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognized over the period of risk in proportion to the amount of insurance protection provided.

Net investment income. Net investment income primarily includes interest from term deposits, fixed-income securities, securities purchased under agreements to resell, policy loans and other loans, dividends from investment funds and securities. 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 instrument. Dividends are recognized when the right to receive payment is established.

NEW PRC ACCOUNTING PRONOUNCEMENTS

On 7 August 2008, the Ministry of Finance issued Interpretation No. 2, which requires companies with both A shares listed on a PRC stock exchange and H shares listed on the Hong Kong Stock Exchange to recognize, measure and report the same transactions with the same accounting policies and estimates unless an exemption is available under the interpretation. The CIRC subsequently issued the CIRC Notice, which requires that, beginning with the financial statements for the year ending 31 December 2009, each PRC insurance company modify its existing accounting policies that may cause discrepancies in its financial reporting for purposes of A shares and H shares so as to eliminate such discrepancies.

Specifically, the CIRC Notice requires that (i) premiums income be recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of different components of a contract, which requirement we have considered in preparing our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, (ii) acquisition costs for new insurance contracts be expensed in the income statement for the current period, instead of being deferred and amortized over the expected life of such insurance contracts, and (iii) actuarial reserves be measured based on the principle of "best estimates", as opposed to our current practice of measuring reserves based on assumptions established at the inception of long-term life insurance contracts with no subsequent changes unless our liability adequacy tests reveal a deficiency in such reserves. The relevant PRC authorities are yet to issue detailed guidance to implement the requirements under Interpretation No. 2 and the CIRC Notice, and insurance companies may be required to make retrospective adjustments to their historical financial statements in accordance with such detailed guidance.

The full implementation of Interpretation No. 2 and the CIRC Notice may have a significant impact on the reporting of our financial statements, including our reported net profits and shareholders' equity. Therefore, our results of operations and financial position reflected in our financial statements to be included in our annual report for the year ending 31 December 2009 may differ materially from those reflected in our financial statements included in this prospectus, even though some of these financial statements may relate to the same fiscal years. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

RESULTS OF OPERATIONS

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 20.0% to RMB53,845 million in 2008 from RMB44,881 million in 2007. This increase benefited from the increased demand for insurance products resulting from the continued economic growth, as well as the ongoing economic and demographic transformation, in the PRC in 2008. In particular, this increase reflected the increase in gross written premiums and policy fees attributable to our promotion of participating life insurance products in connection with our continued efforts to optimize the business mix in life insurance, as well as the increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC in 2008 and our efforts to promote automobile insurance products in response to improved competitive environment of the PRC automobile insurance market in the second half of 2008.

Our gross written premiums and policy fees increased by 24.9% to RMB44,881 million in 2007 from RMB35,926 million in 2006. This increase benefited from the increased demand for insurance products resulting from the continued economic growth, as well as the economic and demographic transformation, in the PRC in 2007. In particular, this increase reflected the increase in gross written premiums and policy fees attributable to our development and promotion of life insurance products with investment features, in response to the favorable equity investment environment in the PRC in 2007, and the increase in policy fees from our universal life insurance products, as well as the increased gross written premiums and policy fees from our property and casualty insurance business driven by the introduction of compulsory auto liability insurance on 1 July 2006, which significantly increased the number of insured vehicles in the PRC.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 24.7% to RMB8,435 million in 2008 from RMB6,762 million in 2007. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees increased to 15.7% in 2008 from 15.1% in 2007. This increase in the percentage primarily reflected the increase in gross written premiums and policy fees from our insurance businesses with higher cession ratios, such as our engineering insurance business, and a decrease in the proportion of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This increase in the percentage was partially offset by our discontinuation in 2008 of certain long-term critical illness life insurance products, which had a higher cession ratio.

Premiums ceded to reinsurers increased by 5.8% to RMB6,762 million in 2007 from RMB6,394 million in 2006. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees decreased to 15.1% in 2007 from 17.8% in 2006. This decrease was primarily due to the significant increase in gross written premiums and policy fees from our automobile insurance business, which has a lower cession ratio, and the decrease in gross written premiums and policy fees from our hull insurance, engineering insurance and special risk insurance businesses, which generally have higher cession ratios. This decrease also reflected our downward adjustment in the cession ratio of our property and casualty insurance and short-term accident and health insurance contracts in light of the increased underwriting capacity of our insurance businesses in 2007, as well as the decrease in the proportion of gross written premiums and policy fees generated by long-term health insurance contracts, which typically have a higher cession ratio.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 19.1% to RMB45,410 million in 2008 from RMB38,119 million in 2007 and increased by 29.1% to RMB38,119 million in 2007 from RMB29,532 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB1,307 million in 2008 as compared to an increase of RMB1,937 million in 2007. The smaller increase in 2008 was primarily due to the smaller increase in our net written premiums in 2008 compared to 2007.

Net change in unearned premium reserves was an increase of RMB1,937 million in 2007 as compared to an increase of RMB1,618 million in 2006. The larger increase in 2007 was primarily attributable to the increase in net written premiums for our property and casualty insurance business during the period. In particular, driven by the introduction of compulsory auto liability insurance on 1 July 2006, the net written premiums from our automobile insurance business in 2007 increased significantly compared to 2006, resulting in a significant increase in our unearned premium reserves as of 31 December 2007 as most of these automobile insurance products had a term of one year. This increase also reflected the increase in the net written premiums for short-term accident and health insurance contracts from 2006 to 2007 and the lower cession ratio for these contracts in 2007.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 21.9% to RMB44,103 million in 2008 from RMB36,182 million in 2007 and increased by 29.6% to RMB36,182 million in 2007 from RMB27,914 million in 2006.

Investment Income. Our investment income decreased by 70.2% to RMB8,110 million in 2008 from RMB27,230 million in 2007. This decrease was primarily due to significant declines in the PRC stock markets in 2008. Realized and unrealized losses from equity securities and equity investment funds, which amounted to RMB4,623 million in 2008 compared to realized and unrealized gains of RMB15,301 million in 2007, and impairment provisions for equity investments, which amounted to RMB5,143 million in 2008, contributed significantly to our sharply lower investment income in 2008. The decrease in investment income from equity investments in 2008 was partially offset by the 59.7% increase in interest income from fixed-income investments from RMB6,568 million in 2007 to RMB10,490 million in 2008, and the 24.1% increase in dividend income from equity investment funds and equity securities from RMB5,748 million in 2007 to RMB7,132 million in 2008.

Our investment income increased by 185.6% to RMB27,230 million in 2007 from RMB9,534 million in 2006. This significant increase was primarily due to the favorable performance of the PRC stock markets in 2007. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007, as we benefited from our increased investments in equity securities and the favorable performance of the PRC stock markets in 2007.

For additional information regarding our investment portfolio and investment income, see the section headed "Business — Asset Management and Investment Portfolio — Portfolio Composition".

Other Operating Income. Our other operating income increased by 52.5% to RMB816 million in 2008 from RMB535 million in 2007. This increase was primarily due to the RMB284 million partial reversal of provisions made for disputes arising in our business that were settled at amounts lower than our prior estimates.

Our other operating income increased by 88.4% to RMB535 million in 2007 from RMB284 million in 2006. This increase was primarily due to higher interest income from our cash and cash equivalents in 2007, reflecting our higher daily cash balance during the period, partially offset by the recognition in 2006 of certain fixed asset overage and certain income relating to housing reform funds that did not occur in 2007.

Other Income. As a result of the foregoing, our other income decreased by 67.9% to RMB8,926 million in 2008 from RMB27,765 million in 2007 and increased by 182.8% to RMB27,765 million in 2007 from RMB9,818 million in 2006.

Total Income. As a result of the foregoing, our total income decreased by 17.1% to RMB53,029 million in 2008 from RMB63,947 million in 2007 and increased by 69.5% to RMB63,947 million in 2007 from RMB37,732 million in 2006.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid increased by 55.8% to RMB2,838 million in 2008 from RMB1,822 million in 2007. This increase was primarily due to higher death and other benefits paid as a result of the overall growth in our in-force life insurance contracts.

Our life insurance death and other benefits paid increased by 29.5% to RMB1,822 million in 2007 from RMB1,407 million in 2006. This increase was primarily due to the increase in payments made upon the surrender of certain individual life insurance contracts resulting from higher interest rates and favorable equity investment environment, as well as the increase in death and other benefits paid as a result of the increase in the total number of our in-force life insurance contracts, in 2007 compared to 2006. This increase also resulted from, to a lesser extent, the increase in survival benefits paid.

Claims Incurred. Claims incurred increased by 31.9% to RMB13,943 million in 2008 from RMB10,568 million in 2007. This increase reflected the overall growth in our property and casualty insurance business in 2008, as well as claims incurred resulting from the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008.

Claims incurred increased by 35.5% to RMB10,568 million in 2007 from RMB7,800 million in 2006. This increase reflected the overall growth in our property and casualty insurance business in 2007, as well as the decrease in the cession ratio for our short-term accident and health insurance contracts in our life insurance business.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in our long-term traditional insurance contract liabilities were RMB10,093 million in 2008 compared to RMB17,409 million in 2007. This decrease of 42.0% was primarily due to the significantly lower reserves relating to our participating life insurance contracts and universal life insurance contracts in 2008 as a result of lower investment returns in 2008 compared to 2007.

Changes in our long-term traditional insurance contract liabilities were RMB17,409 million in 2007 compared to RMB10,362 million in 2006. This 68.0% increase was primarily due to the increase in the total number of our in-force long-term traditional insurance contracts in 2007 compared to 2006, as well as the significantly increased reserves relating to our participating life insurance contracts and universal life insurance contracts in 2007 as a result of higher investment returns in that year.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 35.2% to RMB4,748 million in 2008 from RMB3,511 million in 2007. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2008 compared to 2007 as a result of additional deposits received in 2008, in line with the overall growth in our life insurance business.

Interest credited to long-term investment type insurance contract liabilities increased by 32.0% to RMB3,511 million in 2007 from RMB2,660 million in 2006. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2007 compared to 2006 as a result of additional deposits received in 2007.

Policyholder Dividends. Policyholder dividends increased by 112.2% to RMB2,595 million in 2008 from RMB1,223 million in 2007. This increase was primarily due to the increase in the total number of our in-force participating life insurance contracts and higher policyholder dividends declared and paid in 2008 as a result of favorable investment returns on our participating life insurance contracts in 2007.

Policyholder dividends increased by 10.7% to RMB1,223 million in 2007 from RMB1,105 million in 2006. This increase was primarily due to higher dividends declared and paid in 2007 as a result of favorable investment returns on our participating life insurance contracts in 2007, as well as the increase in the total number of our in-force participating life insurance contracts.

Finance Costs. Our finance costs decreased by 37.3% to RMB532 million in 2008 from RMB848 million in 2007. This decrease was primarily due to lower interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders and lower interest expense on securities sold under agreements to repurchase in 2008.

Our finance costs increased by 46.0% to RMB848 million in 2007 from RMB581 million in 2006. This increase was primarily due to higher interest expense on securities sold under agreements to repurchase in 2007 and additional interest expense during the same period on the RMB2 billion aggregate principal amount of subordinated bonds issued by CPIC Life in June 2006, partially offset by the decrease in interest expense on policyholders' deposits as a result of lower account balances of deposits received from our savings-type homeowners insurance products.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 38.2% to RMB102 million in 2008 from RMB165 million in 2007. The decrease was primarily due to lower average account balances of investment contracts in 2008 compared to 2007, as a result of higher maturities and withdrawals of certain group life insurance products in 2008.

Interest credited to investment contracts decreased by 25.3% to RMB165 million in 2007 from RMB221 million in 2006. The decrease was primarily due to lower average account balances of investment contracts in 2007 compared to 2006, as a result of higher maturities and withdrawals of certain group life insurance products in 2007.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 9.3% to RMB5,634 million in 2008 from RMB5,155 million in 2007. This increase was primarily due to the overall growth in net premiums earned and policy fees from our property and casualty insurance business in 2008 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs, partially offset by the lower amortization of deferred acquisition costs for our life insurance business as a result of our lower investment returns in 2008 compared to 2007. Amortization on deferred acquisition costs decreased as a percentage of the net premiums earned and policy fees for our insurance business to 12.8% in 2008 from 14.2% in 2007.

Amortization on deferred acquisition costs increased by 32.9% to RMB5,155 million in 2007 from RMB3,880 million in 2006. This increase was primarily due to the increase in our net premiums earned and policy fees in 2007. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our insurance business to 14.2% in 2007 from 13.9% in 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 15.6% to RMB318 million in 2008 from RMB275 million in 2007. This increase primarily reflected the increase in the net written premiums from our insurance products in 2008.

Provision for insurance guarantee fund increased by 30.3% to RMB275 million in 2007 from RMB211 million in 2006. This increase primarily reflected the increase in the net written premiums from our insurance products in 2007.

Change in Deferred Revenue. Our deferred revenue increased significantly by 575.1% to RMB2,903 million in 2008 from RMB430 million in 2007. This increase in 2008 reflected primarily more deferral of policy fees resulting from a higher number of participating bancassurance products sold in 2008, as well as the lower amortization as a result of our lower investment returns in 2008 compared to 2007.

Our deferred revenue experienced an increase of RMB430 million in 2007 compared to a decrease of RMB240 million in 2006. The increase in our deferred revenue in 2007 was primarily due to more deferral of policy fees resulting from a higher number of universal life insurance contracts sold in 2007, partially offset by the increase in the amortization amount in 2007 compared to 2006.

Other Operating and Administrative Expenses. Our other operating and administrative expenses decreased by 7.6% to RMB7,246 million in 2008 from RMB7,845 million in 2007. This decrease was primarily due to our enhanced cost control measures, as well as the decrease in our business tax and other surcharges relating to our life insurance business, in 2008 compared to 2007.

Our other operating and administrative expenses increased by 36.6% to RMB7,845 million in 2007 from RMB5,742 million in 2006. This increase was primarily due to the expansion in our operations, in 2007 compared to 2006.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses increased by 3.5% to RMB50,952 million in 2008 from RMB49,251 million in 2007 and increased by 46.0% to RMB49,251 million in 2007 from RMB33,729 million in 2006.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity and associates, our profit before tax decreased by 86.3% to RMB2,025 million in 2008 from RMB14,766 million in 2007 and increased by 269.2% to RMB14,766 million in 2007 from RMB4,000 million in 2006.

Income Tax. Our income tax was a negative RMB1,161 million in 2008 compared to RMB2,500 million in 2007. The negative income tax in 2008 principally resulted from the significantly lower profit before tax and the higher tax-exempt income, primarily dividend income from equity investment funds, in 2008.

Our income tax increased by 83.4% to RMB2,500 million in 2007 from RMB1,363 million in 2006. This increase principally resulted from the significantly higher profit before tax. Our effective tax rate was 16.9% in 2007 and 34.1% in 2006. The decline in our effective tax rate from 2006 to 2007 was primarily due to the increase in tax-exempt income in 2007, primarily dividend income from equity investment funds, and the effect on deferred tax due to the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Net Profit. As a result of the foregoing, our net profit decreased by 74.0% to RMB3,186 million in 2008 from RMB12,266 million in 2007 and increased by 365.1% to RMB12,266 million in 2007 from RMB2,637 million in 2006.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent decreased by 72.5% to RMB3,086 million in 2008 from RMB11,238 million in 2007 and increased by 456.6% to RMB11,238 million in 2007 from RMB2,019 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 21.7% to RMB35,773 million in the six months ended 30 June 2009 from RMB29,393 million in the six months ended 30 June 2008. This increase reflected the increase in gross written premiums and policy fees from our participating life insurance products in connection with our continued efforts to optimize our business mix in life insurance. This increase was also due to increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the first half of 2009.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 18.1% to RMB5,538 million in the six months ended 30 June 2009 from RMB4,690 million in the six months ended 30 June 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees to 15.5% in the six months ended 30 June 2009 from 16.0% in the six months ended 30 June 2008. This decrease in the percentage was primarily due to the higher percentage of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 22.4% to RMB30,235 million in the six months ended 30 June 2009 from RMB24,703 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB3,259 million in the six months ended 30 June 2009 as compared to an increase of RMB2,386 million in the six months ended 30 June 2008, generally attributable to the overall growth in our property and casualty insurance business during the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 20.9% to RMB26,976 million in the six months ended 30 June 2009 from RMB22,317 million in the six months ended 30 June 2008.

Investment Income. Our investment income decreased by 38.6% to RMB8,878 million in the six months ended 30 June 2009 from RMB14,452 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in dividend income from equity investment funds and, to a lesser extent, the decrease in gains realized from the disposition of equity securities, partially offset by a decrease in impairment losses on financial assets and by unrealized gains from equity investment funds in the first half of 2009 compared to the first half of 2008.

Other Operating Income. Our other operating income decreased by 52.0% to RMB165 million in the six months ended 30 June 2009 from RMB344 million in the six months ended 30 June 2008. This decrease was primarily due to higher income in the first half of 2008 derived from the disposition of a non-operating real estate asset.

Other Income. As a result of the foregoing, our other income decreased by 38.9% to RMB9,043 million in the six months ended 30 June 2009 from RMB14,796 million in the six months ended 30 June 2008.

Total Income. As a result of the foregoing, our total income decreased by 2.9% to RMB36,019 million in the six months ended 30 June 2009 from RMB37,113 million in the six months ended 30 June 2008.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid decreased by 13.3% to RMB1,850 million in the six months ended 30 June 2009 from RMB2,135 million in the six months ended 30 June 2008. This decrease was primarily due to higher death and other benefits paid in the first half of 2008 partly as a result of the Sichuan earthquake in May 2008.

Claims Incurred. Claims incurred increased by 4.5% to RMB7,361 million in the six months ended 30 June 2009 from RMB7,041 million in the six months ended 30 June 2008. This increase reflected the overall growth in our property and casualty insurance business in the first half of 2009, partially offset by claim payments recovered from reinsurers in the first half of 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities were RMB9,512 million in the six months ended 30 June 2009 compared to RMB9,645 million in the six months ended 30 June 2008. This 1.4% decrease primarily reflected the impact of the decrease in investment returns, in the first half of 2009 compared to the first half of 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 3.9% to RMB2,413 million in the six months ended 30 June 2009 from RMB2,322 million in the six months ended 30 June 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the first half of 2009 compared to the first half of 2008.

Policyholder Dividends. Policyholder dividends decreased by 22.7% to RMB985 million in the six months ended 30 June 2009 from RMB1,274 million in the six months ended 30 June 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the first half of 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Our finance costs decreased by 63.7% to RMB138 million in the six months ended 30 June 2009 from RMB380 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders, as well as the decrease in interest expense on securities sold under agreements to repurchase in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 35.6% to RMB38 million in the six months ended 30 June 2009 from RMB59 million in the six months ended 30 June 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 50.4% to RMB3,786 million in the six months ended 30 June 2009 from RMB2,517 million in the six months ended 30 June 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount, as well as the increase in net premiums earned and policy fees from our property and casualty insurance business in the first half of 2009. This increase also reflected the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries from our property and casualty insurance business in the first half of 2009, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs as a percentage of the net premiums earned and policy fees for our insurance business was 14.0% and 11.3%, respectively, in the six months ended 30 June 2009 and the six months ended 30 June 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 21.0% to RMB213 million in the six months ended 30 June 2009 from RMB176 million in the six months ended 30 June 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products, as well as the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Change in Deferred Revenue. Our deferred revenue experienced an increase of RMB987 million in the six months ended 30 June 2009 compared to an increase of RMB1,541 million in the six months ended 30 June 2008. The lower increase in deferred revenue in the six months ended 30 June 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the first half of 2009 compared to the first half of 2008.

Other Operating and Administrative Expenses. Our other operating and administrative expenses decreased by 7.1% to RMB3,603 million in the six months ended 30 June 2009 from RMB3,878 million in the six months ended 30 June 2008. This decrease was primarily due to our enhanced cost control measures in the first half of 2009.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses decreased by 0.3% to RMB30,886 million in the six months ended 30 June 2009 from RMB30,968 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity, our profit before tax decreased by 16.0% to

RMB5,159 million in the six months ended 30 June 2009 from RMB6,143 million in the six months ended 30 June 2008.

Income Tax. Our income tax increased to RMB1,158 million in the six months ended 30 June 2009 from a negative RMB55 million in the six months ended 30 June 2008, primarily due to a higher proportion of tax-exempt income in the six months ended 30 June 2008 compared to the six months ended 30 June 2009.

Net Profit. As a result of the foregoing, our net profit decreased by 35.4% to RMB4,001 million in the six months ended 30 June 2009 from RMB6,198 million in the six months ended 30 June 2008.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent decreased by 35.3% to RMB3,937 million in the six months ended 30 June 2009 from RMB6,082 million in the six months ended 30 June 2008.

SEGMENTAL OPERATING RESULTS

We have two principal business segments for financial reporting purposes: our life insurance business and our property and casualty insurance business. See note 4 to the Accountants' Report set forth in Appendix I for a discussion of our segment information.

Life Insurance

The following table sets forth selected income statement data for our life insurance business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	17,729	21,332	25,921	13,603	17,091
Less: premiums ceded to reinsurers	(2,137)	(1,747)	(2,024)	(920)	(1,369)
Net written premiums and policy fees	15,592	19,585	23,897	12,683	15,722
Net change in unearned premium reserves	(52)	(300)	(63)	(88)	(207)
Net premiums earned and policy fees	15,540	19,285	23,834	12,595	15,515
Investment income	8,320	22,881	9,587	12,630	7,889
Other operating income	116	299	422	65	83
Other income	8,436	23,180	10,009	12,695	7,972
Segment income	23,976	42,465	33,843	25,290	23,487
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	(326)	(463)	(629)	(279)	(147)
Changes in long-term traditional insurance contract liabilities	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	(209)	(452)	(317)	(219)	(135)
Interest credited to investment contracts	(221)	(165)	(102)	(59)	(38)
Amortization on deferred acquisition costs	(2,623)	(3,008)	(2,545)	(1,167)	(1,889)
Provision for insurance guarantee fund	(73)	(97)	(104)	(56)	(64)

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Change in deferred revenue	240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses	(1,973)	(3,165)	(2,901)	(1,733)	(1,575)
Segment benefits, claims and expenses	(20,719)	(31,745)	(29,775)	(20,430)	(19,595)
Segment results	3,257	10,720	4,068	4,860	3,892
Profit before tax	3,257	10,720	4,068	4,860	3,892
Income tax	(1,058)	(1,430)	345	98	(872)
Net profit	2,199	9,290	4,413	4,958	3,020

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 21.5% to RMB25,921 million in 2008 from RMB21,332 million in 2007. This increase was primarily due to the increase in our gross written premiums attributable to our promotion of participating individual life insurance products in connection with our continued efforts to optimize our business mix and, to a lesser extent, the increase in policy fees from participating bancassurance products. This increase was also due to the continued increase in renewal premiums from our traditional individual life insurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in 2008.

Gross written premiums and policy fees for our life insurance business increased by 20.3% to RMB21,332 million in 2007 from RMB17,729 million in 2006. The growth in gross written premiums and policy fees for our life insurance business in 2007 was primarily due to the increase in gross written premiums and policy fees attributable to our development and promotion of life insurance products with investment features, in response to the favorable equity investment environment in the PRC during the year, and the increase in policy fees from our universal life insurance products, as well as the continued increase in renewal premiums from our individual life insurance business. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in 2007.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 18.4% to RMB20,543 million in 2008 from RMB17,353 million in 2007. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,494 million increase in first-year regular premiums to RMB3,268 million in 2008 from RMB1,774 million in 2007 and an RMB1,520 million increase in renewal premiums to RMB 3,193 million in 2008 from RMB1,673 million in 2007, resulting from our promotion of participating life insurance products in connection with our continued efforts to optimize our business mix. This increase was partially offset by decreases in first-year regular premiums from traditional individual life insurance products and in policy fees from universal individual life insurance products.

Gross written premiums and policy fees attributable to our individual life insurance business increased by 20.8% to RMB17,353 million in 2007 from RMB14,366 million in 2006. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,725 million increase in first-year regular premiums to RMB1,774 million in 2007 from RMB49 million in 2006, resulting from our promotion of a new participating life insurance product in response to the favorable equity investment environment in the PRC in 2007. This increase was also due to an increase in renewal premiums from our traditional individual life insurance business and an increase in policy fees from our universal life insurance business.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased significantly by 74.3% to RMB2,937 million in 2008 from RMB1,685 million in 2007. This increase was primarily due to an RMB1,668 million increase in policy fees from our participating bancassurance products to RMB2,014 million in 2008 from RMB346 million in 2007, partially offset by a 39.0% decrease in policy fees from our universal bancassurance products to RMB685 million in 2008 from RMB1,123 million in 2007, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Gross written premiums and policy fees attributable to our bancassurance business increased by 33.2% to RMB1,685 million in 2007 from RMB1,265 million in 2006. This increase was primarily due to an RMB1,016 million increase in policy fees from our universal bancassurance products to RMB1,123 million in 2007 from RMB107 million in 2006, partially offset by a 64.9% decrease in policy fees from our participating bancassurance products to RMB346 million in 2007 from RMB985 million in 2006. The increase in policy fees from our universal bancassurance products and the decrease in policy fees from our participating bancassurance products in 2007 primarily resulted from our universal bancassurance products launched in 2007 that are more attractive to our customers compared to certain of our participating bancassurance products.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 6.4% to RMB2,441 million in 2008 from RMB2,294 million in 2007. This increase was primarily due to increased premiums from our short-term accident and health insurance products to RMB2,105 million in 2008 from RMB1,898 million in 2007, partially offset by decreased gross written premiums and policy fees from our traditional life insurance products.

Gross written premiums and policy fees attributable to our group life insurance business increased by 9.3% to RMB2,294 million in 2007 from RMB2,098 million in 2006. This increase was primarily due to an increase in premiums from our short-term accident and health insurance products to RMB1,898 million in 2007 from RMB1,717 million in 2006 and a 41.8% increase in policy fees from our participating life insurance products to RMB190 million in 2007 from RMB134 million in 2006.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 15.9% to RMB 2,024 million in 2008 from RMB1,747 million in 2007. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees for our life insurance business decreased to 7.8% in 2008 from 8.2% in 2007. This decrease in the percentage was primarily due to our discontinuation in 2008 of certain long-term critical illness life insurance products, which had a higher cession ratio.

Premiums ceded to reinsurers for our life insurance business decreased by 18.2% to RMB1,747 million in 2007 from RMB2,137 million in 2006. Premiums ceded to reinsurers as a percentage of the gross written premiums and policy fees for our life insurance business decreased to 8.2% in 2007 from 12.1% in 2006. This decrease was primarily due to our downward adjustment in the cession ratio for our short-term accident and health insurance contracts in light of the increased underwriting capacity of our life insurance business in 2007, as well as the decrease in the proportion of gross written premiums and policy fees generated by long-term health insurance contracts, which typically had a higher cession ratio, partially offset by the increase in the gross written premiums and policy fees generated from some long-term critical illness life insurance products, which typically had a higher cession ratio.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 22.0% to RMB23,897 million in 2008 from RMB19,585 million in 2007 and increased by 25.6% to RMB19,585 million in 2007 from RMB15,592 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB63 million in 2008 as compared to an increase of RMB300 million in 2007. The smaller increase was primarily due to the modest overall increase in our gross written premiums from short-term accident and health insurance business.

Net change in unearned premium reserves for our life insurance business was an increase of RMB300 million in 2007 as compared to an increase of RMB52 million in 2006. The larger increase was primarily due to the increase in the gross written premiums for short-term accident and health insurance contracts from 2006 to 2007 and the lower cession ratio for these contracts during the same period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.6% to RMB23,834 million in 2008 from RMB19,285 million in 2007 and increased by 24.1% to RMB19,285 million in 2007 from RMB15,540 million in 2006.

Investment Income. Investment income for our life insurance business decreased by 58.1% to RMB9,587 million in 2008 from RMB22,881 million in 2007. This significant decrease was primarily due to realized and unrealized losses from equity investment funds, the decrease in realized gains from equity securities and, to a lesser extent, impairment losses on financial assets, largely as a result of the significant declines in the PRC stock markets in 2008, partially offset by the increase in interest income from fixed-income investments and dividend income from equity investment funds in 2008.

Investment income for our life insurance business increased by 175.0% to RMB22,881 million in 2007 from RMB8,320 million in 2006. This significant increase was primarily due to the favorable performance of the PRC stock markets in 2007. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007, as we benefited from our increased investments in equity securities and the favorable performance of the PRC stock markets in 2007.

Other Operating Income. Other operating income for our life insurance business increased by 41.1% to RMB422 million in 2008 from RMB299 million in 2007. This increase was primarily due to the RMB284 million partial reversal of provisions made for disputes arising in our business that were settled at amounts lower than our prior estimates, partially offset by a decrease in interest income from our cash and cash equivalents in 2008.

Other operating income for our life insurance business increased by 157.8% to RMB299 million in 2007 from RMB116 million in 2006. This increase was primarily due to higher interest income from our cash and cash equivalents in 2007, reflecting our higher daily cash balance during the period, and the partial reversal of provisions made in relation to certain litigation matters that have since been resolved.

Other Income. As a result of the foregoing, other income for our life insurance business decreased by 56.8% to RMB10,009 million in 2008 from RMB23,180 million in 2007 and increased by 174.8% to RMB23,180 million in 2007 from RMB8,436 million in 2006.

Segment Income. As a result of the foregoing, segment income for our life insurance business decreased by 20.3% to RMB33,843 million in 2008 from RMB42,465 million in 2007 and increased by 77.1% to RMB42,465 million in 2007 from RMB23,976 million in 2006.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business increased by 55.8% to RMB2,838 million in 2008 from RMB1,822 million in 2007. This increase was primarily due to higher death and other benefits paid as a result of the overall growth in our in-force life insurance contracts.

Life insurance death and other benefits paid for our life insurance business increased by 29.5% to RMB1,822 million in 2007 from RMB1,407 million in 2006. This increase was primarily due to the increase in payments made upon the surrender of certain individual life insurance contracts resulting from higher interest rates and favorable equity investment environment, as well as the increase in death and other benefits paid as a result of the increase in the total number of our in-force life insurance contracts, in 2007 compared to 2006. This increase was also due to, to a lesser extent, the increase in survival benefits paid.

Claims Incurred. Claims incurred for our life insurance business increased by 35.9% to RMB629 million in 2008 from RMB463 million in 2007. This increase was primarily due to the higher claims incurred in 2008 as a result of our downward adjustment in 2007 in the cession ratio of our short-term accident and health insurance contracts, as well as the increase in the gross written premiums generated by our short-term accident and health insurance business in 2008 compared to 2007.

Claims incurred for our life insurance business increased by 42.0% to RMB463 million in 2007 from RMB326 million in 2006. This increase was primarily due to the decrease in the cession ratio of our short-term accident and health insurance contracts, and, to a lesser extent, the increase in the gross written premiums generated by our short-term accident and health insurance business in 2007 compared to 2006.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB10,093 million in 2008 compared to RMB17,409 million in 2007. This decrease of 42.0% was primarily due to the significantly lower reserves relating to our participating life insurance contracts and universal life insurance contracts in 2008 as a result of lower investment returns in 2008 compared to 2007.

Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB17,409 million in 2007 compared to RMB10,362 million in 2006. This 68.0% increase was primarily due to the increase in the total number of our in-force long-term traditional insurance contracts in 2007 compared to 2006, as well as the significantly increased reserves relating to our participating life insurance contracts and universal life insurance contracts in 2007 as a result of higher investment returns in that year.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 35.2% to RMB4,748 million in 2008 from RMB3,511 million in 2007. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2008 compared to 2007 as a result of additional deposits received in 2008, in line with the overall growth in our life insurance business.

Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 32.0% to RMB3,511 million in 2007 from RMB2,660 million in 2006. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in 2007 compared to 2006 as a result of additional deposits received in 2007.

Policyholder Dividends. Policyholder dividends for our life insurance business increased by 112.2% to RMB2,595 million in 2008 from RMB1,223 million in 2007. This increase was primarily due to the increase in the total number of our in-force participating life insurance contracts and higher policyholder dividends declared and paid in 2008 as a result of favorable investment returns on our participating life insurance contracts in 2007.

Policyholder dividends for our life insurance business increased by 10.7% to RMB1,223 million in 2007 from RMB1,105 million in 2006. This increase was primarily due to higher dividends declared and paid in 2007 as a result of favorable investment returns on our participating life insurance contracts in 2007, as well as the increase in the total number of our in-force participating life insurance contracts.

Finance Costs. Finance costs for our life insurance business decreased by 29.9% to RMB317 million in 2008 from RMB452 million in 2007. This decrease was primarily due to lower interest expense on securities sold under agreements to repurchase in 2008, partially offset by higher interest expense on policyholders' deposits in 2008.

Finance costs for our life insurance business increased by 116.3% to RMB452 million in 2007 from RMB209 million in 2006. This increase was primarily due to higher interest expense on securities sold under agreements to repurchase in 2007 and additional interest expense in 2007 on the RMB2 billion aggregate principal amount of subordinated bonds issued by CPIC Life in June 2006.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 38.2% to RMB102 million in 2008 from RMB165 million in 2007. The decrease was primarily due to lower average account balances of investment contracts in 2008 compared to 2007, as a result of higher maturities and withdrawals of certain group life insurance products in 2008.

Interest credited to investment contracts decreased by 25.3% to RMB165 million in 2007 from RMB221 million in 2006. The decrease was primarily due to lower average account balances of investment contracts in 2007 compared to 2006, as a result of higher maturities and withdrawals of certain group life insurance products in 2007.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business decreased by 15.4% to RMB2,545 million in 2008 from RMB3,008 million in 2007. This decrease was primarily due to the lower amortization as a result of our lower investment returns in 2008 compared to 2007, partially offset by the overall growth in our life insurance business in 2008.

Amortization on deferred acquisition costs for our life insurance business increased by 14.7% to RMB3,008 million in 2007 from RMB2,623 million in 2006. This increase was primarily due to the overall growth in our life insurance business and the higher amortization as a result of our higher investment returns in 2007 compared to 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 7.2% to RMB104 million in 2008 from RMB97 million in 2007. This increase primarily reflected the increase in the net written premiums from our life insurance products and our short-term accident and health insurance products in 2008.

Provision for insurance guarantee fund for our life insurance business increased by 32.9% to RMB97 million in 2007 from RMB73 million in 2006. This increase primarily reflected the increase in the net written premiums from our life insurance products and our short-term accident and health insurance products in 2007.

Change in Deferred Revenue. Deferred revenue for our life insurance business increased significantly by 575.1% to RMB2,903 million in 2008 from RMB430 million in 2007. This increase in 2008 reflected primarily more deferral of policy fees resulting from a higher number of participating bancassurance products sold in 2008, as well as the lower amortization as a result of our lower investment returns in 2008 compared to 2007.

Deferred revenue for our life insurance business experienced an increase of RMB430 million in 2007 compared to a decrease of RMB240 million in 2006. The increase in our deferred revenue in 2007 was primarily due to more deferral of policy fees resulting from a higher number of universal life insurance contracts sold in 2007 partially offset by the increase in the amortization amount in 2007 compared to 2006.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business decreased by 8.3% to RMB2,901 million in 2008 from RMB3,165 million in 2007. This decrease was primarily due to the decrease in our business tax and other surcharges relating to our investment income, partially offset by an increase in our employee benefits expenses, in 2008 compared to 2007.

Other operating and administrative expenses for our life insurance business increased by 60.4% to RMB3,165 million in 2007 from RMB1,973 million in 2006. This increase was primarily due to higher employee benefits expenses and business tax and other surcharges, as a result of the expansion in our operations, in 2007 compared to 2006.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business decreased by 6.2% to RMB29,775 million in 2008 from RMB31,745 million in 2007 and increased by 53.2% to RMB31,745 million in 2007 from RMB20,719 million in 2006.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business decreased by 62.1% to RMB4,068 million in 2008 from RMB10,720 million in 2007 and increased by 229.1% to RMB10,720 million in 2007 from RMB3,257 million in 2006.

Income Tax. Income tax for our life insurance business was a negative RMB345 million in 2008 compared to RMB1,430 million in 2007. The negative income tax principally resulted from the lower profit before tax for our life insurance business in 2008 compared to 2007 and the increase in tax-exempt income, primarily dividend income from equity investment funds in 2008.

Income tax for our life insurance business increased by 35.2% to RMB1,430 million in 2007 from RMB1,058 million in 2006. This increase principally resulted from the higher profit before tax for our life insurance business in 2007 compared to 2006. The effective tax rate for our life insurance business was 13.3% in 2007 and 32.5% in 2006. The decrease in the effective tax rate for our life insurance business from 2006 to 2007 was primarily due to the increase in tax-exempt income, primarily dividend income from equity investment funds, and the effect on deferred tax due to the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 52.5% to RMB4,413 million in 2008 from RMB9,290 million in 2007 and increased by 322.5% to RMB9,290 million in 2007 from RMB2,199 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 25.6% to RMB17,091 million in the six months ended 30 June 2009 from RMB13,603 million in the six months ended 30 June 2008. This increase was primarily due to the increase in our gross written premiums from our participating individual life insurance products in connection with our continued efforts to optimize our business mix and the increase in policy fees from participating bancassurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in the six months ended 30 June 2009 compared to the same period in 2008.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 24.5% to RMB13,559 million in the six months ended 30 June 2009 from RMB10,893 million in the six months ended 30 June 2008. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB1,444 million increase in first-year regular premiums to RMB3,131 million in the first half of 2009 from RMB1,687 million in the first half of 2008 and an RMB1,441 million increase in renewal premiums to RMB3,511 million in the first half of 2009 from RMB2,070 million in the first half of 2008, as we enhanced our sales efforts to promote participating life insurance products in continuing to optimize our business mix. This increase was partially offset by a decrease in first-year regular premiums from traditional individual life insurance products.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased by 47.6% to RMB2,091 million in the six months ended 30 June 2009 from RMB1,417 million in the six months ended 30 June 2008. This increase was primarily due to an RMB1,118 million increase in first-year policy fees from our participating bancassurance products to RMB1,805 million in the first half of 2009 from RMB687 million in the first half of 2008, partially offset by an 82.3% decrease in policy fees from our universal bancassurance products to RMB103 million in the first half of 2009 from RMB581 million in the first half of 2008, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 11.4% to RMB1,441 million in the six months ended 30 June 2009 from RMB1,293 million in the six months ended 30 June 2008. This increase was primarily due to increased gross written premiums from our short-term accident and health insurance products to RMB1,305 million in the first half of 2009 from RMB1,087 million in the first half of 2008, partially offset by a decrease in policy fees from our participating group life insurance products.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 48.8% to RMB1,369 million in the six months ended 30 June 2009 from RMB920 million in the six months ended 30 June 2008. Premiums ceded to reinsurers as a percentage of gross written premiums and policy fees for our life insurance business increased to 8.0% in the six months ended 30 June 2009 from 6.8% in the six months ended 30 June 2008. This increase in the percentage was primarily due to the increase in our gross written premiums from some of our participating life insurance products that have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 24.0% to RMB15,722 million in the six months ended 30 June 2009 from RMB12,683 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB207 million in the six months ended 30 June 2009 as compared to an increase of RMB88 million in the six months ended 30 June 2008. The increase in the six months ended 30 June 2009 was primarily due to the overall increase in the gross written premiums from our short-term accident and health insurance business and the lowered cession ratio for our short-term accident and health insurance products in the first six months of 2009 compared to the first six months of 2008.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.2% to RMB15,515 million in the six months ended 30 June 2009 from RMB12,595 million in the six months ended 30 June 2008.

Investment Income. Investment income for our life insurance business decreased by 37.5% to RMB7,889 million in the six months ended 30 June 2009 from RMB12,630 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in dividend income from equity investment funds and, to a lesser extent, the decrease in gains realized from the disposition of equity securities and equity investment funds, partially offset by an increase in interest income from fixed-income securities and a decrease in impairment losses on financial assets in the first half of 2009 compared to the first half of 2008.

Other Operating Income. Other operating income for our life insurance business increased by 27.7% to RMB83 million in the six months ended 30 June 2009 from RMB65 million in the six months ended 30 June 2008. This increase primarily resulted from the increase in interest income from our cash and cash equivalents in the first half of 2009 compared to the first half of 2008.

Other Income. As a result of the foregoing, other income for our life insurance business decreased by 37.2% to RMB7,972 million in the six months ended 30 June 2009 from RMB12,695 million in the six months ended 30 June 2008.

Segment Income. As a result of the foregoing, segment income for our life insurance business decreased by 7.1% to RMB23,487 million in the six months ended 30 June 2009 from RMB25,290 million in the six months ended 30 June 2008.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business decreased by 13.3% to RMB1,850 million in the six months ended 30 June 2009 from RMB2,135 million in the six months ended 30 June 2008. This decrease was primarily due to higher death and other benefits paid in the first half of 2008 partly as a result of the Sichuan earthquake in May 2008.

Claims Incurred. Claims incurred for our life insurance business decreased by 47.3% to RMB147 million in the six months ended 30 June 2009 from RMB279 million in the six months ended 30 June 2008, primarily due to claim payments recovered from reinsurers in the first half of 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB9,512 million in the six months ended 30 June 2009 compared to RMB9,645 million in the six months ended 30 June 2008. This 1.4% decrease primarily reflected the impact of the decrease in investment returns, in the first half of 2009 compared to the first half of 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 3.9% to RMB2,413 million in the six months ended 30 June 2009 from RMB2,322 million in the six months ended 30 June 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the first half of 2009 compared to the first half of 2008.

Policyholder Dividends. Policyholder dividends for our life insurance business decreased by 22.7% to RMB985 million in the six months ended 30 June 2009 from RMB1,274 million in the six months ended 30 June 2008. This decrease primarily reflected the impact of the decrease in our investment returns, in the first half of 2009 compared to the first half of 2008, on policyholder dividends declared and paid.

Finance Costs. Finance costs for our life insurance business decreased by 38.4% to RMB135 million in the six months ended 30 June 2009 from RMB219 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on securities sold under agreements to repurchase in the first half of 2009 compared to the first half of 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 35.6% to RMB38 million in the six months ended 30 June 2009 from RMB59 million in the six months ended 30 June 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business increased by 61.9% to RMB1,889 million in the six months ended 30 June 2009 from RMB1,167 million in the six months ended 30 June 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount in the first half of 2009 compared to the first half of 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 14.3% to RMB64 million in the six months ended 30 June 2009 from RMB56 million in the six months ended 30 June 2008. This increase was primarily due to the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the six months ended 30 June 2009.

Change in Deferred Revenue. Deferred revenue for our life insurance business experienced an increase of RMB987 million in the six months ended 30 June 2009 compared to an increase of RMB1,541 million in the six months ended 30 June 2008. The lower increase in deferred revenue in the six months ended 30 June 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the first half of 2009 compared to the first half of 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business decreased by 9.1% to RMB1,575 million in the six months ended 30 June 2009 from RMB1,733 million in the six months ended 30 June 2008. This decrease was primarily due to the higher business tax and other surcharges relating to our investment income in the first half of 2008.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business decreased by 4.1% to RMB19,595 million in the six months ended 30 June 2009 from RMB20,430 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business decreased by 19.9% to RMB3,892 million in the six months ended 30 June 2009 from RMB4,860 million in the six months ended 30 June 2008.

Income Tax. Income tax for our life insurance business increased to RMB872 million in the six months ended 30 June 2009 from a negative RMB98 million in the six months ended 30 June 2008, primarily due to the significant decrease in our tax-exempt income in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 39.1% to RMB3,020 million in the six months ended 30 June 2009 from RMB4,958 million in the six months ended 30 June 2008.

Property and Casualty Insurance

As substantially all of our property and casualty insurance business consists of that of CPIC Property, we focus the following discussion of the segment operating results of our property and casualty insurance business on those of CPIC Property for the periods indicated.

The following table sets forth selected income statement data for CPIC Property for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
	(in millions of RMB, except per share data)				
Income Statement Data					
Gross written premiums and policy fees	18,144	23,474	27,875	15,764	18,656
Less: premiums ceded to reinsurers	(4,322)	(5,097)	(6,505)	(3,821)	(4,230)
Net written premiums and policy fees	13,822	18,377	21,370	11,943	14,426
Net change in unearned premium reserves	(1,568)	(1,624)	(1,238)	(2,291)	(3,044)
Net premiums earned and policy fees	12,254	16,753	20,132	9,652	11,382
Investment income	1,112	3,782	1,179	1,225	566
Other operating income	68	50	83	34	49
Other income	1,180	3,832	1,262	1,259	615
Segment income	13,434	20,585	21,394	10,911	11,997
Net policyholders' benefits and claims					
Life insurance death and other benefits paid	—	—	—	—	—
Claims incurred	(7,395)	(10,007)	(13,208)	(6,708)	(7,166)
Changes in long-term traditional insurance contract liabilities	—	—	—	—	—
Interest credited to long-term investment type insurance contract liabilities	—	—	—	—	—
Policyholder dividends	—	—	—	—	—
Finance costs	(368)	(393)	(178)	(126)	(3)
Interest credited to investment contracts	—	—	—	—	—
Amortization on deferred acquisition costs	(1,257)	(2,147)	(3,089)	(1,350)	(1,897)
Provision for insurance guarantee fund	(138)	(178)	(214)	(120)	(149)
Change in deferred income	—	—	—	—	—
Other operating and administrative expenses	(3,324)	(4,179)	(3,955)	(2,028)	(1,887)
Segment benefits, claims and expenses	(12,482)	(16,904)	(20,644)	(10,332)	(11,102)
Segment results	952	3,681	750	579	895
Profit before tax	952	3,681	750	579	895
Income tax	(261)	(1,031)	(27)	(48)	(208)
Net profit	691	2,650	723	531	687

Years Ended 31 December 2008, 2007 and 2006

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 18.7% to RMB27,875 million in 2008 from RMB23,474 million in 2007. This increase was primarily due to the significant increase in gross written premiums from our automobile insurance business in 2008, as well as higher gross written premiums from our engineering insurance, commercial property insurance and short-term accident and health insurance businesses. Gross written premiums and policy fees from our homeowners insurance business decreased in 2008 compared to 2007.

Gross written premiums and policy fees for our property and casualty insurance business increased by 29.4% to RMB23,474 million in 2007 from RMB18,144 million in 2006. This increase was primarily due to the significant growth in our automobile insurance business, in particular our compulsory auto liability insurance business, in 2007 compared to 2006. Gross written premiums and policy fees from our engineering insurance, special risk insurance, hull insurance and homeowners insurance businesses decreased in 2007 compared to 2006.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 19.5% to RMB19,681 million in 2008 from RMB16,475 million in 2007. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, largely due to the continued growth in private car ownership in the PRC. This increase also reflected our efforts to promote automobile insurance products in response to improved competitive environment of the PRC automobile insurance market, in part due to strengthened CIRC regulations, in the second half of 2008. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 70.6% and 70.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our automobile insurance products increased by 42.4% to RMB16,475 million in 2007 from RMB11,571 million in 2006. This increase was primarily due to the significant contribution from our compulsory auto liability insurance business, which we started to offer on 1 July 2006, and, to a lesser extent, our commercial automobile insurance business, largely due to the continued growth in private car ownership in the PRC. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 70.2% and 63.8% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 17.4% to RMB4,365 million in 2008 from RMB3,719 million in 2007. This increase was primarily due to the significant increase in gross written premiums and policy fees from our engineering insurance business. Our commercial property insurance business grew at a more modest rate in 2008, compared to 2007, due to our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.7% and 15.8% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 6.8% to RMB3,719 million in 2007 from RMB3,481 million in 2006. This increase was primarily due to the increase in gross written premiums and policy fees from our commercial property insurance business, largely offset by the decrease in gross written premiums and policy fees from our engineering insurance and special risk insurance businesses, reflecting the fluctuating nature of engineering insurance business and special risk insurance business. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.8% and 19.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 23.2% to RMB1,338 million in 2008 from RMB1,086 million in 2007. This increase was primarily attributable to our enhanced efforts to promote our short-term accident and health insurance products with better profitability, in particular our enhanced sales efforts targeting existing customers and distribution channels. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.8% and 4.6% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 13.8% to RMB1,086 million in 2007 from RMB954 million in 2006. This increase was primarily attributable to the overall rapid growth in the PRC short-term accident and health insurance market. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.6% and 5.3% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products increased by 6.9% to RMB966 million in 2008 from RMB904 million in 2007. Our cargo insurance business continued to grow in 2008, although the growth was more modest compared to 2007 largely due to decreased economic activities resulting from the global financial crisis that unfolded in 2008 and decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 3.5% and 3.9% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our cargo insurance products increased by 14.9% to RMB904 million in 2007 from RMB787 million in 2006. This increase was primarily due to the growth in the PRC cargo insurance market resulting from the rapid growth in trade in the PRC in 2007, which contributed to the increase in the volume of our cargo insurance business in the same period, partially offset by slightly decreased premium rates for cargo insurance products due to intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 3.9% and 4.3% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased by 15.6% to RMB690 million in 2008 from RMB597 million in 2007. This increase was primarily due to an overall increase in the purchase prices of vessels in 2008, which resulted in higher premium for our hull insurance products in 2008 compared to 2007. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.5% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our hull insurance products decreased by 4.0% to RMB597 million in 2007 from RMB622 million in 2006. This decrease primarily reflected CPIC Property's continued risk selection and control policy in increasing the proportion of underwriting business covering insured fleets with sound management and more favorable risk profile, which generally carried lower premium rates. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.5% and 3.4% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 30.2% to RMB677 million in 2008 from RMB520 million in 2007. This significant increase was primarily due to our enhanced efforts to promote our liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.4% and 2.2% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our liability insurance products increased by 20.1% to RMB520 million in 2007 from RMB433 million in 2006. This increase was primarily due to the significant growth in gross written premiums and policy fees from our passenger carrier liability and employer liability insurance products. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.2% and 2.4% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products decreased by 8.7% to RMB158 million in 2008 from RMB173 million in 2007. This decrease was primarily due to the surrender of house mortgage insurance policies and the decrease in gross written premiums and policy fees attributable to our savings-type homeowners insurance products in 2008. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.6% and 0.7% of the gross written premiums and policy fees for our property and casualty insurance business in 2008 and 2007, respectively.

Gross written premiums and policy fees attributable to our other property and casualty insurance products decreased by 41.6% to RMB173 million in 2007 from RMB296 million in 2006. This decrease was primarily due to the increased surrender of house mortgage insurance policies, the change in the payment method from single premium to regular premium for these policies and the decrease in gross written premiums and policy fees attributable to our savings-type homeowners insurance products as a result of lower account balances of policyholders' deposits received from such products in 2007. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.7% and 1.6% of the gross written premiums and policy fees for our property and casualty insurance business in 2007 and 2006, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 27.6% to RMB 6,505 million in 2008 from RMB5,097 million in 2007. Premiums ceded to reinsurers increased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 23.3% in 2008 from 21.7% in 2007. This increase in the percentage primarily reflected the increase in gross written premiums and policy fees from our insurance businesses with higher cession ratios, such as our engineering insurance business.

Premiums ceded to reinsurers for our property and casualty insurance business increased by 17.9% to RMB5,097 million in 2007 from RMB4,322 million in 2006. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 21.7% in 2007 from 23.8% in 2006. This decrease was primarily due to the significant increase in gross written premiums and policy fees from our automobile insurance business, which has a lower cession ratio, and the decrease in gross written premiums and policy fees from our hull insurance, engineering insurance and special risk insurance businesses, which generally have higher cession ratios. In particular, we experienced a significant contribution in gross written premiums and policy fees from our compulsory auto liability insurance business in 2007, which we generally do not cede to reinsurers. This decrease was also due to our downward adjustment in the cession ratio of our homeowners insurance, cargo insurance and short-term accident and health insurance businesses in 2007, as the underwriting capacity of our property and casualty insurance business increased during the period.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 16.3% to RMB21,370 million in 2008 from RMB18,377 million in 2007 and increased by 33.0% to RMB18,377 million in 2007 from RMB13,822 million in 2006.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business decreased by 23.8% to RMB1,238 million in 2008 from RMB1,624 million in 2007. This decrease in net change in unearned premium reserves was primarily due to the smaller increase in our net written premiums in 2008 compared to 2007.

Net change in unearned premium reserves for our property and casualty insurance business increased by 3.6% to RMB1,624 million in 2007 from RMB1,568 million in 2006. This increase was primarily attributable to the increase in net written premiums for our property and casualty insurance business in 2007. In particular, the net written premiums from our automobile insurance business in 2007 increased significantly compared to 2006, resulting in a significant increase in our unearned premium reserves as of 31 December 2007 as most of these automobile insurance products had a term of one year.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 20.2% to RMB20,132 million in 2008 from RMB16,753 million in 2007 and increased by 36.7% to RMB16,753 million in 2007 from RMB12,254 million in 2006.

Investment Income. Investment income for our property and casualty insurance business decreased by 68.8% to RMB1,179 million in 2008 from RMB3,782 million in 2007. This significant decrease was primarily due to the significant declines in the PRC stock markets in 2008. Realized losses from our equity securities and equity investment funds and impairment losses on our financial assets contributed significantly to our sharply lower investment income in 2008.

Investment income for our property and casualty insurance business increased by 240.1% to RMB3,782 million in 2007 from RMB1,112 million in 2006. Realized gains from equity securities and equity investment funds as well as dividend income from equity investment funds contributed significantly to our higher investment income in 2007.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 66.0% to RMB83 million in 2008 from RMB50 million in 2007. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities, as well as the increase in interest income from cash and short-term deposits.

Other operating income for our property and casualty insurance business decreased by 26.5% to RMB50 million in 2007 from RMB68 million in 2006. This decrease was primarily due to higher income in 2006 resulting from the recognition of certain fixed asset overage.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 67.1% to RMB1,262 million in 2008 from RMB3,832 million in 2007 and increased by 224.7% to RMB3,832 million in 2007 from RMB1,180 million in 2006.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 3.9% to RMB21,394 million in 2008 from RMB20,585 million in 2007 and increased by 53.2% to RMB20,585 million in 2007 from RMB13,434 million in 2006.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 32.0% to RMB13,208 million in 2008 from RMB10,007 million in 2007. This increase reflected the overall growth in our property and casualty insurance business in 2008, as well as claims incurred resulting from the severe winter weather in the PRC in early 2008 and the Sichuan earthquake in May 2008. Claims incurred increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 65.6% in 2008 from 59.7% in 2007, as we incurred higher claims with respect to our automobile insurance and commercial property insurance products in 2008 compared to 2007.

Claims incurred for our property and casualty insurance business increased by 35.3% to RMB10,007 million in 2007 from RMB7,395 million in 2006. This increase reflected the overall growth in our property and casualty insurance business in 2007. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 59.7% in 2007 from 60.4% in 2006, as we incurred lower claims with respect to our automobile insurance, commercial property and engineering insurance and hull insurance products in 2007 compared to 2006.

Finance Costs. Finance costs for our property and casualty insurance business decreased by 54.7% to RMB178 million in 2008 from RMB393 million in 2007. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in 2008.

Finance costs for our property and casualty insurance business increased by 6.8% to RMB393 million in 2007 from RMB368 million in 2006. This increase was primarily due to the increase in interest expense on securities sold under agreements to repurchase.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 43.9% to RMB3,089 million in 2008 from RMB2,147 million in 2007. This increase was primarily due to the increase in our net premiums earned and policy fees in 2008 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. The increase in amortization on deferred acquisition costs was also due to an increase in the expiration and maturity of insurance policies in 2008 compared to 2007. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 15.3% in 2008 from 12.8% in 2007.

Amortization on deferred acquisition costs for our property and casualty insurance business increased by 70.8% to RMB2,147 million in 2007 from RMB1,257 million in 2006. This increase was primarily due to the increase in our net premiums earned and policy fees in 2007 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 12.8% in 2007 from 10.3% in 2006.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 20.2% to RMB214 million in 2008 from RMB178 million in 2007. This increase primarily reflected the overall increase in the net written premiums from our property and casualty insurance products.

Provision for insurance guarantee fund for our property and casualty insurance business increased by 29.0% to RMB178 million in 2007 from RMB138 million in 2006. This increase primarily reflected the overall increase in the net written premiums from our property and casualty insurance products.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 5.4% to RMB3,955 million in 2008 from RMB4,179 million in 2007. This decrease was primarily due to our enhanced cost control measures in 2008.

Other operating and administrative expenses for our property and casualty insurance business increased by 25.7% to RMB4,179 million in 2007 from RMB3,324 million in 2006. This increase was primarily due to the expansion in our operations in 2007 compared to 2006.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 22.1% to RMB20,644 million in 2008 from RMB16,904 million in 2007 and increased by 35.4% to RMB16,904 million in 2007 from RMB12,482 million in 2006.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business decreased by 79.6% to RMB750 million in 2008 from RMB3,681 million in 2007 and increased by 286.7% to RMB3,681 million in 2007 from RMB952 million in 2006.

Income Tax. Income tax for our property and casualty insurance business decreased by 97.4% to RMB27 million in 2008 from RMB1,031 million in 2007. This decrease principally resulted from lower profit before tax for our property and casualty insurance business in 2008 compared to 2007. The effective tax rate for our property and casualty insurance business in 2008 and 2007 was 3.6% and 28.0%, respectively. The decrease in the effective tax rate for our property and casualty insurance business from 2007 to 2008 was primarily due to the increase in tax-exempt income, primarily dividend income from equity investment funds, and the change in the enacted enterprise income tax rate from 33% to 25% effective on 1 January 2008.

Income tax for our property and casualty insurance business increased by 295.0% to RMB1,031 million in 2007 from RMB261 million in 2006. This increase principally resulted from higher profit before tax for our property and casualty insurance business in 2007 compared to 2006. The effective tax rate for our property and casualty insurance business in 2007 was 28.0%, which remained substantially the same as the effective tax rate of 27.4% in 2006.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business decreased by 72.7% to RMB723 million in 2008 from RMB2,650 million in 2007 and increased by 283.5% to RMB2,650 million in 2007 from RMB691 million in 2006.

Six Months Ended 30 June 2009 and 2008

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 18.3% to RMB18,656 million in the six months ended 30 June 2009 from RMB15,764 million in the six months ended 30 June 2008. This increase was primarily due to the growth in our automobile insurance business in the six months ended 30 June 2009, as well as the growth in our short-term accident and health insurance, liability insurance and special risk insurance businesses. Gross written premiums and policy fees from our cargo insurance and engineering insurance businesses decreased in the six months ended 30 June 2009 compared to the same period in 2008.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 25.8% to RMB13,441 million in the six months ended 30 June 2009 from RMB10,688 million in the six months ended 30 June 2008. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the first half of 2009. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 72.0% and 67.8% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products were RMB2,791 million in the six months ended 30 June 2009, essentially flat compared to RMB2,797 million in the six months ended 30 June 2008. Gross written premiums and policy fees from our commercial property insurance business decreased slightly, reflecting our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition, as well as more stringent underwriting requirements of reinsurers regarding higher-risk projects, in the first half of 2009 compared to the same period in 2008. Gross written premiums from our engineering insurance business decreased primarily due to our more stringent risk selection policy in underwriting and intensified market competition. Gross written premiums and policy fees from our special risk insurance business increased by 24.3% to RMB312 million in the six months ended 30 June 2009 from RMB251 million in the six months ended 30 June 2008. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 15.0% and 17.7% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 17.4% to RMB825 million in the six months ended 30 June 2009 from RMB703 million in the six months ended 30 June 2008. This increase was primarily attributable to our continued efforts to promote short-term accident and health insurance products with better profitability. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.4% and 4.5% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products decreased by 18.0% to RMB475 million in the six months ended 30 June 2009 from RMB579 million in the six months ended 30 June 2008. This decrease was primarily due to the continued impact of decreased economic activities resulting from the global financial crisis that unfolded in 2008, as well as decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 2.5% and 3.7% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased slightly by 1.8% to RMB509 million in the six months ended 30 June 2009 from RMB500 million in the six months ended 30 June 2008. This modest growth reflected decreased shipping and ship-building activities, as well as decreased premiums as a result of the overall decrease in the purchase prices of vessels, in the first half of 2009. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.7% and 3.2% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 23.8% to RMB494 million in the six months ended 30 June 2009 from RMB399 million in the six months ended 30 June 2008. This increase was primarily due to our enhanced efforts to promote liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.6% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products increase by 23.5% to RMB121 million in the six months ended 30 June 2009 from RMB98 million in the six months ended 30 June 2008. This increase was primarily due to the increase in gross written premiums and policy fees from our homeowners insurance products, reflecting our enhanced efforts to promote homeowners insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.6% and 0.6% of the gross written premiums and policy fees for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 10.7% to RMB4,230 million in the six months ended 30 June 2009 from RMB3,821 million in the six months ended 30 June 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 22.7% in the six months ended 30 June 2009 from 24.2% in the six months ended 30 June 2008. This decrease in the percentage was primarily due to the higher percentage of gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This decrease was also due to the lower percentage of gross written premiums and policy fees from our commercial property insurance and engineering insurance businesses, which generally have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 20.8% to RMB14,426 million in the six months ended 30 June 2009 from RMB11,943 million in the six months ended 30 June 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business was an increase of RMB3,044 million in the six months ended 30 June 2009 compared to an increase of RMB2,291 million in the six months ended 30 June 2008, generally in line with the overall growth in our property and casualty insurance business in the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 17.9% to RMB11,382 million in the six months ended 30 June 2009 from RMB9,652 million in the six months ended 30 June 2008.

Investment Income. Investment income for our property and casualty insurance business decreased by 53.8% to RMB566 million in the six months ended 30 June 2009 from RMB1,225 million in the six months ended 30 June 2008. This decrease was primarily due to the significant decrease in dividend income from our equity investment funds in the six months ended 30 June 2009 compared to the same period in 2008 and, to a lesser extent, realized losses from equity investment funds and a decrease in realized gains from our equity securities, partially offset by the increase in realized gains and interest income from our fixed-income investments.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 44.1% to RMB49 million in the six months ended 30 June 2009 from RMB34 million in the six months ended 30 June 2008. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 51.2% to RMB615 million in the six months ended 30 June 2009 from RMB1,259 million in the six months ended 30 June 2008.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 10.0% to RMB11,997 million in the six months ended 30 June 2009 from RMB10,911 million in the six months ended 30 June 2008.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 6.8% to RMB7,166 million in the six months ended 30 June 2009 from RMB6,708 million in the six months ended 30 June 2008. This increase reflected the overall growth in our property and casualty insurance business in the first half of 2009. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 63.0% in the six months ended 30 June 2009 from 69.5% in the six months ended 30 June 2008.

Finance Costs. Finance costs for our property and casualty insurance business decreased significantly by 97.6% to RMB3 million in the six months ended 30 June 2009 from RMB126 million in the six months ended 30 June 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in the six months ended 30 June 2009, compared to the six months ended 30 June 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 40.5% to RMB1,897 million in the six months ended 30 June 2009 from RMB1,350 million in the six months ended 30 June 2008. This increase was primarily due to the increase in our net premiums earned and policy fees in the first half of 2009 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 16.7% in the six months ended 30 June 2009 from 14.0% in the six months ended 30 June 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 24.2% to RMB149 million in the six months ended 30 June 2009 from RMB120 million in the six months ended 30 June 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products in the six months ended 30 June 2009 compared to the six months ended 30 June 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 7.0% to RMB1,887 million in the six months ended 30 June 2009 from RMB2,028 million in the six months ended 30 June 2008. This decrease was primarily due to our continued cost control measures in the first half of 2009.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 7.5% to RMB11,102 million in the six months ended 30 June 2009 from RMB10,332 million in the six months ended 30 June 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business increased by 54.6% to RMB895 million in the six months ended 30 June 2009 from RMB579 million in the six months ended 30 June 2008.

Income Tax. Income tax for our property and casualty insurance business increased by 333.3% to RMB208 million in the six months ended 30 June 2009 from RMB48 million in the six months ended 30 June 2008. This increase was primarily due to the increase in the profit before tax for our property and casualty insurance business in the six months ended 30 June 2009 compared to the six months ended 30 June 2008, as well as the decrease in our tax-exempt income. The effective tax rate for our property and casualty insurance business in the six months ended 30 June 2009 and the six months ended 30 June 2008 was 23.2% and 8.3%, respectively. The increase in the effective tax rate for our property and casualty insurance business from the six months ended 30 June 2008 to the six months ended 30 June 2009 was primarily due to the decrease in our tax-exempt income, primarily dividend income from equity investment funds and interest income from government bonds in the six months ended 30 June 2009 compared to the same period in 2008.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business increased by 29.4% to RMB687 million in the six months ended 30 June 2009 from RMB531 million in the six months ended 30 June 2008.

SELECTED UNAUDITED FINANCIAL INFORMATION FOR THE THREE MONTHS AND THE NINE MONTHS ENDED 30 SEPTEMBER 2009

Under the rules of the Shanghai Stock Exchange on which our A shares are listed, we are required to publish, on a quarterly basis, reports containing unaudited financial statements. Since we published certain financial statements for the three months and the nine months ended

30 September 2009 in the PRC prior to the date of this prospectus, we have included our unaudited consolidated financial statements as of and for the three months and the nine months ended 30 September 2009 in this prospectus. The unaudited consolidated financial statements, comprising the unaudited consolidated income statements and statements of comprehensive income for the three months and the nine months ended 30 September 2009 and 2008, the unaudited consolidated statements of changes in equity and cash flow statements for the nine months ended 30 September 2009 and 2008 and the unaudited consolidated balance sheet as of 30 September 2009, together with selected explanatory notes, have been prepared in accordance with HKFRS and reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and are included in Appendix II to this prospectus.

Results of Operations for the Nine Months Ended 30 September 2009 and 2008

You should read the selected consolidated financial information set forth below in conjunction with our consolidated financial statements included in the Unaudited Interim Financial Report set forth in Appendix II, which have been prepared in accordance with HKFRS. The selected consolidated income statement information for the nine months ended 30 September 2008 and 2009 and the selected consolidated balance sheet information as of 30 September 2009 set forth below are derived from our unaudited consolidated financial statements that have been reviewed by Ernst & Young and included in the Unaudited Interim Financial Report set forth in Appendix II to this prospectus.

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB, except per share data)	
Income Statement Data		
Gross written premiums and policy fees	42,034	52,103
Less: Premiums ceded to reinsurers	(6,569)	(7,776)
Net written premiums and policy fees	35,465	44,327
Net change in unearned premium reserves	(2,237)	(3,775)
Net premiums earned and policy fees	33,228	40,552
Investment income	10,594	14,675
Other operating income	402	252
Other income	10,996	14,927
Total income	44,224	55,479
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	(2,283)	(2,481)
Claims incurred	(10,598)	(11,473)
Changes in long-term traditional insurance contract liabilities	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	(3,558)	(3,681)
Policyholder dividends	(2,003)	(1,565)
Finance costs	(471)	(307)
Interest credited to investment contracts	(85)	(56)
Amortisation on deferred acquisition costs	(3,858)	(6,027)
Provision for insurance guarantee fund	(254)	(309)
Change in deferred revenue	(2,572)	(1,361)
Other operating and administrative expenses	(5,504)	(5,583)
Total benefits, claims and expenses	(39,522)	(47,307)
Share of (losses)/profit of		
A jointly-controlled entity	(44)	52

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB, except per share data)	
Profit before tax	4,658	8,224
Income tax	443	(1,931)
Net profit for the period	5,101	6,293
Attributable to:		
– Equity holders of the parent	4,981	6,195
– Minority interests	120	98
Basic earnings per share attributable to ordinary equity holders of the parent (RMB)	0.65	0.80

	As of 30 September 2009
	(unaudited) (in millions of RMB)
Balance Sheet Data	
Assets	
Property and equipment	7,326
Intangible assets	343
Prepaid land lease payments	205
Investment in a jointly-controlled entity	397
Financial assets at fair value through profit or loss	371
Held-to-maturity financial assets	86,618
Available-for-sale financial assets	117,694
Investments classified as loans and receivables	22,200
Securities purchased under agreements to resell	—
Term deposits	86,340
Restricted statutory deposits	1,838
Policy loans	1,182
Interest receivables	6,708
Deferred acquisition costs	24,046
Reinsurance assets	11,396
Deferred income tax assets	726
Income tax receivable	—
Insurance receivables	4,877
Other assets	3,555
Cash and short-term time deposits	11,996
Total assets	387,818
Equity and Liabilities	
Equity	
Issued capital	7,700
Reserves	37,739
Retained profits	17,276
Equity attributable to equity holders of the parent	62,715
Minority interests	706
Total equity	63,421
Liabilities	
Insurance contract liabilities	274,256
Investment contract liabilities	2,454

	As of 30 September 2009
	(unaudited) (in millions of RMB)
Subordinated debt	2,244
Securities sold under agreements to repurchase	14,778
Policyholders' deposits	90
Provisions	94
Deferred income tax liabilities	3,058
Income tax payable	382
Deferred revenue	11,016
Premium received in advance	1,454
Policyholder dividend payable	4,956
Payables to reinsurers	3,058
Other liabilities	6,557
Total liabilities	324,397
Total equity and liabilities	387,818

Gross Written Premiums and Policy Fees. Our gross written premiums and policy fees increased by 24.0% to RMB52,103 million in the nine months ended 30 September 2009 from RMB42,034 million in the nine months ended 30 September 2008. This increase reflected the increase in gross written premiums and policy fees from our participating life insurance products in connection with our continued efforts to optimize our business mix in life insurance. This increase was also due to increased gross written premiums and policy fees from our automobile insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the nine months ended 30 September 2009.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers increased by 18.4% to RMB7,776 million in the nine months ended 30 September 2009 from RMB6,569 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees to 14.9% in the nine months ended 30 September 2009 from 15.6% in the nine months ended 30 September 2008. This decrease in the percentage was primarily due to the growth in gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, our net written premiums and policy fees increased by 25.0% to RMB44,327 million in the nine months ended 30 September 2009 from RMB35,465 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves was an increase of RMB3,775 million in the nine months ended 30 September 2009 as compared to an increase of RMB2,237 million in the nine months ended 30 September 2008, generally attributable to the overall growth in our property and casualty insurance business during the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, our net premiums earned and policy fees increased by 22.0% to RMB40,552 million in the nine months ended 30 September 2009 from RMB33,228 million in the nine months ended 30 September 2008.

Investment Income. Our investment income increased by 38.5% to RMB14,675 million in the nine months ended 30 September 2009 from RMB10,594 million in the nine months ended 30 September 2008. This increase was primarily due to the gains realized from the disposition of equity investment funds and equity securities in the nine months ended 30 September 2009, the decrease in impairment losses on financial assets and the increase in interest income from fixed-income securities, partially offset by the decrease in dividend income from equity investment funds.

Other Operating Income. Our other operating income decreased by 37.3% to RMB252 million in the nine months ended 30 September 2009 from RMB402 million in the nine months ended 30 September 2008. This decrease was primarily due to higher income in the nine months ended 30 September 2008 derived from the disposition of a non-operating real estate asset, as well as the decrease in interest income due to the lower prevailing interest rates in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, our other income increased by 35.7% to RMB14,927 million in the nine months ended 30 September 2009 from RMB10,996 million in the nine months ended 30 September 2008.

Total Income. As a result of the foregoing, our total income increased by 25.4% to RMB55,479 million in the nine months ended 30 September 2009 from RMB44,224 million in the nine months ended 30 September 2008.

Life Insurance Death and Other Benefits Paid. Our life insurance death and other benefits paid increased by 8.7% to RMB2,481 million in the nine months ended 30 September 2009 from RMB2,283 million in the nine months ended 30 September 2008. This increase was in line with the overall growth in our life insurance business.

Claims Incurred. Claims incurred increased by 8.3% to RMB11,473 million in the nine months ended 30 September 2009 from RMB10,598 million in the nine months ended 30 September 2008. This increase reflected the overall growth in our property and casualty insurance business in the nine months ended 30 September 2009, partially offset by claim payments recovered from reinsurers in the nine months ended 30 September 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities were RMB14,464 million in the nine months ended 30 September 2009 compared to RMB8,336 million in the nine months ended 30 September 2008. This 73.5% increase primarily reflected the overall growth in our life insurance business and the impact of the increase in investment returns, in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities increased by 3.5% to RMB3,681 million in the nine months ended 30 September 2009 from RMB3,558 million in the nine months ended 30 September 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Policyholder Dividends. Policyholder dividends decreased by 21.9% to RMB1,565 million in the nine months ended 30 September 2009 from RMB2,003 million in the nine months ended 30 September 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the nine months ended 30 September 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Our finance costs decreased by 34.8% to RMB307 million in the nine months ended 30 September 2009 from RMB471 million in the nine months ended 30 September 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders, as well as the decrease in interest expense on securities sold under agreements to repurchase in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 34.1% to RMB56 million in the nine months ended 30 September 2009 from RMB85 million in the nine months ended 30 September 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs increased by 56.2% to RMB6,027 million in the nine months ended 30 September 2009 from RMB3,858 million in the nine months ended 30 September 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount, the impact of the increase in investment returns relating to our life insurance business in the third quarter of 2009 compared to the third quarter of 2008, as well as the increase in net premiums earned and policy fees from our property and casualty insurance business in the nine months ended 30 September 2009. This increase also reflected the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries from our property and casualty insurance business in the nine months ended 30 September 2009, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs as a percentage of the net premiums earned and policy fees for our insurance business was 14.9% and 11.6%, respectively, in the nine months ended 30 September 2009 and the nine months ended 30 September 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund increased by 21.7% to RMB309 million in the nine months ended 30 September 2009 from RMB254 million in the nine months ended 30 September 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products, as well as the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Change in Deferred Revenue. Our deferred revenue experienced an increase of RMB1,361 million in the nine months ended 30 September 2009 compared to an increase of RMB2,572 million in the nine months ended 30 September 2008. The lower increase in deferred revenue in the nine months ended 30 September 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Other Operating and Administrative Expenses. Our other operating and administrative expenses increased by 1.4% to RMB5,583 million in the nine months ended 30 September 2009 from RMB5,504 million in the nine months ended 30 September 2008. This modest increase reflected our enhanced cost control measures in the nine months ended 30 September 2009.

Total Benefits, Claims and Expenses. As a result of the foregoing, our total benefits, claims and expenses increased by 19.7% to RMB47,307 million in the nine months ended 30 September 2009 from RMB39,522 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing and after taking into account our share of profits or losses of our jointly-controlled entity, our profit before tax increased by 76.6% to RMB8,224 million in the nine months ended 30 September 2009 from RMB4,658 million in the nine months ended 30 September 2008.

Income Tax. Our income tax increased to RMB1,931 million in the nine months ended 30 September 2009 from a negative RMB443 million in the nine months ended 30 September

2008. This increase was primarily due to the increase in our profit before tax, as well as the decrease in our tax-exempt income in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Profit. As a result of the foregoing, our net profit increased by 23.4% to RMB6,293 million in the nine months ended 30 September 2009 from RMB5,101 million in the nine months ended 30 September 2008.

Net Profit Attributable to Equity Holders of the Parent. As a result of the foregoing, and after taking into account minority interests, our net profit attributable to equity holders of the parent increased by 24.4% to RMB6,195 million in the nine months ended 30 September 2009 from RMB4,981 million in the nine months ended 30 September 2008.

Segment Operating Results for the Nine Months Ended 30 September 2009 and 2008

Life Insurance

The following table sets forth selected income statement data for our life insurance business for the periods indicated:

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB)	
Income Statement Data		
Gross written premiums and policy fees	19,833	25,058
Less: Premiums ceded to reinsurers	(1,444)	(2,088)
Net written premiums and policy fees	18,389	22,970
Net change in unearned premium reserves	(78)	(323)
Net premiums earned and policy fees	18,311	22,647
Investment income	10,391	13,027
Other operating income	94	134
Other income	10,485	13,161
Segment income	28,796	35,808
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	(2,283)	(2,481)
Claims incurred	(481)	(280)
Changes in long-term traditional insurance contract liabilities	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	(3,558)	(3,681)
Policyholder dividends	(2,003)	(1,565)
Finance costs	(270)	(296)
Interest credited to investment contracts	(85)	(56)
Amortisation on deferred acquisition costs	(1,686)	(3,015)
Provision for insurance guarantee fund	(84)	(93)
Change in deferred revenue	(2,572)	(1,361)
Other operating and administrative expenses	(2,432)	(2,498)
Segment benefits, claims and expenses	(23,790)	(29,790)
Segment results	5,006	6,018
Profit before tax	5,006	6,018
Income tax	84	(1,409)
Net profit	5,090	4,609

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our life insurance business increased by 26.3% to RMB25,058 million in the nine months ended

30 September 2009 from RMB19,833 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in our gross written premiums from our participating individual life insurance products in connection with our continued efforts to optimize our business mix and the increase in policy fees from participating bancassurance products. Gross written premiums and policy fees from our individual life insurance, bancassurance and group life insurance businesses all increased in the nine months ended 30 September 2009 compared to the same period in 2008.

Individual Life Insurance. Gross written premiums and policy fees attributable to our individual life insurance business increased by 26.5% to RMB19,748 million in the nine months ended 30 September 2009 from RMB15,608 million in the nine months ended 30 September 2008. This increase was primarily due to increased premiums from participating individual life insurance products, in particular an RMB2,263 million increase in first-year regular premiums to RMB4,722 million in the nine months ended 30 September 2009 from RMB2,459 million in the nine months ended 30 September 2008 and an RMB2,133 million increase in renewal premiums to RMB4,778 million in the nine months ended 30 September 2009 from RMB2,645 million in the nine months ended 30 September 2008, as we enhanced our sales efforts to promote participating life insurance products in continuing to optimize our business mix. This increase was partially offset by a decrease in first-year regular premiums from traditional individual life insurance products.

Bancassurance. Gross written premiums and policy fees attributable to our bancassurance business increased by 32.8% to RMB3,098 million in the nine months ended 30 September 2009 from RMB2,333 million in the nine months ended 30 September 2008. This increase was primarily due to an RMB1,174 million increase in first-year policy fees from our participating bancassurance products to RMB2,672 million in the nine months ended 30 September 2009 from RMB1,498 million in the nine months ended 30 September 2008, partially offset by a decrease in policy fees from our universal bancassurance products to RMB146 million in the nine months ended 30 September 2009 from RMB646 million in the nine months ended 30 September 2008, as a result of our promotion of participating bancassurance products, as opposed to universal bancassurance products, in connection with our continued efforts to optimize our business mix.

Group Life Insurance. Gross written premiums and policy fees attributable to our group life insurance business increased by 16.9% to RMB2,212 million in the nine months ended 30 September 2009 from RMB1,892 million in the nine months ended 30 September 2008. This increase was primarily due to increased gross written premiums from our short-term accident and health insurance products to RMB2,029 million in the nine months ended 30 September 2009 from RMB1,633 million in the nine months ended 30 September 2008, partially offset by a decrease in policy fees from our participating group life insurance products.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our life insurance business increased by 44.6% to RMB2,088 million in the nine months ended 30 September 2009 from RMB1,444 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers as a percentage of gross written premiums and policy fees for our life insurance business increased to 8.3% in the nine months ended 30 September 2009 from 7.3% in the nine months ended 30 September 2008. This increase in the percentage was primarily due to the increase in our gross written premiums from some of our participating life insurance products that have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our life insurance business increased by 24.9% to RMB22,970 million in the nine months ended 30 September 2009 from RMB18,389 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our life insurance business was an increase of RMB323 million in the nine months ended 30 September 2009 as compared to an increase of RMB78 million in the nine months ended

30 September 2008. The increase in the nine months ended 30 September 2009 was primarily due to the overall increase in the gross written premiums from our short-term accident and health insurance business and the lowered cession ratio for our short-term accident and health insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our life insurance business increased by 23.7% to RMB22,647 million in the nine months ended 30 September 2009 from RMB18,311 million in the nine months ended 30 September 2008.

Investment Income. Investment income for our life insurance business increased by 25.4% to RMB13,027 million in the nine months ended 30 September 2009 from RMB10,391 million in the nine months ended 30 September 2008. This increase was primarily due to the gains realized from the disposition of equity investment funds and equity securities in the nine months ended 30 September 2009, the decrease in impairment losses on financial assets and the increase in interest income from fixed-income securities, partially offset by the decrease in dividend income from equity investment funds, in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Operating Income. Other operating income for our life insurance business increased by 42.6% to RMB134 million in the nine months ended 30 September 2009 from RMB94 million in the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, other income for our life insurance business increased by 25.5% to RMB13,161 million in the nine months ended 30 September 2009 from RMB10,485 million in the nine months ended 30 September 2008.

Segment Income. As a result of the foregoing, segment income for our life insurance business increased by 24.4% to RMB35,808 million in the nine months ended 30 September 2009 from RMB28,796 million in the nine months ended 30 September 2008.

Life Insurance Death and Other Benefits Paid. Life insurance death and other benefits paid for our life insurance business increased by 8.7% to RMB2,481 million in the nine months ended 30 September 2009 from RMB2,283 million in the nine months ended 30 September 2008. This increase was in line with the overall growth in our life insurance business.

Claims Incurred. Claims incurred for our life insurance business decreased by 41.8% to RMB280 million in the nine months ended 30 September 2009 from RMB481 million in the nine months ended 30 September 2008, primarily due to claim payments recovered from reinsurers in the nine months ended 30 September 2009 in connection with our catastrophe excess-of-loss reinsurance arrangements.

Changes in Long-Term Traditional Insurance Contract Liabilities. Changes in long-term traditional insurance contract liabilities for our life insurance business were RMB14,464 million in the nine months ended 30 September 2009 compared to RMB8,336 million in the nine months ended 30 September 2008. This 73.5% increase primarily reflected the overall growth in our life insurance business and the impact of the increase in investment returns, in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, on long-term traditional insurance contract liabilities.

Interest Credited to Long-Term Investment Type Insurance Contract Liabilities. Interest credited to long-term investment type insurance contract liabilities for our life insurance business increased by 3.5% to RMB3,681 million in the nine months ended 30 September 2009 from RMB3,558 million in the nine months ended 30 September 2008. This increase was primarily due to higher average account balances of our long-term investment type insurance contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Policyholder Dividends. Policyholder dividends for our life insurance business decreased by 21.9% to RMB1,565 million in the nine months ended 30 September 2009 from RMB2,003 million in the nine months ended 30 September 2008. This decrease primarily reflected our adjustments to dividend distribution levels in the nine months ended 30 September 2009 in light of the market conditions, our investment return and other factors.

Finance Costs. Finance costs for our life insurance business increased by 9.6% to RMB296 million in the nine months ended 30 September 2009 from RMB270 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in interest expense on policyholder dividends and the increase in interest expense on securities sold under agreements to repurchase in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Interest Credited to Investment Contracts. Interest credited to investment contracts decreased by 34.1% to RMB56 million in the nine months ended 30 September 2009 from RMB85 million in the nine months ended 30 September 2008. The decrease was primarily due to the decrease in our in-force investment contracts in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our life insurance business increased by 78.8% to RMB3,015 million in the nine months ended 30 September 2009 from RMB1,686 million in the nine months ended 30 September 2008. This increase was primarily due to a higher balance of deferred acquisition costs relating to the overall growth in our life insurance business, resulting in a higher amortization amount in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our life insurance business increased by 10.7% to RMB93 million in the nine months ended 30 September 2009 from RMB84 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in the written premiums from our life insurance products and our short-term accident and health insurance products in the nine months ended 30 September 2009.

Change in Deferred Revenue. Deferred revenue for our life insurance business experienced an increase of RMB1,361 million in the nine months ended 30 September 2009 compared to an increase of RMB2,572 million in the nine months ended 30 September 2008. The lower increase in deferred revenue in the nine months ended 30 September 2009 primarily reflected the impact of the significant increase in deferred revenue in 2008 relating to the overall growth in our bancassurance business in 2008, which resulted in a higher amortization amount of deferred revenue in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, and also reflected the impact of the increase in investment returns in the third quarter of 2009 compared to the third quarter of 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our life insurance business increased by 2.7% to RMB2,498 million in the nine months ended 30 September 2009 from RMB2,432 million in the nine months ended 30 September 2008. This modest increase reflected our continued cost control measures in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our life insurance business increased by 25.2% to RMB29,790 million in the nine months ended 30 September 2009 from RMB23,790 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our life insurance business increased by 20.2% to RMB6,018 million in the nine months ended 30 September 2009 from RMB5,006 million in the nine months ended 30 September 2008.

Income Tax. Income tax for our life insurance business increased to RMB1,409 million in the nine months ended 30 September 2009 from a negative RMB84 million in the nine months ended 30 September 2008, primarily due to the significant decrease in our tax-exempt income in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Net Profit. As a result of the foregoing, net profit for our life insurance business decreased by 9.4% to RMB4,609 million in the nine months ended 30 September 2009 from RMB5,090 million in the nine months ended 30 September 2008.

Property and Casualty Insurance

The following table sets forth selected income statement data for our property and casualty insurance business for the periods indicated:

	For the nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
	(in millions of RMB)	
Income Statement Data		
Gross written premiums and policy fees	22,160	27,001
Less: Premiums ceded to reinsurers	(5,197)	(5,775)
Net written premiums and policy fees	16,963	21,226
Net change in unearned premium reserves	(2,151)	(3,441)
Net premiums earned and policy fees	14,812	17,785
Investment income	1,302	860
Other operating income	35	76
Other income	1,337	936
Segment income	16,149	18,721
Net policyholders' benefits and claims		
Life insurance death and other benefits paid	—	—
Claims incurred	(10,039)	(11,123)
Changes in long-term traditional insurance contract liabilities	—	—
Interest credited to long-term investment type insurance contract liabilities	—	—
Policyholder dividends	—	—
Finance costs	(163)	(9)
Interest credited to investment contracts	—	—
Amortisation on deferred acquisition costs	(2,172)	(3,012)
Provision for insurance guarantee fund	(170)	(216)
Change in deferred revenue	—	—
Other operating and administrative expenses	(2,907)	(2,847)
Segment benefits, claims and expenses	(15,451)	(17,207)
Segment results	698	1,514
Profit before tax	698	1,514
Income tax	(80)	(374)
Net profit	618	1,140

Gross Written Premiums and Policy Fees. Gross written premiums and policy fees for our property and casualty insurance business increased by 21.8% to RMB27,001 million in the nine months ended 30 September 2009 from RMB22,160 million in the nine months ended 30 September 2008. This increase was primarily due to the growth in our automobile insurance business in the nine months ended 30 September 2009, as well as the growth in our short-term accident and health insurance, liability insurance and engineering insurance businesses. Gross written premiums and policy fees from our cargo insurance business decreased in the nine months ended 30 September 2009 compared to the same period in 2008.

Automobile Insurance. Gross written premiums and policy fees attributable to our automobile insurance products increased by 27.7% to RMB19,684 million in the nine months ended 30 September 2009 from RMB15,412 million in the nine months ended 30 September 2008. This increase was primarily due to the significant contribution from our commercial automobile insurance business and, to a lesser extent, our compulsory auto liability insurance business, reflecting the continued growth in private car ownership in the PRC under favorable automobile consumption policies of the PRC government, and increased premium adequacy resulting from improved competitive environment of the PRC automobile insurance market, in the nine months ended 30 September 2009. Gross written premiums and policy fees attributable to our automobile insurance products accounted for 72.9% and 69.5% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Commercial Property and Engineering Insurance. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products increased by 5.6% to RMB3,789 million in the nine months ended 30 September 2009 from RMB3,588 million in the nine months ended 30 September 2008. Gross written premiums and policy fees from our commercial property insurance business decreased slightly, reflecting our more stringent risk selection policy in underwriting in light of the decrease in premium rates and profitability partly as a result of intensified market competition, as well as more stringent underwriting requirements of reinsurers regarding higher-risk projects, in the nine months ended 30 September 2009 compared to the same period in 2008. Gross written premiums and policy fees from our engineering insurance business increased by 22.4% to RMB791 million in the nine months ended 30 September 2009 from RMB646 million in the nine months ended 30 September 2008, in part attributable to the increase in infrastructure and other projects in the PRC in the first nine months of 2009 as a result of the economic stimulus package launched by the PRC government since late 2008. Gross written premiums and policy fees from our special risk insurance business increased by 25.3% to RMB342 million in the nine months ended 30 September 2009 from RMB273 million in the nine months ended 30 September 2008. Gross written premiums and policy fees attributable to our commercial property and engineering insurance products accounted for 14.0% and 16.2% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Short-Term Accident and Health Insurance. Gross written premiums and policy fees attributable to our short-term accident and health insurance products increased by 19.8% to RMB1,278 million in the nine months ended 30 September 2009 from RMB1,067 million in the nine months ended 30 September 2008. This increase was primarily attributable to our continued efforts to promote short-term accident and health insurance products with better profitability. Gross written premiums and policy fees attributable to our short-term accident and health insurance products accounted for 4.7% and 4.8% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Cargo Insurance. Gross written premiums and policy fees attributable to our cargo insurance products decreased by 13.0% to RMB693 million in the nine months ended 30 September 2009 from RMB797 million in the nine months ended 30 September 2008. This decrease was primarily due to the continued impact of decreased economic activities resulting from the global financial crisis that unfolded in 2008, as well as decreased premium rates as a result of intensified competition. Gross written premiums and policy fees attributable to our cargo insurance products accounted for 2.6% and 3.6% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Hull Insurance. Gross written premiums and policy fees attributable to our hull insurance products increased slightly by 4.4% to RMB641 million in the nine months ended 30 September 2009 from RMB614 million in the nine months ended 30 September 2008. This modest growth reflected decreased shipping and ship-building activities, as well as decreased premiums as a result of the overall decrease in the purchase prices of vessels, in the nine months ended 30 September 2009. Gross written premiums and policy fees attributable to our hull insurance products accounted for 2.4% and 2.8% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Liability Insurance. Gross written premiums and policy fees attributable to our liability insurance products increased by 29.0% to RMB703 million in the nine months ended 30 September 2009 from RMB545 million in the nine months ended 30 September 2008. This increase was primarily due to our enhanced efforts to promote liability insurance products in light of the growth potentials of this business in the PRC. Gross written premiums and policy fees attributable to our liability insurance products accounted for 2.6% and 2.5% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Other Insurance. Gross written premiums and policy fees attributable to our other property and casualty insurance products increase by 55.5% to RMB213 million in the nine months ended 30 September 2009 from RMB137 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in gross written premiums and policy fees from our homeowners insurance products, reflecting our enhanced efforts to promote homeowners insurance products in light of the growth potentials of this business in the PRC, as well as the increase in gross written premiums and policy fees from our agricultural insurance products. Gross written premiums and policy fees attributable to our other insurance products accounted for 0.8% and 0.6% of the gross written premiums and policy fees for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008, respectively.

Premiums Ceded to Reinsurers. Premiums ceded to reinsurers for our property and casualty insurance business increased by 11.1% to RMB5,775 million in the nine months ended 30 September 2009 from RMB5,197 million in the nine months ended 30 September 2008. Premiums ceded to reinsurers decreased as a percentage of the gross written premiums and policy fees for our property and casualty insurance business to 21.4% in the nine months ended 30 September 2009 from 23.5% in the nine months ended 30 September 2008. This decrease in the percentage was primarily due to the growth in gross written premiums and policy fees from our compulsory auto liability insurance business, which we generally do not cede to reinsurers. This decrease was also due to the lower percentage of gross written premiums and policy fees from our commercial property insurance business, which generally have higher cession ratios.

Net Written Premiums and Policy Fees. After taking into account premiums ceded to reinsurers, net written premiums and policy fees for our property and casualty insurance business increased by 25.1% to RMB21,226 million in the nine months ended 30 September 2009 from RMB16,963 million in the nine months ended 30 September 2008.

Net Change in Unearned Premium Reserves. Net change in unearned premium reserves for our property and casualty insurance business was an increase of RMB3,441 million in the nine months ended 30 September 2009 compared to an increase of RMB2,151 million in the nine months ended 30 September 2008, generally in line with the overall growth in our property and casualty insurance business in the respective period.

Net Premiums Earned and Policy Fees. As a result of the foregoing, net premiums earned and policy fees for our property and casualty insurance business increased by 20.1% to RMB17,785 million in the nine months ended 30 September 2009 from RMB14,812 million in the nine months ended 30 September 2008.

Investment Income. Investment income for our property and casualty insurance business decreased by 33.9% to RMB860 million in the nine months ended 30 September 2009 from RMB1,302 million in the nine months ended 30 September 2008. This decrease was primarily due to the significant decrease in dividend income from our equity investment funds in the nine months ended 30 September 2009 compared to the same period in 2008, partially offset by the increase in realized gains from our fixed-income investments.

Other Operating Income. Other operating income for our property and casualty insurance business increased by 117.1% to RMB76 million in the nine months ended 30 September 2009 from RMB35 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in commissions received by us in connection with our withholding of vehicle taxes on behalf of the tax authorities in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008, as well as the increase in interest income from our cash and cash equivalents in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Other Income. As a result of the foregoing, other income for our property and casualty insurance business decreased by 30.0% to RMB936 million in the nine months ended 30 September 2009 from RMB1,337 million in the nine months ended 30 September 2008.

Segment Income. As a result of the foregoing, segment income for our property and casualty insurance business increased by 15.9% to RMB18,721 million in the nine months ended 30 September 2009 from RMB16,149 million in the nine months ended 30 September 2008.

Claims Incurred. Claims incurred for our property and casualty insurance business increased by 10.8% to RMB11,123 million in the nine months ended 30 September 2009 from RMB10,039 million in the nine months ended 30 September 2008. This increase reflected the overall growth in our property and casualty insurance business in the nine months ended 30 September 2009. Claims incurred decreased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 62.5% in the nine months ended 30 September 2009 from 67.8% in the nine months ended 30 September 2008.

Finance Costs. Finance costs for our property and casualty insurance business decreased significantly by 94.5% to RMB9 million in the nine months ended 30 September 2009 from RMB163 million in the nine months ended 30 September 2008. This decrease was primarily due to the decrease in interest expense on policyholders' deposits as a result of lower average account balances of deposits received from our policyholders in the nine months ended 30 September 2009, compared to the nine months ended 30 September 2008.

Amortization on Deferred Acquisition Costs. Amortization on deferred acquisition costs for our property and casualty insurance business increased by 38.7% to RMB3,012 million in the nine months ended 30 September 2009 from RMB2,172 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in our net premiums earned and policy fees in the nine months ended 30 September 2009 and, to a lesser extent, the increase in the proportion of net premiums earned and policy fees generated by our agents and other intermediaries in the same period, which typically results in higher acquisition costs and hence higher amortization of deferred acquisition costs. Amortization on deferred acquisition costs increased as a percentage of the net premiums earned and policy fees for our property and casualty insurance business to 16.9% in the nine months ended 30 September 2009 from 14.7% in the nine months ended 30 September 2008.

Provision for Insurance Guarantee Fund. Provision for insurance guarantee fund for our property and casualty insurance business increased by 27.1% to RMB216 million in the nine months ended 30 September 2009 from RMB170 million in the nine months ended 30 September 2008. This increase primarily reflected the overall increase in the written premiums from our property and casualty insurance products in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008.

Other Operating and Administrative Expenses. Other operating and administrative expenses for our property and casualty insurance business decreased by 2.1% to RMB2,847 million in the nine months ended 30 September 2009 from RMB2,907 million in the nine months ended 30 September 2008. This decrease was primarily due to our continued cost control measures in the nine months ended 30 September 2009.

Segment Benefits, Claims and Expenses. As a result of the foregoing, segment benefits, claims and expenses for our property and casualty insurance business increased by 11.4% to RMB17,207 million in the nine months ended 30 September 2009 from RMB15,451 million in the nine months ended 30 September 2008.

Profit Before Tax. As a result of the foregoing, profit before tax for our property and casualty insurance business increased by 116.9% to RMB1,514 million in the nine months ended 30 September 2009 from RMB698 million in the nine months ended 30 September 2008.

Income Tax. Income tax for our property and casualty insurance business increased by 367.5% to RMB374 million in the nine months ended 30 September 2009 from RMB80 million in the nine months ended 30 September 2008. This increase was primarily due to the increase in the profit before tax for our property and casualty insurance business in the nine months ended 30 September 2009 compared to the nine months ended 30 September 2008, as well as the decrease in our tax-exempt income. The effective tax rate for our property and casualty insurance business in the nine months ended 30 September 2009 and the nine months ended 30 September 2008 was 24.7% and 11.5%, respectively. The increase in the effective tax rate for our property and casualty insurance business from the nine months ended 30 September 2008 to the nine months ended 30 September 2009 was primarily due to the decrease in our tax-exempt income, primarily dividend income from equity investment funds and interest income from government bonds in the nine months ended 30 September 2009 compared to the same period in 2008.

Net Profit. As a result of the foregoing, net profit for our property and casualty insurance business increased by 84.5% to RMB1,140 million in the nine months ended 30 September 2009 from RMB618 million in the nine months ended 30 September 2008.

LIQUIDITY AND CAPITAL RESOURCES

We manage our liquidity and capital resources on a consolidated basis. CPIC Group is a holding company and does not conduct significant business operations on its own. As a result, it depends upon dividends from its operating subsidiaries and its investment income for substantially all of its cash flow.

The principal sources of funds generated by our insurance operations are written premiums, policy fees and deposits, investment income, net of administrative costs, and proceeds from the sale or maturity of investments, while the major uses of these funds are:

- to provide life insurance policy benefits, settle surrenders and withdrawals, pay short-term accident and health claims and provide for profit sharing for participating and universal life insurance policyholders;
- to pay property and casualty insurance claims and related claims expenses; and
- to pay other operating costs.

We generate a substantial cash flow from operations as a result of most premiums, policy fees and deposits being received in advance of the time when policy benefits or claim payments are required. Our positive operating cash flows, along with that portion of our investment portfolio that is held in cash and liquid securities, have historically met the liquidity requirements of our insurance operations, as evidenced by the growth of our investment portfolio. See the section headed "Business — Asset Management and Investment Portfolio".

In the insurance industry, liquidity generally refers to the ability of an insurance company to generate adequate amounts of cash from its normal operations, including its investment portfolio, in order to meet its financial commitments, which are principally obligations under its insurance policies. The liquidity needs of our life insurance operations are generally affected by trends in actual mortality and morbidity experience relative to the assumptions used in the pricing of our life insurance policies, by the extent to which minimum returns are provided in connection with our life insurance products and by the level of surrenders and withdrawals. The liquidity of our property and casualty insurance operations is affected by the frequency and severity of losses under our property and casualty insurance policies, as well as by the persistency of our property and casualty insurance products. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for our property and casualty insurance operations.

Our uses of funds include underwriting expenditures (reinsurance premiums, benefits, surrenders, claims, including claims handling expenses, and profit sharing with participating and universal life insurance policyholders), acquisitions and employee and other operating expenses, interest expense on outstanding borrowings and shareholder dividends. In particular, our participating life insurance products include mandatory profit sharing features, whereby we return a specified portion of statutory profits to policyholders annually, generally in the form of cash or premium offset or as an increase in policy amounts. We are required by the CIRC to allocate at least 70% of the annual distributable surplus for the benefit of policyholders. We are required to pay dividends annually on our participating life insurance products, which must be no less than 70% of the distributable surplus from participating life insurance products for that year, in accordance with CIRC requirements.

The liquidity requirements of our insurance operations are met on both a short-term and long-term basis by insurance premiums, policy fees and deposits collected, net investment income and cash received on the sale or maturity of investments. We also have access to additional liquidity through securities sold under agreements to repurchase. Our balance of cash and cash equivalents was RMB11,856 million, RMB29,122 million, RMB17,573 million and and RMB18,734 million as of 31 December 2006, 2007 and 2008 and as of 30 June 2009, respectively.

Net cash inflows from operating activities were RMB27,541 million in 2006, RMB21,670 million in 2007 and RMB25,056 million in 2008. The decrease in net cash inflows from operating activities from 2006 to 2007 was the result of lower cash generated from operating activities in 2007, primarily due to the increase of claims paid and higher income tax paid in 2007. The increase in net cash inflows from operating activities from 2007 to 2008 primarily reflected the increase in our premiums, policy fees and deposits received from our insurance businesses in 2008 compared to 2007, partially offset by increased cash outflows for payments of benefits and claims incurred for insurance and investment contracts, policy maturities, and payments of commissions to our insurance agents and other intermediaries in connection with the expansion of our businesses during the period. Net cash inflows from operating activities were RMB19,280 million in the six months ended 30 June 2009, representing primarily gross written premiums, policy fees and deposits received from our insurance businesses, net of the cash outflows for payments of benefits and claims incurred for insurance and investment contracts, policy surrenders and payments of commissions to insurance agents and other intermediaries during the period.

Net cash outflows from investing activities were RMB19,975 million in 2006, RMB48,171 million in 2007 and RMB29,374 million in 2008. The increase of RMB28,196 million in net cash outflows from investing activities from 2006 to 2007 primarily reflected the increase of RMB32,457 million in our net purchases of investments, partially offset by the increase of RMB4,919 million in dividends received from our investments. The decrease of RMB18,797 million in net cash outflows from investing activities from 2007 to 2008 primarily reflected the decrease of RMB15,514 million in our net purchases of investments, as well as an increase of RMB4,499 million in dividends and other cash distributions received from our investments. Net cash outflows from investing activities were RMB32,014 million in the six months ended 30 June 2009, reflecting primarily RMB35,509 million in our net purchases of investments, partially offset by dividends and other cash distributions in the amount of RMB4,199 million received from our investments during the period.

Net cash outflows from financing activities were RMB7,131 million in 2008 and RMB4,894 million in 2006, compared to net cash inflows of RMB43,810 million in 2007. The net cash outflows from financing activities in 2008 were primarily due to our dividend payments as well as cash outflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash inflows during the year, partially offset by capital injections from the minority shareholders of CPIC Life and CPIC Property. The net cash outflows from financing activities in 2006 were primarily due to cash outflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash inflows during the year, partially offset by the RMB2,000 million cash proceeds from the issuance of subordinated debt by CPIC Life in June 2006. The significant increase in net cash inflows from financing activities from 2006 to 2007 primarily resulted from total proceeds of RMB39,274 million received by us from share issuances, including our A Share Offering in December 2007 and our private placements to the existing shareholders of CPIC Group and our Overseas Investors earlier in 2007. Cash inflows relating to securities sold under agreements to repurchase during 2007 also contributed to the increase in net cash inflows from financing activities in that year. Net cash inflows from financing activities were RMB13,896 million in the six months ended 30 June 2009, representing primarily cash inflows relating to securities sold under agreements to repurchase significantly exceeding corresponding cash outflows during the period, partially offset by our dividend payments.

Solvency Margin Ratio

The solvency margin ratio is a measure of capital adequacy for PRC insurance companies and is calculated by dividing the actual solvency margin (which is the difference between an insurance company's admissible assets and admissible liabilities as determined by the CIRC) by a statutory minimum solvency margin. Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. As a general matter, the CIRC considers an insurance company with a solvency margin ratio of 150% or higher to be financially sound. If the solvency margin ratio falls between 100% and 150%, the CIRC may order the insurance company to submit and implement an insolvency prevention plan. If the solvency margin ratio falls below 100%, the CIRC may order the insurance company to increase its capital or restrict its distribution of dividends. The CIRC may also order the insurance company to dispose of its assets, limit the compensation of senior management, limit its ability to establish new branch entities or assume control of the insurance company's operations, among other things. For a detailed description of the solvency margin requirements, please see the section headed "Supervision and Regulation — Insurance Business — Solvency Margin".

The following table sets forth the solvency margin ratios for CPIC Life as of 31 December 2006, 2007 and 2008 and 30 June 2009:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB, except percentages)			
Actual solvency margin	4,201	23,570	24,035	25,285
Minimum solvency margin	7,119	8,507	10,291	11,305
Solvency margin ratio	59%	277%	234%	224%

The actual solvency margin and the minimum solvency margin of CPIC Life as of 1 January 2007, as recalculated under PRC GAAP, were RMB9,712 million and RMB7,095 million, respectively.

The following table sets forth the solvency margin ratios for CPIC Property as of 31 December 2006, 2007 and 2008 and 30 June 2009:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB, except percentages)			
Actual solvency margin	2,502	5,955	5,959	6,299
Minimum solvency margin	2,052	2,715	3,177	3,550
Solvency margin ratio	122%	219%	188%	177%

The actual solvency margin and the minimum solvency margin of CPIC Property as of 1 January 2007, as recalculated under PRC GAAP, were RMB3,112 million and RMB2,052 million, respectively.

Premium to Capital Ratio

The premium to capital ratio is the ratio of net written premiums under PRC GAAP of a property and casualty insurance company in any financial year to the sum of its issued capital, capital reserves, general reserve and surplus reserves. Pursuant to the PRC Insurance Law, this premium to capital ratio may not exceed 4:1 for any property and casualty insurance company in any financial year. We have complied with such requirement under the PRC Insurance Law in 2006, 2007 and 2008.

The following table sets forth our premium to capital ratio for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
Premium to capital ratio	3.76:1	3.23:1	3.15:1

Contractual Obligations

As of 30 June, 2009, we did not have any material contractual obligations or commercial commitments, including long-term debt, rental commitments, operating lease commitments, purchase obligations or other capital commitments, other than contractual obligations under insurance and investment contracts we enter into in our ordinary course of business and other than as set forth in the Accountants' Report set forth in Appendix I.

The following table sets forth our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, as of the dates indicated:

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 year	Over 1 year but less than 2 years	Over 2 year but less than 3 years	After 3 years
		(in millions of RMB)			
As of 31 December 2008					
Long-term debt	2,375	—	—	2,375	—
Securities sold under agreements to repurchase	7,021	7,021	—	—	—
Operating lease obligations	1,082	256	200	127	499
Capital commitments	7,324(1)	5,807	46	10	—
Total contractual obligations	17,802(1)	13,084	246	2,512	499
As of 30 June 2009					
Long-term debt	2,375	—	2,375	—	—
Securities sold under agreements to repurchase	22,458	22,458	—	—	—
Operating lease obligations	1,093	268	191	126	508
Capital commitments	6,047(1)	4,576	10	—	—
Total contractual obligations	31,973(1)	27,302	2,576	126	508

(1) Includes RMB1,461 million of capital commitments, the payment due dates relating to which were not yet determinable due to pending regulatory approvals or other factors and which have therefore not been reflected in the "Payments Due by Period" section of the above table.

As of 31 October 2009, our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, totaled RMB13,480 million.

We did not have material contingent commitments as of 31 December 2008, 30 June 2009 or 31 October 2009.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contingent Liabilities

Due to the nature of the insurance business, we are involved in legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation as well as being the applicant respondent in arbitration. The legal proceedings involve primarily claims on our insurance policies. We are also involved in legal and arbitration proceedings that do not relate to claims on our insurance policies.

We make provision from time to time for the probable losses to us with respect to those claims when our management can reasonably estimate the outcome of the proceedings, taking into account the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or our management believes that the probability is remote or that any resulting liabilities will not have a material adverse effect on our financial position or operating results.

As of 31 December 2006, 2007 and 2008 and 30 June 2009, we did not have any material contingent liabilities, other than as set forth in note 49 to the Accountants' Report set forth in

Appendix I and representing our provision for probable or possible losses as a result of legal proceedings or other disputes and claims, based on best estimate by our management.

As of 31 October 2009, we did not have any material contingent liabilities, other than provision made for probable or possible losses as a result of legal proceedings or other disputes and claims, based on best estimate by our management.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates, market interest rates and equity securities prices, whether any such change in fair value is caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As of 30 June 2009, we had investment assets of approximately RMB331.3 billion, which are subject to market risk arising from our investment activities.

We measure, manage and monitor the market risk associated with our investment assets on a continuous basis. In particular, we mitigate our market risk through proper diversification of our investment portfolio and proper execution of investment decisions, based on investment mandates approved by an investment decision-making committee of CPIC Asset Management.

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise term deposits and debt securities, changes in the level of interest rates can have a significant impact on our overall investment returns.

We are also exposed to the risk of equity securities market volatility as a result of our investments in stocks and equity investment funds. In particular, a market downturn may cause us to recognize realized and unrealized investment losses, which would adversely affect our results of operations.

Substantially all of our transactions are carried out in Renminbi. Certain insurance policies written by us, however, in particular cargo, commercial property and aviation insurance, are denominated in US dollars. Therefore, premiums received, reinsurance premiums ceded, claims paid and paid losses recovered from reinsurers in respect of these policies are transacted in US dollars. In addition, following the investments by our Overseas Investors in 2007, our holding of assets denominated in a currency other than Renminbi has increased. Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to remit these proceeds into the PRC. If the foreign exchange rate of the non-Renminbi currencies declines against that of Renminbi, the fair values of the non-Renminbi- denominated assets would also decline.

Risk Exposure Estimates

We conduct sensitivity analysis to analyze the implications of changes in market conditions on our investment assets. The sensitivity analysis measures the potential loss in the fair values of market sensitive investment assets resulting from selected hypothetical changes in interest rates and foreign exchange rates at a particular point in time.

We estimate interest rate risk sensitivity under the assumption of a 50-basis point increase in interest rates. If interest rates increase, the fair values of interest rate-sensitive instruments such as bonds may decrease. Furthermore, the magnitude of the decrease may be different depending on the maturity, coupon or other characteristics of a particular instrument.

The following table sets forth the aggregate fair value sensitivity of our interest rate-sensitive bond instruments assuming a simultaneous and instantaneous 50-basis point increase in interest rates across all relevant interest rate-sensitive bond instruments as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Interest rate risk	(824)	(566)	(468)	(541)

We estimate foreign exchange rate risk sensitivity by assuming a 5% depreciation in all non-Renminbi currency exchange rates against the Renminbi. If non-Renminbi currencies depreciate against the Renminbi, the carrying value of our non-Renminbi denominated term deposits, cash and cash equivalents and other assets will decrease.

The following table sets forth the aggregate carrying value sensitivity of our monetary foreign currency assets and liabilities assuming a simultaneous and uniform 5% depreciation of the value of US dollar against the Renminbi as of the dates indicated:

	As of 31 December			As of 30 June
	2006	2007	2008	2009
	(in millions of RMB)			
Foreign exchange risk	(207)	(106)	(112)	(88)

We believe that the sensitivity analysis makes reasonable assumptions based on past observations about market conditions. While market changes exceeding 50 basis points, in the case of interest rate, or 5%, in the case of foreign exchange rate, are possible, we believe our sensitivity analysis is a fair estimate on the risk inherent in our investment assets.

While we have conducted the sensitivity analysis based on simplified assumptions, we believe they provide a useful framework for understanding our risk management analysis and strategies.

Some of our investment assets involve more than one market risk category. Our sensitivity analysis does not take into account the impact of market risk in our insurance liabilities. We believe that the structure of our insurance liabilities would generally operate to mitigate our exposure to market risk.

Limitations of Sensitivity Analysis

While we consider sensitivity analysis to provide us with a valid estimation of market risk exposures, we recognize that there are certain limitations in its use.

Changes of prices in a diversified portfolio have offsetting effects, known as the "diversification effect" of holding a portfolio consisting of different assets, since different assets revalue in different directions or in different magnitudes in response to marketplace changes. We have not taken diversification into account in our risk estimates due to the generalized assumptions of a sensitivity analysis. The actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, routine daily business activity entails a certain amount of change in a portfolio's composition as bonds mature or as we buy or sell investment assets. As a result, the actual sensitivity of our portfolio will vary at any particular point in time, and the risk of loss from interest rate, foreign exchange rate or other risks cannot be eliminated.

In addition, our sensitivity analysis is an estimate based on a fixed point in the past. Nearly all of our assets and liabilities are subject to market risk from fluctuating equity prices, interest rates and foreign exchange rates. These fluctuations cannot be foreseen and could occur very suddenly. The quantitative risk measures provided by the sensitivity analysis are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters, which, though reasonably possible, may differ considerably from actual losses experienced in the future.

Value-at-Risk

Beginning in 2007, we have used the 5-day market price value-at-risk, or VaR, technique to estimate our risk exposures for listed equity securities and equity investment funds. VaR is the potential loss in value of trading positions due to adverse market movements over a defined time horizon with a specified confidence level. We use 5 days as the holding period upon the assumption that not all investments can be sold in one day. Our VaR calculation is made based on normal market conditions and seeks to measure the estimated impact on equity for listed equity securities and equity investment funds with 5-day reasonable market fluctuations and with a 95% confidence interval. As of 31 December 2007, 31 December 2008 and 30 June 2009, our estimated impact on equity for listed equity securities and equity investment funds, using the VaR technique and the assumptions above, was RMB4.12 billion, RMB1.19 billion and RMB2.28 billion, respectively.

While management believes that the assumptions used in our VaR technique are reasonable, there is no standard methodology for estimating VaR and different assumptions could produce materially different VaR estimates. Furthermore, given its reliance on historical data, VaR may be more effective in estimating risk exposures in markets in which there are no sudden fundamental changes or shifts in market conditions. An inherent limitation of VaR is that the distribution of past changes in market risk factors may not produce accurate predictions of future market risk. Moreover, VaR calculated for a 5-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within five days.

PROFIT FORECAST

The Directors believe that, on the bases set out in Appendix III — "Profit Forecast", and in the absence of unforeseen circumstances, our consolidated net profit attributable to equity holders of the Company determined in accordance with current HKFRS accounting policies for the year ending 31 December 2009 is unlikely to be less than RMB6,510 million. The profit forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2009, the unaudited consolidated results of the Group for the three months ended 30 September 2009 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2009. The Directors are currently unaware of any extraordinary items which have arisen or are likely to arise in respect of the year ending 31 December 2009 that would affect the forecast financial information presented. However, our reported net profits for the year ending 31 December 2009 to be included in our annual report for the year ending 31 December 2009 may differ materially from the profit forecast if Interpretation No. 2 and the CIRC Notice are implemented. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

On a pro-forma fully diluted basis and on the assumption that a total of 8,483,000,000 Shares were issued and outstanding throughout the year ending 31 December 2009, the estimated earnings per H Share for the year ending 31 December 2009 is RMB0.77, representing a price/earnings multiple of 30.8 times and 34.6 times if the Offer Price is HK$26.80 per Offer Share and HK$30.10 per Offer Share, respectively.

To the extent detailed guidance for the implementation of Interpretation No. 2 and the CIRC Notice is issued and applicable to our financial statements for the year ending 31 December 2009, we will disclose in our annual report for the year ending 31 December 2009: (i) our net profit for the year ending 31 December 2009, derived using the same accounting policies as those under which our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared; and (ii) a reconciliation of such net profit to our reported net profit for the year ending 31 December 2009 derived using the accounting policies that reflect the implementation of Interpretation No. 2 and the CIRC Notice, in each case of (i) and (ii) with such financial information audited or reviewed by our auditors.

DIVIDEND POLICY

The payment of any dividend by us must be approved by our shareholders in a shareholders' meeting. While our Board intends to recommend the declaration of cash dividends to the shareholders in general meeting, the decision to make a recommendation for the payment of any dividend and the amount of the dividend will depend on:

- our results of operations and cash flows;
- our financial position;
- statutory solvency requirements under CIRC rules;
- general business conditions;
- our future prospects;
- statutory and regulatory restrictions on the payment of dividends by us; and
- other factors that our Board deems relevant.

Our Board will declare dividends, if any, in Renminbi with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to shareholders' approval. Under the PRC Company Law and our Articles of Association, all of our shareholders have equal rights to dividends and distributions. Holders of the H Shares will share proportionately on a per Share basis in all dividends and other distributions declared by our Board.

In accordance with applicable requirements of the PRC Company Law, we may only distribute dividends after we have made allowance for:

- recovery of losses, if any;
- allocation to the statutory revenue reserve fund; and
- allocation to a discretionary revenue reserve fund if approved by our shareholders and after allocation is made to the statutory revenue reserve fund.

The allocations to the statutory funds are currently 10% of our net profit determined in accordance with PRC GAAP. Under the applicable CIRC regulations, we may also be required to make allowance for allocation to total reserves. Under the applicable PRC laws, our distributable earnings will be equal to our net profit, as determined in accordance with PRC GAAP or HKFRS, whichever is lower, less allocations to the statutory and discretionary funds.

We declared and paid cash dividends of RMB0.30 per Share, or RMB2.31 billion in the aggregate, with respect to each of the years ended 31 December 2007 and 2008.

DISTRIBUTABLE RESERVES

The calculation of distributable profits for an insurance company under PRC GAAP differs in a few respects from the calculation under HKFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under HKFRS, or vice versa. Payment of dividends by us is also regulated by the relevant PRC insurance laws and regulations.

Pursuant to our Articles of Association, following the listing of our H Shares on the Hong Kong Stock Exchange, the amount of our retained profits available for distribution shall be the lower of the amount determined under PRC GAAP and that determined under HKFRS. As of 30 June 2009, our distributable reserves determined on this basis were RMB5,276 million.

In addition, the CIRC has the discretionary authority to prohibit any insurance company that has a solvency margin ratio of below 100% from paying dividends and other forms of distributions. The CIRC may also take supervisory measures against an insurance company with a solvency margin ratio of between 100% and 150%, which may affect the insurance company's ability to pay dividends or other forms of distributions. See "Supervision and Regulation — Insurance Business — Solvency Margin".

INDEBTEDNESS

As of 30 June 2009, our indebtedness included RMB2,226 million of callable subordinated bonds issued by CPIC Life in June 2006. These subordinated bonds are 10-year fixed rate subordinated bonds maturing in 2016, bearing a coupon rate of 3.75% per annum. CPIC Life has the option to redeem all or part of the bonds at face value in June 2011. If CPIC Life does not exercise this option, the annual coupon rate will increase to 5.75% thereafter. In addition, as of 30 June 2009, we had securities sold under agreements to repurchase in the amount of RMB22,435 million.

Except as otherwise disclosed in this prospectus, we did not have as of 30 June 2009 any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

As of 31 October 2009, our indebtedness included RMB2,251 million of callable subordinated bonds issued by CPIC Life in June 2006. In addition, as of 31 October 2009, we had securities sold under agreements to repurchase in the amount of RMB7,200 million.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since 31 October 2009.

PROPERTY INTERESTS

Our property interests were valued at approximately RMB7,366 million, with RMB7,281 million attributable to the Company, as of 30 September 2009 by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. Details of our property interests are set out in the letter and valuation certificates of Jones Lang LaSalle Sallmanns Limited set forth in Appendix V to this prospectus.

The table below sets forth (i) the reconciliation of our property interests from our audited consolidated financial statements as of 30 June 2009 to the unaudited net book value of our property interests as of 30 September 2009; and (ii) the reconciliation of the unaudited net book value of our property interests and the valuation of such property interests as of 30 September 2009.

	RMB in millions
Net book value of our property interests as of 30 June 2009	4,627
Land and buildings	4,627
Movements for the three months ended 30 September 2009	6
Additions	33
Depreciation	(27)
Disposals	—
Net book value as of 30 September 2009	4,633
Valuation surplus as of 30 September 2009	2,733
Valuation as of 30 September 2009 as set forth in Appendix V to this prospectus	7,366

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

MAJOR CUSTOMERS

None of our customers, nor our top five major customers combined, accounted for 30% or more of our gross written premiums, policy fees and deposits from our insurance businesses in 2006, 2007, 2008 or the six months ended 30 June 2009.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the estimated net proceeds of the Global Offering (see the section headed "Use of Proceeds" in the section headed "Future Plans and Use of Proceeds from the Global Offering") and our internally generated funds, we have sufficient working capital to satisfy our requirements for the next 12 months following the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND GROUP EMBEDDED VALUE, ADJUSTED FOR ESTIMATED NET PROCEEDS FROM THE GLOBAL OFFERING

For illustrative purpose only, the pro forma financial information set forth below is intended to provide potential investors with further information to assess the financial position of CPIC Group after completion of the Global Offering. Because of its nature, this pro forma financial information may not give a true picture of CPIC Group's financial position.

The following statement of unaudited pro forma adjusted net tangible assets of CPIC Group is based on the audited consolidated net assets attributable to equity holders of the Company as of 30 June 2009, as shown in the Accountants' Report set forth in Appendix I to this prospectus and adjusted as follows:

	Audited consolidated net assets attributable to equity holders of the Company as of 30 June 2009	Intangible assets	Deferred acquisition costs(1)	Tax liabilities related to deferred acquisition costs(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
		(in millions of RMB, except per Share data)					(RMB)	(HK$)
Based on an Offer Price of HK$26.80 per Offer Share. . . .	64,044	342	22,320	5,581	17,835	64,798	7.64	8.67
Based on an Offer Price of HK$30.10 per Offer Share. . . .	64,044	342	22,320	5,581	20,054	67,017	7.90	8.97

(1) Deferred acquisition costs are regarded as an intangible asset as they are an identifiable non-monetary asset without physical substance. The deferred acquisition costs and their related deferred tax liabilities are excluded in the determination of net tangible assets.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined on the basis that 8,483,000,000 Shares are issued and outstanding, assuming the Global Offering had been completed on 30 June 2009 but not taking into account any Shares that may be issued upon the exercise of the H Share Over-Allotment Option.

(4) As at 30 September 2009, our properties were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set forth in Appendix V to this prospectus. The net revaluation surplus of those properties, representing the excess of market value of such properties over their carrying value, is approximately RMB2,733 million. In accordance with our accounting policies, such properties are stated at historical cost less accumulated depreciation and impairment. As such, the amount of such net revaluation surplus will not be included in our consolidated financial statements for the year ending 31 December 2009 nor the calculation of the above unaudited pro forma adjusted net tangible assets. Had these properties been stated at such valuation, an estimated additional depreciation charge of RMB110 million per annum would be incurred.

The following statement of group embedded value, adjusted for estimated net proceeds from the Global Offering, of CPIC Group is based on our group embedded value as of 30 June 2009 and adjusted as follows:

	Group embedded value of CPIC Group as of 30 June 2009(1)	Estimated net proceeds to us from the Global Offering(2)	Group embedded value, adjusted for estimated net proceeds from the Global Offering	Group embedded value per Share, adjusted for estimated net proceeds from the Global Offering(3)
	(in millions of RMB, except per Share data)			(RMB)
Based on an Offer Price of HK$26.80 per Offer Share	74,889	17,835	92,724	10.93
Based on an Offer Price of HK$30.10 per Offer Share	74,889	20,054	94,943	11.19

(1) Based on estimate of group embedded value of CPIC Group assuming a risk discount rate of 11.5%.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds to us from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting estimated underwriting fees and expenses payable by us in the Global Offering. To the extent the H Share Over-Allotment Option is exercised, the group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, will be increased, and earnings per Share will be diluted correspondingly.

(3) The group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 8,483,000,000 Shares will be in issue and the H Share Over-Allotment Option is not exercised.

BUSINESS INTERRUPTION

There was no interruption in our business that may have or have had a significant effect on our financial position in the 12 months prior to the date of this prospectus.

RELATED PARTY TRANSACTIONS

As of the Latest Practicable Date, the Directors were of the view that our related party transactions, as disclosed in the Accountants' Report set forth in Appendix I to this prospectus, will continue after the listing of our H Shares.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all due diligence work which the Directors consider appropriate, that there has been no material adverse change in our financial position or prospects since 30 June 2009.

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, as discussed below. As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. We have also disclosed the value of one year's sales in respect of our new life insurance business. Due to the technical complexity involved with these calculations, and the fact that these estimates will vary materially as key assumptions are changed, investors should read the following discussion in its entirety and the opinion and report of Towers Perrin, an independent firm of consulting actuaries, set forth in Appendix VI — "Consulting Actuaries' Report", use care in interpreting these values and seek advice of experts familiar with the interpretations of these values. See the sections headed "Forward-Looking Statements" and "Risk Factors — Risks Relating to Our Company — Our group embedded value and the value of one year's sales of CPIC Life are each calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed".

Our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared in accordance with HKFRS. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life insurance business of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under HKFRS, there is a lag time between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

To assess the total economic value of our life insurance business, a value of future sales of new life insurance business, which reflects our ability to produce new business, should be added to the embedded value. The value of future new business is often calculated by applying a multiplying factor to the value of one year's sales. The value of one year's sales is a measure of the economic value added by a life insurance company during the course of the year as a result of writing new business. Assumptions regarding, among others, the future new business growth, profit margin of future products, risk discount rate, and the number of years of new business are considered to derive the multiplying factor.

Towers Perrin, an independent firm of consulting actuaries, has prepared a review report on the estimates of our group embedded value as of 30 June 2009, and the value of one year's sales of CPIC Life in respect of our new life insurance business written for the 12 months ended 30 June 2009, on a range of assumptions. A copy of Towers Perrin's report is included in Appendix VI to this prospectus. This report does not constitute an audit opinion of the financial information used in the report.

In its review of the estimates of our group embedded value and the value of one year's sales of CPIC Life, Towers Perrin has relied on the data and information supplied by us, including advice as to unaudited and audited information as of or before 30 June 2009. Tower Perrin's report provides further information regarding its use of, and reliance on, the data and information supplied to it.

In Towers Perrin's review report, the value of in-force business of CPIC Life and the value of one year's sales in respect of our new life insurance business have been calculated using a valuation model under a range of assumptions given the particular uncertainties associated with the future investment environment and future business operations. You should carefully consider the range of values arising from the sensitivity analysis contained in Towers Perrin's report, which reflect the impact of different assumptions on these values. Moreover, the values presented in Towers Perrin's report do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one year's sales of CPIC Life necessarily make numerous assumptions with respect to industry performance, general business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. See the section headed "Risk Factors — Risks Relating to Our Company — Our group embedded value and the value of one year's sales of CPIC Life are each calculated based on a number of assumptions used in the calculations and may vary significantly as those assumptions are changed". Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment in the PRC market, material uncertainty exists with respect to asset valuations, a key component of embedded value.

FUTURE PLANS

See the sections headed "Business — Our Strategy", "Business — Life Insurance — Business Initiatives", "Business — Property and Casualty Insurance — Business Initiatives" and "Business — Asset Management and Investment Portfolio — Business Initiatives" for a detailed description of our future plans.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering ranging from (i) approximately HK$20,247 million (RMB17,835 million) (assuming an Offer Price of HK$26.80 per H Share, the low end of the estimated offer price range), to (ii) approximately HK$21,506 million (RMB18,945 million) (assuming an Offer Price of HK$28.45 per H Share, the midpoint of the estimated offer price range) and to (iii) approximately HK$22,766 million (RMB20,054 million) (assuming an Offer Price of HK$30.10 per H Share, the high end of the estimated offer price range), in each case, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering and assuming the H Share Over-Allotment Option is not exercised.

To the extent the H Share Over-Allotment Option is fully exercised, we estimate that we will receive additional net proceeds from the Global Offering ranging from (i) approximately HK$3,057 million (RMB2,693 million) (assuming an Offer Price of HK$26.80 per H Share, the low end of the estimated offer price range), to (ii) approximately HK$3,245 million (RMB2,859 million) (assuming an Offer Price of HK$28.45 per H Share, the midpoint of the estimated offer price range) and to (iii) approximately HK$3,433 million (RMB3,024 million) (assuming an Offer Price of HK$30.10 per H Share, the high end of the estimated offer price range), in each case, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

We intend to use these net proceeds for strengthening our capital base, including, among other things, funding the existing operations of our subsidiaries as well as the potential future expansion of these operations.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purpose, we intend to invest the net proceeds in accordance with relevant laws and regulations and our investment policy. See the section headed "Business — Asset Management and Investment Portfolio" for more information about our investment policy. Before we obtain necessary approvals from relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi.

The net proceeds from the Global Offering received by us in US dollars and Hong Kong dollars will be accounted for in our financial statements at the exchange rate published by the PBOC in effect at the time the net proceeds are received.

The net proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering are estimated to be approximately HK$2,172 million, assuming the H Share Over-Allotment Option is not exercised, or approximately HK$2,496 million, assuming the H Share Over-Allotment Option is exercised in full, in each case after deducting the underwriting fees payable by the Selling Shareholders in the Global Offering and assuming an Offer Price of HK$28.45 per Offer Share, the midpoint of the estimated Offer Price range. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders. In accordance with the relevant PRC laws and regulations, the net proceeds received by the Selling Shareholders from the sale of the Sale Shares will be remitted to the NSSF Council.

In the event there is to be a material modification to the use of proceeds as described above, we will issue an announcement of the change.

HONG KONG UNDERWRITERS

Joint Lead Managers

UBS AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.

Co-Lead Managers

BOCOM International Securities Limited
Hai Tong Securities (HK) Brokerage Limited
Shenyin Wanguo Capital (H.K.) Limited
Guotai Junan Securities (Hong Kong) Limited

Co-Managers

OSK Securities Hong Kong Limited
KGI Capital Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 43,065,200 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional.

One of the conditions is that the Offer Price must be agreed between us and the Joint Bookrunners, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Purchasers. If, for any reason, the Offer Price is not agreed between us and the Joint Bookrunners, on behalf of the Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date,

(i) there develops, occurs, exists or comes into force:

(A) any change or development involving a prospective change or development, or any event or series of events likely to result in or represent a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, fiscal, currency, regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currencies) in or affecting Hong Kong, the PRC, the United States, Japan, the United Kingdom, France and Germany (the "Relevant Jurisdictions"); or

(B) any new law or regulation or any change or development involving a prospective change in existing law or regulations, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(C) any event or series of events in the nature of force majeure affecting any of the Relevant Jurisdictions (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, windstorm, snowstorm, earthquake, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, avian flu and H5N1 and such related/mutated forms, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war has been declared) or any other state of emergency, calamity or crisis); or

(D) (1) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the London Stock Exchange or (2) a general moratorium on commercial banking activities in the Relevant Jurisdictions, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or

(E) any suspension of trading of the A Shares of the Company on the Shanghai Stock Exchange as a result of the breach of the applicable Laws; or

(F) any change or development involving a prospective change in taxation or exchange controls adversely affecting any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(G) any adverse change or prospective adverse change in the business or in the financial or trading position of the Company or the Group taken as a whole; or

(H) the chairman or chief executive officer of the Company vacating his or her office in circumstances where the operations of the Group may be materially and adversely affected; the commencement by any governmental, regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action;

which, individually or in the aggregate, in any such case in the absolute opinion of the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters):

(a) is or is likely to be materially adverse to, or materially and prejudicially affect, the business or financial or trading position or prospects of the Group taken as a whole; or

(b) has or might have or is likely to have a material adverse effect on the success of the Global Offering or makes or will make it impracticable or incapable for any material part of this Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented in accordance with their terms; or

(c) makes or will or is likely to make it inadvisable or impracticable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(ii) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(A) that any of the warranties given by the Company in the Hong Kong Underwriting Agreement is (or would if repeated at the time of the above notice be) untrue, inaccurate, misleading or breached in a respect which has a material adverse effect on the Global Offering; or

(B) any event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement; or

(C) any material breach on the part of the Company of any of the provisions of the Hong Kong Underwriting Agreement.

Undertakings

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the H Share Over-Allotment Option, no further shares or securities convertible into securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

We have also undertaken to the Sole Global Coordinator, the Joint Sponsors and the Hong Kong Underwriters (and is expected to undertake to the International Purchasers) that, except pursuant to the Global Offering (including pursuant to the H Share Over-Allotment Option), at any time from the date of the Hong Kong Underwriting Agreement until the expiry of 180 days from the Listing Date, we will not, without the Joint Lead Managers' prior written consent and unless in compliance with the requirements of the Hong Kong Listing Rules:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, mortgage, assign, contract to allot, issue or sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise; or

(iii) offer to or agree to do any of the foregoing or any intention to do so,

whether any of the foregoing transactions described in (i) or (ii) is to be settled by delivery of share capital or such other securities, in cash or otherwise, or publicly disclose that we will or may enter into any transaction described above.

In the event of an issue or a disposal as described in (i) or (ii) above of any H Shares or any interest therein or any of our Company's securities within six months after the date falling 180 days after the date on which dealings of the H Shares on the Hong Kong Stock Exchange commence, we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for the H Shares or our other securities.

The International Offering

In connection with the International Offering, it is expected that our Company and the Selling Shareholders, among others, will enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, the International Purchasers will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company and the Selling Shareholders are expected to grant to the International Purchasers the H Share Over-Allotment Option, exercisable by the Joint Bookrunners on behalf of the International Purchasers at any time from the date of the International Purchase Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot and the Selling Shareholders to sell up to an aggregate of 128,700,000 additional Offer Shares representing approximately 14.9% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

Total Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Bookrunners and the relevant International Purchasers (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK$28.45 per H Share (being the mid-point of the indicative offer price range of HK$26.80 to HK$30.10 per H Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "Commissions and Fees") are estimated to be approximately HK$770 million (assuming the H Share Over-Allotment Option is not exercised) in total. The Selling Shareholders will pay the underwriting commissions, SFC transaction levy and Hong Kong Stock Exchange trading fee in respect of the Sale Shares.

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in CPIC Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of CPIC Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

H Share Over-Allotment and Stabilization

Details of the arrangements relating to the Over-Allotment Option and stabilization are set forth in the sections headed "Structure of the Global Offering — H Share Over-Allotment Option" and "Information About This Prospectus and the Global Offering — Stabilization".

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 43,065,200 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 818,234,800 Offer Shares (subject to adjustment as mentioned below) outside the United States and Canada (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A.

UBS is the Sole Global Coordinator and UBS, Credit Suisse, CICC HKS and Goldman Sachs are the Joint Bookrunners for the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 10.15% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the H Share Over-Allotment Option. If the H Share Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 11.51% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the H Share Over-Allotment Option as set out in the paragraph headed "H Share Over-Allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 43,065,200 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.51% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the H Share Over-Allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 21,532,600 Offer Shares for pool A and 21,532,600 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 21,532,600 Offer Shares are liable to be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-applications, the Joint Bookrunners, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 64,597,600 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 86,130,000 H Shares, representing 10% of the Offer Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 172,260,000 H Shares, representing 20% of the Offer Shares initially available under the

Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate. In addition, the Joint Bookrunners may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$30.10 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing of the Global Offering" below, is less than the maximum price of HK$30.10 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 739,934,800 Offer Shares to be offered by us and 78,300,000 Sale Shares to be offered by the Selling Shareholders.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

H Share Over-Allotment Option

In connection with the Global Offering, we and the Selling Shareholders are expected to grant an H Share Over-Allotment Option to the International Purchasers exercisable by the Joint Bookrunners on behalf of the International Purchasers.

Pursuant to the H Share Over-Allotment Option, the Joint Bookrunners have the right, exercisable at any time from the date of the International Purchase Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 117,000,000 additional Offer Shares and the Selling Shareholders to sell up to 11,700,000 additional Sale Shares, representing approximately 14.9% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the H Share Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.5% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the H Share Over-Allotment Option. In the event that the H Share Over-Allotment Option is exercised, a press announcement will be made.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 78,300,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an additional 11,700,000 Sale Shares if the H Share Over-Allotment Option is exercised in full.

The sale of the Sale Shares by the Selling Shareholders in connection with the Global Offering has been approved by a shareholders' meeting of the Company. Pursuant to a letter issued by the NSSF Council (Shebaojijingu [2009] No. 17) on 16 October 2009, all the net proceeds from the sale of the Sale Shares currently registered under the names of the Selling Shareholders in the Global Offering will be remitted to the NSSF Council in accordance with the relevant PRC laws and regulations.

PRICING OF THE GLOBAL OFFERING

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 16 December 2009, and in any event on or before Tuesday, 22 December 2009, by agreement between the Joint Bookrunners (on behalf of the Underwriters) and the Company (on behalf of ourselves and the Selling Shareholders) and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$30.10 per H Share and is expected to be not less than HK$26.80 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Furthermore, the Offer Price will not be lower than RMB23.52 (or HK$26.70, based on the PBOC Rate of HK$1.00 = RMB0.8809 prevailing on 2 December 2009), the volume-weighted average trading price of our A Shares for the twenty trading days immediately preceding 17 July 2009, the date on which we publicly announced the resolutions of our Board approving the Global Offering plan, taking into account the exchange rate differences between Hong Kong dollars and Renminbi. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post and the Hong Kong Economic Times notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Bookrunners, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending 31 December 2009 and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Bookrunners, will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Bookrunners may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the H Share Over-Allotment Option is not exercised) are estimated to be approximately HK$20,247 million, assuming an Offer Price per H Share of HK$26.80, or approximately HK$22,766 million, assuming an Offer Price per H Share of HK$30.10 (or if the H Share Over-Allotment Option is exercised in full, approximately HK$23,304 million, assuming an Offer Price per H Share of HK$26.80, or approximately HK$26,199 million, assuming an Offer Price per H Share of HK$30.10).

The Offer Price for H Shares under the Global Offering is expected to be announced on Thursday, 17 December 2009 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, 22 December 2009 in South China Morning Post and the Hong Kong Economic Times.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Purchase Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Purchase Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting".

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 23 December 2009, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Wednesday, 23 December 2009. Our H Shares will be traded in board lots of 200 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the H Share Over-Allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company (on behalf of ourselves and the Selling Shareholders) and the Joint Bookrunners (on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post and the Hong Kong Economic Times on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 22 December 2009 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 23 December 2009 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Grounds for Termination" has not been exercised.

A SHARE OFFERING

We conducted a public offering of 1 billion of our A Shares in the PRC in December 2007.

Our A Shares have been listed and traded on the Shanghai Stock Exchange starting on 25 December 2007 and may only be held by legal or natural persons or other entities in the PRC, qualified foreign institutional investors or foreign strategic investors, subject to applicable PRC laws and regulations. Our A Shares and H Shares will rank *pari passu* with each other in all material respects other than the exceptions described in the section headed "Share Capital". Dividends on our A Shares will be paid in Renminbi. Our H Shares and A Shares will be neither interchangeable nor fungible. See the section headed "Share Capital".

In connection with our A Share Offering, we were required to make certain announcements in the PRC in accordance with applicable PRC laws and regulations. Furthermore, following the listing of our A Shares on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC and, as a result, may publicly release information relating to us in the PRC from time to time. However, such information and the prospectus for the A Share Offering do not and will not form part of this prospectus. You should rely solely on the information contained in this prospectus and the related application forms in Hong Kong in making your investment decision regarding our H Shares. See the section headed "Risk Factors — Risks Relating to the Global Offering — We strongly caution you not to place any reliance on any information contained in press articles or other media coverage regarding us, our Global Offering or our A Shares or information released by us in connection with the Listing of our A Shares on the Shanghai Stock Exchange".

Since the listing of our A Shares on the Shanghai Stock Exchange, we have been required to publish quarterly results of operations in the PRC prepared in accordance with PRC GAAP. Upon listing of our H Shares on the Hong Kong Stock Exchange, we will also disclose these quarterly results prepared under PRC GAAP in Hong Kong in accordance with Rule 13.09(2) of the Hong Kong Listing Rules.

A SHARE MARKET PERFORMANCE

Our A Shares are denominated in RMB. There is no trading or settlement between the A Shares on the Shanghai Stock Exchange and the H Shares on the Hong Kong Stock Exchange, and the market prices of our A Shares and H Shares may be different.

The offering price for our A Shares in the A Share Offering was RMB30 per A Share and the amount of commissions and fees paid in connection with the A Share Offering was approximately RMB930 million. The following table sets forth, for the periods indicated, the high and low closing prices and the average daily trading volume activity for our A Shares on the Shanghai Stock Exchange, as well as the high and low closing values of the SSE Composite Index:

	Price per A Share[1]		Average daily trading volume	SSE composite index	
	High	Low		High	Low
	RMB	RMB	(in millions of shares)		
2007					
Fourth Quarter (from 25 December)	50.31	48.17	140.94	5,308.89	5,201.18
2008					
First Quarter	49.19	25.89	22.58	5,497.90	3,411.49
Second Quarter	29.27	18.20	20.00	3,761.01	2,736.10
Third Quarter	21.24	13.47	12.76	2,920.55	1,895.84
Fourth Quarter	15.61	10.48	25.54	2,173.74	1,706.70
2009					
January	14.41	11.86	54.25	2,004.95	1,863.37
February	16.44	13.40	35.76	2,389.39	2,011.68
March	16.78	13.08	43.61	2,374.44	2,071.43
First Quarter	16.78	11.86	43.46	2,389.39	1,863.37
April	19.11	16.39	37.45	2,557.46	2,347.39
May	18.67	16.90	26.21	2,676.68	2,559.91
June	22.48	18.07	43.08	2,975.31	2,721.28
Second Quarter	22.48	16.39	36.33	2,975.31	2,347.39
July	29.06	23.51	38.08	3,438.37	3,008.15
August	27.58	19.61	48.24	3,471.44	2,667.75
September	22.56	19.01	41.70	3,060.26	2,683.72
Third Quarter	29.06	19.01	42.43	3,471.44	2,667.75
October	26.00	23.60	30.45	3,109.57	2,894.48
November	26.98	23.84	28.43	3,338.66	3,076.65
December (through 2 December)	25.18	24.65	25.28	3,269.75	3,235.36

Source: Bloomberg.

(1) We paid cash dividends of RMB0.30 per A Share, in 2008 and 2009, with respect to each of the years ended 31 December 2007 and 2008, respectively.

I. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the White Form eIPO Service Provider, **www.eipo.com.hk**, referred herein as the **"White Form eIPO service"**; or (iii) by giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO service** or by giving **electronic application instructions** to HKSCC.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Lead Managers (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Lead Managers or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, or Directors, Supervisors or chief executives of our Company or any of our subsidiaries, or their respective associates (as defined in the Hong Kong Listing Rules) or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company or our subsidiaries.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which Application Form to use

(a) Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

(b) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares in our Company, the Directors, the Supervisors or chief executive of our Company or any of our subsidiaries, or their respective associates (as defined in the Hong Kong Listing Rules) or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company or our subsidiaries.

2. Where to collect the WHITE and YELLOW Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

any of the following addresses of the Hong Kong Underwriters:

UBS AG, Hong Kong Branch
52/F Two International Finance
Centre
8 Finance Street
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
45th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central
Hong Kong

Hai Tong Securities (HK) Brokerage Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road
Central
Hong Kong

Shenyin Wanguo Capital (H.K.) Limited
28/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road
Central
Hong Kong

OSK Securities Hong Kong Limited
12/F, World-wide House
19 Des Voeux Road
Central
Hong Kong

KGI Capital Asia Limited
41/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

or any of the following branches of:

	Branch Name	Address
Bank of China (Hong Kong) Limited		
Hong Kong Island:	Central District (Wing On House) Branch	71 Des Voeux Road Central
	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
Kowloon:	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei
	Mong Kok Branch	589 Nathan Road, Mong Kok
New Territories:	Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Shatin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long
Industrial and Commercial Bank of China (Asia) Limited		
Hong Kong Island:	Central Branch	1/F., 9 Queen's Road Central
	Wan Chai Road Branch	G/F, 103-103A Wan Chai Road

	Branch Name	Address
Kowloon:	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
	Ngau Tau Kok Branch	Shop Nos. G211-214, G/F., Phase II, Amoy Plaza, 77 Ngau Tau Kok Road
	Kwun Tong Branch	G/F., Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong
New Territories:	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

Bank of Communications Co., Ltd. Hong Kong Branch

Hong Kong Island:	Central District Sub-Branch	G/F., Far East Consortium Bldg, 125A Des Voeux Road C., Central
	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F, 981 C, King's Road, Quarry Bay
	Chaiwan Sub-Branch	G/F 121-121A Wan Tsui Road, Chaiwan
Kowloon:	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories:	Tsuen Wan Sub-Branch	G/F, Shop G10-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O

The Bank of East Asia, Limited

Hong Kong Island:	Main Branch	10 Des Voeux Road Central, HK
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road
Kowloon:	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road
	Mongkok North Branch	G/F, Kalok Building, 720 - 722 Nathan Road, Mongkok
New Territories:	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza
	Tuen Mun Town Plaza Branch	Shop Nos. 2 - 10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 10 December 2009 till 12:00 noon on Tuesday, 15 December 2009 from:

(i) the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to Complete the WHITE and YELLOW Application Forms

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the **WHITE** or **YELLOW** Application Form, among other things:

(i) you agree with our Company and each of our Shareholders, and our Company agrees with each of our Shareholders, to observe and comply with PRC Company Law, the Hong Kong Companies Ordinance, the Special Regulations and the Articles of Association;

(ii) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(iii) you agree that none of our Company, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

(iv) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor otherwise participated in the International Offering; and

(v) you agree to disclose to our Company, and/or our H Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Forms to be valid:

You, as an applicant, must complete the application form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card Number of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Joint Lead Managers (or their respective agents or nominees) as our agents may accept it at our discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney. We and the Joint Lead Managers, in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

IV. APPLYING THROUGH WHITE FORM eIPO

General

(i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in "II. WHO CAN APPLY FOR HONG KONG OFFER SHARES" and on the same website. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.

(iii) If you give electronic application instructions through the designated website at www.eipo.com.hk, you will have authorized the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(iv) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(v) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our H Share Registrar.

(vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

(vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Tuesday, 15 December 2009, or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

(viii) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(ix) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares**.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per "CHINA PACIFIC INSURANCE (GROUP) CO., LTD." **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS.

Conditions of the White Form eIPO service

In using the White Form eIPO service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **Applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this prospectus and the White Form eIPO designated website at **www.eipo.com.hk** subject to the Articles of Association of our company;

- **Undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;

- **Declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instruction** to HKSCC or to the White Form eIPO Service Provider under the **White Form eIPO service**, to benefit the applicant or the person for whose benefit the applicant is applying;

- **Undertakes** and **confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, nor otherwise participate in the International Offering;

- **Understands** that this declaration and representation will be replied upon by our Company in deciding whether or not to make any allotment of Hong Kong Offer Shares in response to such application;

- **Authorizes** our Company to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates by ordinary post at the applicant's own risk to the address given on the White Form eIPO application except where the applicant has applied for 100,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) and/or e-Refund payment instructions and/or refund cheque(s) in person in accordance with the procedures prescribed in the White Form eIPO designated website at **www.eipo.com.hk** and this prospectus;

- **Authorizes** the Company to despatch e-Refund payment instructions to the applicant's application payment bank account if the applicant has completed payment of the **White Form eIPO** application monies from a single bank account; or authorises the Company to issue and despatch refund cheque(s) to the address given on the **White Form eIPO** application if the applicant has completed payment of the application monies from multi-bank accounts;

- **Has read** the terms and conditions and application procedures set out on the **White Form eIPO** designated website at **www.eipo.com.hk** and this prospectus and agrees to be bound by them.

- **Represents, warrants** and **undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-U.S. person(s) outside the United States (as defined in Regulation S under the U.S. Securities Act), when completing and submitting this Application Form or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act or the allotment of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require the

Company to comply with any requirements under any law or regulation (whether nor not having the force of law) of any territory outside Hong Kong; and

- **Agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorise our Company, the Joint Lead Managers as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**.
- confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that our Company, the Joint Sponsors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are not liable for any information and representations not contained in this prospectus and any supplement thereto;
- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) warrant reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit the application as that other person's agent;
- undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken

up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offering;

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agree to disclose to our Company, and/or the H Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- agree with our Company and each Shareholder, and our Company agrees with each of its shareholders, to observe and comply with the Hong Kong Companies Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- agree with our Company and each shareholder of our Company that the H Shares in our Company are freely transferable by the holders thereof;
- authorize our Company to enter into a contract on your behalf with each of our Directors, Supervisors, managers and officers whereby each such person undertakes to observe and comply with his or her obligations to shareholders as stipulated in the Articles of Association;
- represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);
- represent and warrant that you understand that the H Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk** and agree to be bound by them;
- undertake and agree to accept the H Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**.

The Company, the Joint Lead Managers, the Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of attorney

If your application is made by a duly authorised attorney, our Company or the Joint Lead Managers, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any other reasons set out below in "Dispatch/Collection of Share Certificates and Refund Monies" will be refunded in accordance with that section.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or **through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time)**.

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our registrar.

Giving Electronic application instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
- undertakes and confirms that that person has not indicated an interest for, applied for or taken up or indicated an interest for, any H Shares under the International Offering nor otherwise participated in the International Offering;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, our directors and the Joint Lead Managers in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on our register of members as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send H Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;
- agrees that our Company, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are not liable for any information and representations not contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company, our H Share Registrar, receiving bankers, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and/or their respective agents and any information which they may require about you or that person(s) for whose benefit you have made this application;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before 9 January 2010, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before 15 December 2009, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before 9 January 2010 if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with PRC Company Law, the Special Regulations, the Hong Kong Companies Ordinance and the Articles of Association;
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- agrees with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agrees with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H Shares in the Company are freely transferable by their holders; and
- authorizes the Company to enter into a contract on its behalf with each Director, Supervisor, manager and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 200 Hong Kong Offer Shares. Such instructions in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the WHITE and YELLOW Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 10 December 2009 — 9:00 a.m. to 8:30 p.m.(1)

Friday, 11 December 2009 — 8:00 a.m. to 8:30 p.m.(1)

Saturday, 12 December 2009 — 8:00 a.m. to 1:00 p.m.(1)

Monday, 14 December 2009 — 8:00 a.m. to 8:30 p.m.(1)

Tuesday, 15 December 2009 — 8:00 a.m.(1) to 12:00 noon

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(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 am. on Thursday, 10 December 2009 until 12:00 noon on Tuesday, 15 December 2009 (24 hours daily, except the last application day).

Effect of Bad Weather on the Opening of the Application Lists

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 15 December 2009, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 15 December 2009, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance).

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us and our H Share Registrar, Computershare Hong Kong Investor Services Limited, about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions,** they should either: (I) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 15 December 2009.

VI. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a **nominee**, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** and **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through White Form eIPO service; or

- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated White Form eIPO Service Provider through **White Form eIPO** service and that you are duly authorized to sign the Application Form or give **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated White Form eIPO Service Provider through **White Form eIPO** service; or

- apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or the designated White Form eIPO Service Provider through **White Form eIPO** service; or

- apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the designated White Form eIPO Service Provider through **White Form eIPO** service for more than 21,532,600 H Shares, being approximately 50% of the H Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK$30.10 per H Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for every board lot of 200 H Shares you will pay approximately HK$6,080.74. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for multiples of H Shares up to 21,532,600 H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this prospectus (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange (or the Hong Kong Stock Exchange, as the case may be), the SFC transaction levy and Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

VIII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of dispatch of e-Refund payment instructions/ refund cheques will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$30.10 per H Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies, will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the paragraph headed "Dispatch/Collection of Share Certificates and Refund Monies".

In a contingency situation involving a substantial over-subscription, at the discretion of our company and the Joint Lead Managers, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 22 December 2009 in accordance with the various arrangements as described in this section.

IX. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 15 December 2009, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited, Industrial and Commercial Bank of China (Asia) Limited, Bank of Communications Co., Ltd. Hong Kong Branch and The Bank of East Asia, Limited listed under the section headed "Where to collect the WHITE and YELLOW Application Forms" above at the following times:

Thursday, 10 December 2009 — 9:00 a.m. to 5:00 p.m.

Friday, 11 December 2009 — 9:00 a.m. to 5:00 p.m.

Saturday, 12 December 2009 — 9:00 a.m. to 1:00 p.m.

Monday, 14 December 2009 — 9:00 a.m. to 5:00 p.m.

Tuesday, 15 December 2009 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 15 December 2009.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until the closing of the application lists. No allotment of any of the Hong Kong Offer Shares will be made before Tuesday, 15 December 2009.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Thursday, 10 December 2009 until

11:30 a.m. on Tuesday, 15 December 2009 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 15 December 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

X. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 15 December 2009. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

XI. PUBLICATION OF RESULTS

We expect to announce the results of applications in the Hong Kong Public Offering, including the indication of levels of interest in the International Offering, levels in the applications of the Hong Kong Public Offer and the basis of allotment of the Public Offer Shares on Tuesday, 22 December 2009 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).

The Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Tuesday, 22 December 2009 to 12:00 midnight on Monday, 28 December 2009. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;

- Results of allocations for the Hong Kong Public Offering can be found in our Announcement and will be posted on the Company's website at **www.cpic.com.cn** and on the website of the Hong Kong Stock Exchange at **www.hkex.com.hk** on Tuesday, 22 December 2009.

- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862-8669** between 9:00 am. and 10:00 p.m. from Tuesday, 22 December 2009 to Friday, 25 December 2009; and

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, 22 December 2009 to Thursday, 24 December 2009 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "— Where to Collect the WHITE and YELLOW Application Forms".

XII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or through the designated website of the White Form eIPO Service Provider), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

  By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the designated White Form eIPO Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf cannot be revoked on or before 9 January 2010. This agreement will take effect as a collateral contract with our company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before 15 December 2009 except by means of one of the procedures referred to in this prospectus.

  Your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf may only be revoked on or before 9 January 2010 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

  If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

  If your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- **Full discretion of our Company, the Joint Lead Managers or the designated White Form eIPO Service Provider (where applicable) or its or their respective agents and nominees to reject or accept your application:**

  Our company, the Joint Lead Managers (as our agents) or the designated White Form eIPO Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

No reason has to be given for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

  The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

  - you make multiple applications or suspected multiple applications;
  - you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated white Form eIPO Service Provider through the **White Form eIPO Service**, you agree not to apply for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
  - your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**;
  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
  - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
  - either of the Hong Kong Underwriting Agreement or the International Purchase Agreement does not become unconditional;
  - either of the Hong Kong Underwriting Agreement or the International Purchase Agreement is terminated in accordance with its respective terms;
  - the Company or the Joint Lead Managers believe that by accepting your application, they would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed or signed; or
  - your application is for more than 21,532,600 H Shares, being the maximum number of the Hong Kong Offer Shares initially offered for public subscription in pool B.

XIII. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK$30.10 per H Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one H Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through **White Form eIPO** service:

   (i) H Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or

   (ii) H Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the H Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the offer price per Share initially paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFO transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per H Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and H Share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through **White Form eIPO** service are expected to be posted on or around Tuesday, 22 December 2009. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

H Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 23 December 2009 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" has not been exercised.

(a) If you apply using a WHITE Application Form:

If you apply for 100,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form respectively to collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) from the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and H Share certificate(s) (where applicable) from Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 December 2009 or such other date as notified by us in the newspapers as the date of collection/dispatch of e-Refund payment instructions/ refund cheques/ H Share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 100,000 Hong Kong Offer Shares or if you apply for 100,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 22 December 2009, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 100,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Tuesday, 22 December 2009, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in accordance with the details set out in "XI. Publication of Results". You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 December 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply through White Form eIPO

If you apply for 100,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your H Share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 22 December 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 100,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Tuesday, 22 December 2009 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Tuesday, 22 December.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Tuesday, 22 December, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in "IV. Applying Through **White Form eIPO** — Additional information".

(c) If you apply by giving electronic application instructions to HKSCC:

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Tuesday, 22 December 2009, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in accordance with the details set out in "XI. Publication of Results". You should check the results published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 22 December 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 22 December 2009. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SF0 transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 22 December 2009. No interest will be paid thereon.

XIV. COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares are expected to commence on Wednesday, 23 December 2009.

The H Shares will be traded in board lots of 200 H Shares each. The stock code of the H Shares is 02601.

XV. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

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10 December 2009

The Directors
China Pacific Insurance (Group) Co., Ltd.

UBS AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information of China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the financial years ended 31 December 2006, 2007 and 2008 and the six-month period ended 30 June 2009 (the "Relevant Periods") and the six-month period ended 30 June 2008 for inclusion in the prospectus of the Company dated 10 December 2009 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

The Company was established in Shanghai, the People's Republic of China (the "PRC" or "Mainland China") in May 1991, under the name of China Pacific Insurance Co., Ltd. Pursuant to approval by the China Insurance Regulatory Commission (the "CIRC") in 2001, the Company separated its insurance business into property and casualty insurance and life insurance and was restructured as an investment holding company in October 2001. Currently, the Group is principally engaged in various property and casualty and life insurance businesses.

The Company is the majority shareholder of China Pacific Property Insurance Co., Ltd. ("CPPIC") and China Pacific Life Insurance Co., Ltd. ("CPLIC"), two specialised insurance companies. In 2006, with the approval of CIRC, the Company and CPPIC established Pacific Asset Management Co., Ltd. ("PAMC") to handle the investment activities for the Group, where such functions were originally undertaken by the Company. The Company had also formed a joint venture named Pacific-Antai Life Insurance Co., Ltd. ("Pacific Antai") in 1998, in which the Company has a 50% equity interest. These companies operate in Mainland China of the PRC. The Company has a wholly-owned subsidiary, China Pacific Insurance Co., (H.K.) Ltd. ("CPIC HK"), which is incorporated in Hong Kong. Other subsidiaries are relatively insignificant.

In December 2007, the Company conducted an initial public offering of its domestic common shares ("A shares") in the Mainland China. The Company's A shares have been listed on the Shanghai Stock Exchange since 25 December 2007.

All companies now comprising the Group have adopted 31 December as their financial year end for financial reporting purposes.

The statutory consolidated financial statements of the Group for the year ended 31 December 2006 were prepared in accordance with the Accounting Standards for Business Enterprises, the Accounting System for Financial Institutions (2001 version) and other relevant regulations issued by the Ministry of Finance (the "MOF") of the PRC and CIRC (the "Previous PRC GAAP") and were audited by Ernst & Young Da Hua CPA Co., Ltd. ("安永大華會計師事務所有限責任公司") ("Ernst & Young Da Hua").

From 1 January 2007, at the direction of CIRC, the Group adopted the "Accounting Standards for Business Enterprises (2006 version)" issued by the MOF. For the purpose of the Company's initial public offering of domestic shares in December 2007, the Company prepared consolidated financial statements of the Group for each of the three financial years ended 31 December 2004, 2005 and 2006 and the six-month period ended 30 June 2007. The consolidated financial statements of the Group for the six-month period ended 30 June 2007 were prepared in accordance with the Accounting Standards for Business Enterprises (2006 version) and other relevant regulations issued by the MOF and CIRC (the "PRC GAAP"). The Group also adjusted its statutory consolidated financial statements for each of the years ended 31 December 2004, 2005 and 2006 in accordance with the Accounting Standards for Business Enterprises (2006 version) No. 38 "First time adoption of the Accounting Standards for Business Enterprises" and other relevant regulations issued by the MOF and China Securities Regulatory Commission (the "CSRC"). These statutory financial statements were audited by Ernst & Young Da Hua in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants.

The statutory consolidated financial statements of the Group for the year ended 31 December 2007 and 2008 were also prepared in accordance with PRC GAAP and were audited by Ernst & Young Da Hua and Ernst & Young Hua Ming ("安永華明會計師事務所"), respectively. The consolidated financial statements of the Group for the six-month period ended 30 June 2009, prepared in accordance with the PRC GAAP, were also audited by Ernst & Young Hua Ming.

The financial information set out in this report, including the consolidated income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group for the Relevant Periods and for the six-month period ended 30 June 2008 (unaudited), and the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009, together with the notes thereto (collectively referred to as the "Financial Information") have been prepared, based on the statutory financial statements as audited respectively by Ernst & Young Da Hua and Ernst & Young Hua Ming and the relevant management accounts of the Group, after making such adjustments as appropriate to comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company (the "directors") are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with HKFRSs. The directors of the respective companies of the Group are responsible for the preparation and the true and fair preparation of the respective audited financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion thereon.

Procedures performed in respect of the part of the Financial Information during the Relevant Periods

For the purpose of this report, we have carried out independent audit procedures in respect of the part of the Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

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.

Procedures performed in respect of the 30 June 2008 Financial Information

For the purpose of this report, we have also performed a review of the part of the Financial Information for the six-month period ended 30 June 2008 (the "30 June 2008 Financial Information") in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making inquires of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

Opinion in respect of the part of the Financial Information during the Relevant Periods

In our opinion, for the purpose of this report, the Financial Information during the Relevant Periods gives a true and fair view of the consolidated results and cash flows of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 and of the state of affairs of the Company and of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009 in accordance with HKFRSs.

Review conclusion in respect of the 30 June 2008 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 30 June 2008 Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 30 June 2008, in accordance with HKFRSs.

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

		Year ended 31 December			Six months ended 30 June	
Group	**Notes**	**2006**	**2007**	**2008**	**2008**	**2009**
					(unaudited)	
Gross written premiums and policy fees	5(a)	35,926	44,881	53,845	29,393	35,773
Less: Premiums ceded to reinsurers	5(b)	(6,394)	(6,762)	(8,435)	(4,690)	(5,538)
Net written premiums and policy fees	5	29,532	38,119	45,410	24,703	30,235
Net change in unearned premium reserves		(1,618)	(1,937)	(1,307)	(2,386)	(3,259)
Net premiums earned and policy fees		27,914	36,182	44,103	22,317	26,976
Investment income	6	9,534	27,230	8,110	14,452	8,878
Other operating income		284	535	816	344	165
Other income		9,818	27,765	8,926	14,796	9,043
Total income		37,732	63,947	53,029	37,113	36,019
Net policyholders' benefits and claims:						
Life insurance death and other benefits paid	7	(1,407)	(1,822)	(2,838)	(2,135)	(1,850)
Claims incurred	7	(7,800)	(10,568)	(13,943)	(7,041)	(7,361)
Changes in long-term traditional insurance contract liabilities	7	(10,362)	(17,409)	(10,093)	(9,645)	(9,512)
Interest credited to long-term investment type insurance contract liabilities	7	(2,660)	(3,511)	(4,748)	(2,322)	(2,413)
Policyholder dividends	7	(1,105)	(1,223)	(2,595)	(1,274)	(985)
Finance costs	8	(581)	(848)	(532)	(380)	(138)
Interest credited to investment contracts		(221)	(165)	(102)	(59)	(38)
Amortisation on deferred acquisition costs	28	(3,880)	(5,155)	(5,634)	(2,517)	(3,786)
Provision for insurance guarantee fund		(211)	(275)	(318)	(176)	(213)
Change in deferred revenue		240	(430)	(2,903)	(1,541)	(987)
Other operating and administrative expenses		(5,742)	(7,845)	(7,246)	(3,878)	(3,603)
Total benefits, claims and expenses		(33,729)	(49,251)	(50,952)	(30,968)	(30,886)
Share of profits/(losses) of:						
A jointly-controlled entity		5	70	(52)	(2)	26
Associates		(8)	—	—	—	—
Profit before tax	9	4,000	14,766	2,025	6,143	5,159
Income tax	14	(1,363)	(2,500)	1,161	55	(1,158)
Net profit for the year/period		2,637	12,266	3,186	6,198	4,001
Attributable to:						
Equity holders of the parent	15	2,019	11,238	3,086	6,082	3,937
Minority interests		618	1,028	100	116	64
		2,637	12,266	3,186	6,198	4,001
Basic earnings per share attributable to ordinary equity holders of the parent	16	RMB0.47	RMB1.82	RMB0.40	RMB0.79	RMB0.51

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2008	Six months ended 30 June 2008 (unaudited)	Six months ended 30 June 2009
Net profit for the year/period		2,637	12,266	3,186	6,198	4,001
Other comprehensive income						
Exchange differences on translation of foreign operations		(6)	(9)	(6)	(6)	(2)
Net gains/(losses) on available-for-sale financial assets		8,177	11,791	(20,680)	(28,805)	3,773
Shadow accounting adjustment		(730)	(3,373)	2,452	6,904	380
Income tax relating to components of other comprehensive income/(loss)		(2,429)	(1,483)	4,563	5,452	(1,038)
Other comprehensive income/(loss) for the year/period, net of tax	10	5,012	6,926	(13,671)	(16,455)	3,113
Total comprehensive income/(loss) for the year/period, net of tax		7,649	19,192	(10,485)	(10,257)	7,114
Attributable to:						
Equity holders of the parent		5,836	17,601	(10,292)	(10,073)	6,999
Minority interests		1,813	1,591	(193)	(184)	115
		7,649	19,192	(10,485)	(10,257)	7,114

CONSOLIDATED BALANCE SHEETS
(All amounts expressed in RMB million unless otherwise specified)

Group	Notes	As at 31 December 2006	2007	2008	As at 30 June 2009
ASSETS					
Property and equipment	17	3,928	4,546	6,596	6,913
Intangible assets	19	117	249	365	342
Prepaid land lease payments	20	222	217	213	210
Interests in associates	22	209	—	—	—
Investment in a jointly-controlled entity	23	322	367	391	417
Financial assets at fair value through profit or loss	24.1	4,758	2,463	1,166	416
Held-to-maturity financial assets	24.2	36,879	58,120	70,980	81,919
Available-for-sale financial assets	24.3	68,430	121,867	96,142	113,572
Investments classified as loans and receivables	24.4	7,726	13,923	16,532	22,346
Securities purchased under agreements to resell	25	1,744	5,500	60	—
Term deposits	26	53,855	59,262	82,756	91,061
Restricted statutory deposits		889	998	1,838	1,838
Policy loans		219	442	698	986
Interest receivables	27	2,134	3,393	4,979	6,857
Deferred acquisition costs	28	11,276	13,468	20,114	22,320
Reinsurance assets	29	7,247	8,395	9,627	11,082
Deferred income tax assets	30	79	6	763	705
Income tax receivable		1	408	508	—
Insurance receivables	31	3,177	3,711	4,303	5,017
Other assets	32	555	1,384	2,406	2,239
Cash and short-term time deposits	33	10,142	23,622	17,513	18,734
Total assets		213,909	322,341	337,950	386,974
EQUITY AND LIABILITIES					
Equity					
Issued capital	34	4,300	7,700	7,700	7,700
Reserves	35	8,369	51,538	38,264	41,326
Retained profits	35	1,815	12,706	13,391	15,018
Equity attributable to equity holders of the parent		14,484	71,944	59,355	64,044
Minority interests		3,080	712	671	728
Total equity		17,564	72,656	60,026	64,772
Liabilities					
Insurance contract liabilities	36	155,607	201,979	239,467	265,326
Investment contract liabilities	37	7,449	4,554	3,039	2,632
Subordinated debt	38	2,038	2,113	2,188	2,226
Securities sold under agreements to repurchase	39	3,120	11,788	7,020	22,435
Policyholders' deposits		11,315	6,913	576	94
Provisions	40	985	402	98	98
Deferred income tax liabilities	30	3,281	6,720	1,753	3,833
Income tax payable		194	64	8	57
Deferred revenue	41	3,711	4,018	9,469	9,812
Premium received in advance		1,288	2,149	2,788	1,264
Policyholder dividend payable		1,984	2,779	4,147	4,598
Payables to reinsurers		1,694	1,607	2,213	3,040
Other liabilities	42	3,679	4,599	5,158	6,787
Total liabilities		196,345	249,685	277,924	322,202
Total equity and liabilities		213,909	322,341	337,950	386,974

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All amounts expressed in RMB million unless otherwise specified)

	For the year ended 31 December 2006								
	Attributable to equity holders of the parent								
		Reserves							
Group	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
At 1 January 2006	4,300	5,713	415	(3)	328	(2,109)	8,644	1,272	9,916
Total comprehensive (loss)/income	—	—	—	(6)	3,823	2,019	5,836	1,813	7,649
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(5)	(5)
Accumulated losses offset by capital reserve (note 35(a))	—	(2,037)	—	—	—	2,037	—	—	—
Appropriations to surplus reserves	—	—	132	—	—	(132)	—	—	—
Others	—	4	—	—	—	—	4	—	4
At 31 December 2006	4,300	3,680	547	(9)	4,151	1,815	14,484	3,080	17,564

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
(All amounts expressed in RMB million unless otherwise specified)

	For the year ended 31 December 2007								
	Attributable to equity holders of the parent								
		Reserves							
Group	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 2007	4,300	3,680	547	(9)	4,151	1,815	14,484	3,080	17,564
Total comprehensive (loss)/income	—	—	—	(9)	6,372	11,238	17,601	1,591	19,192
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(66)	(66)
Issue of shares	3,400	35,874	—	—	—	—	39,274	—	39,274
Capital injection into subsidiaries	—	6	—	—	—	—	6	(6)	—
Purchase of minority interests	—	576	—	—	—	—	576	(3,887)	(3,311)
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	—	(1,620)	—	—	1,620	—	—	—	—
Appropriations to surplus reserves	—	—	347	—	—	(347)	—	—	—
Others	—	3	—	—	—	—	3	—	3
At 31 December 2007	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
(All amounts expressed in RMB million unless otherwise specified)

	For the year ended 31 December 2008								
	Attributable to equity holders of the parent								
		Reserves							
Group	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	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Total comprehensive (loss)/ income	—	—	—	(6)	(13,372)	3,086	(10,292)	(193)	(10,485)
Dividends declared[1]	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(60)	(60)
Capital injection into subsidiaries	—	13	—	—	—	—	13	212	225
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	—	9	—	—	(9)	—	—	—	—
Appropriations to surplus reserves	—	—	91	—	—	(91)	—	—	—
At 31 December 2008	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026

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).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
(All amounts expressed in RMB million unless otherwise specified)

	For the six months ended 30 June 2008 (unaudited)								
	Attributable to equity holders of the parent								
		Reserves							
Group	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	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Total comprehensive (loss)/income	—	—	—	(6)	(16,149)	6,082	(10,073)	(184)	(10,257)
Dividends declared[1]	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(60)	(60)
Capital injection into subsidiaries	—	10	—	—	—	—	10	126	136
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	—	9	—	—	(9)	—	—	—	—
At 30 June 2008	7,700	38,538	894	(24)	(4,015)	16,478	59,571	594	60,165

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).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)
(All amounts expressed in RMB million unless otherwise specified)

Group	For the six months ended 30 June 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	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026
Total comprehensive (loss)/income	—	—	—	(2)	3,064	3,937	6,999	115	7,114
Dividends declared[1]	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(58)	(58)
At 30 June 2009	7,700	38,541	985	(26)	1,826	15,018	64,044	728	64,772

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).

CONSOLIDATED CASH FLOW STATEMENTS
(All amounts expressed in RMB million unless otherwise specified)

		Year ended 31 December			Six months ended 30 June	
Group	Notes	2006	2007	2008	2008	2009
					(Unaudited)	
OPERATING ACTIVITIES						
Cash generated from operating activities	46	27,573	22,680	25,218	17,167	18,903
Income tax (paid)/refund		(32)	(1,010)	(162)	(138)	377
Net cash inflow from operating activities		27,541	21,670	25,056	17,029	19,280
INVESTING ACTIVITIES						
Purchases of property and equipment, intangible assets and other assets		(597)	(1,495)	(2,945)	(2,062)	(719)
Proceeds from sale of items of property and equipment, intangible assets and other assets		92	49	252	108	15
Purchases of investments, net		(25,271)	(57,728)	(42,214)	(23,928)	(35,509)
Disposal of an equity interest in an associate		22	—	—	—	—
Increase of investments in an associate/a jointly-controlled entity		(100)	(81)	(50)	—	—
Interest received		5,085	5,371	8,412	2,899	3,714
Dividends received from investments		794	5,713	7,171	6,993	485
Net cash outflow from investing activities		(19,975)	(48,171)	(29,374)	(15,990)	(32,014)
FINANCING ACTIVITIES						
Securities sold under agreements to repurchase, net		(6,401)	8,668	(4,768)	(10,022)	15,931
Capital contribution from minority shareholders of subsidiaries		—	—	225	136	—
Purchase of minority interests		—	(3,311)	—	—	—
Proceeds from issuance of shares		—	39,274	—	—	—
Proceeds from issuance of subordinated debt		2,000	—	—	—	—
Interest paid		(488)	(764)	(229)	(348)	(53)
Dividends paid		(5)	(57)	(2,359)	(1,905)	(1,982)
Net cash (outflow)/inflow from financing activities		(4,894)	43,810	(7,131)	(12,139)	13,896
Effects of exchange rate changes on cash and cash equivalents		(112)	(43)	(100)	(64)	(1)
Net increase/(decrease) in cash and cash equivalents		2,560	17,266	(11,549)	(11,164)	1,161
Cash and cash equivalents at beginning of year/period		9,296	11,856	29,122	29,122	17,573
Cash and cash equivalents at end of year/period		11,856	29,122	17,573	17,958	18,734
Analysis of balances of cash and cash equivalents						
Cash at banks and on hand	33	4,774	13,248	5,991	10,922	5,771
Time deposits with original maturity of no more than three months	33	4,930	2,044	10,997	2,397	12,387
Other monetary assets	33	438	8,330	525	4,180	576
Securities purchased under agreements to resell with original maturity of no more than three months		1,714	5,500	60	459	—
Cash and cash equivalents at end of year/period		11,856	29,122	17,573	17,958	18,734

BALANCE SHEETS
(All amounts expressed in RMB million unless otherwise specified)

Company

	Notes	As at 31 December 2006	2007	2008	As at 30 June 2009
ASSETS					
Property and equipment	17	331	285	1,925	2,246
Investment property	18	253	219	211	191
Intangible assets		6	6	38	33
Prepaid land lease payments	20	197	192	188	186
Investments in subsidiaries	21	7,643	13,874	30,581	30,581
Interests in associates	22	209	—	—	—
Investment in a jointly-controlled entity	23	350	350	400	400
Financial assets at fair value through profit or loss	24.1	94	39	33	32
Held-to-maturity financial assets	24.2	—	27	682	695
Available-for-sale financial assets	24.3	183	19,864	4,290	5,401
Investments classified as loans and receivables	24.4	700	704	1,876	1,199
Securities purchased under agreements to resell	25	—	5,500	—	—
Term deposits	26	121	4,578	6,566	6,527
Interest receivables		3	159	155	200
Deferred income tax assets		—	—	753	705
Income tax receivable		—	—	133	—
Other assets	32	101	1,920	938	938
Cash and short-term time deposits	33	1,805	16,071	2,538	3,654
Total assets		11,996	63,788	51,307	52,988
EQUITY AND LIABILITIES					
Equity					
Issued capital	34	4,300	7,700	7,700	7,700
Reserves	35	2,185	38,684	38,697	38,659
Retained profits	35	2,662	5,763	4,262	5,494
Total equity		9,147	52,147	50,659	51,853
Liabilities					
Provisions	40	305	87	94	94
Income tax payable		27	59	—	—
Deferred income tax liabilities		—	108	—	—
Due to subsidiaries		1,770	11,088	313	401
Other liabilities	42	747	299	241	640
Total liabilities		2,849	11,641	648	1,135
Total equity and liabilities		11,996	63,788	51,307	52,988

NOTES TO THE FINANCIAL INFORMATION
(All amounts expressed in RMB million unless otherwise specified)

1. CORPORATE INFORMATION

The Company was established on 13 May 1991 with a registered capital of RMB1,000 million under the name of China Pacific Insurance Co., Ltd., being the first joint stock commercial insurance company authorized to conduct composite insurance operations on a nationwide basis in the PRC. The Company's founding investors included Bank of Communications, together with some of its branches, and other entities, some of whom are no longer shareholders of the Company.

On 26 September 1995, the Company increased its registered capital to RMB2,006.39 million. On 24 October 2001, the Company was restructured as a joint stock limited company and was renamed as China Pacific Insurance (Group) Co., Ltd. On 31 December 2002, the Company increased its registered capital to RMB4,300 million. On 4 June 2007, the Company further increased its registered capital to RMB6,700 million through a private placement.

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.

The registered office of the Company is No. 190 Yincheng Zhong Road, Shanghai.

Particulars of the Company's subsidiaries as at 30 June 2009 are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company		Registered and paid-up capital (RMB unless otherwise stated, thousand)	Principal activities
		Direct	Indirect		
CPLIC	Shanghai	98.29	—	5,100,000	Life insurance
CPPIC	Shanghai	98.30	—	4,088,000	Property and casualty insurance
PAMC	Shanghai	80.00	19.66	500,000	Investment management
CPIC HK*	Hong Kong	100.00	—	HK$250,000	Property and casualty insurance
Shanghai Pacific Real Estate Co., Ltd.*	Shanghai	100.00	—	115,000	Management of properties
Fenghua Xikou Garden Hotel*	Zhejiang	—	98.29	8,000	Hotel operations
Jiaxing Taibao Insurance Agency Co., Ltd. ("Taibao")*	Zhejiang	—	78.63	500	Insurance agency

* The financial statements of these subsidiaries were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The principal changes to the structure of the Group during the Relevant Periods are as follows:

(a) In December 2005, Carlyle Asia Partners, L.P., through two investment entities controlled by it, Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited, entered into agreements with the Company and CPLIC to invest in CPLIC. Through the transaction, these two investment entities (collectively referred to as the "Foreign Investors") acquired 24.98% equity interest in CPLIC. Subsequently, on 30 April 2007, the Company completed a subsequent transaction with the Foreign Investors, pursuant to which the Foreign Investors acquired 19.90% equity interest in the Company and transferred their entire stake in CPLIC to the Company. Upon the completion of this transaction, the Company maintains a 97.50% equity interest in CPLIC. The 24.98% equity interest held by the Foreign Investors was accounted for as minority interests during the period from December 2005 to April 2007.

(b) In May 2007, with the approval of CIRC, the Company paid RMB2,002.26 million in cash to CPLIC to subscribe for 302 million additional shares in CPLIC. As a result, the Company increased its equity interest in CPLIC from 97.50% to 97.83%.

(c) In May 2007, with the approval of CIRC, the Company paid RMB700.92 million in cash to CPPIC to subscribe for 236 million additional shares in CPPIC. As a result, the Company increased its equity interest in CPPIC from 97.96% to 98.14%.

(d) In June 2006, the Company and CPPIC established PAMC with a registered capital of RMB200 million to handle the investment activities for the Group. Upon establishment, the Company and CPPIC held 90% and

10% equity interests in PAMC, respectively. Pursuant to approval by CIRC, the Company transferred 40% of its equity interests in PAMC to CPLIC in September 2007. In September 2007, the registered capital of PAMC was increased to RMB500 million by virtue of the Company's additional contribution in cash. As a result of the above share transfer and capital injection, the Company, CPLIC and CPPIC held 80%, 16% and 4% equity interests in PAMC, respectively.

(e) The Company dissolved one of its subsidiaries, China Pacific (America) Services, Inc., on 31 May 2007.

(f) In June 2007, CPLIC, together with two non-related parties, set up Taibao. CPLIC injected RMB400,000 in cash for an 80% equity interest in Taibao.

(g) Pursuant to approval from the Company's shareholders and the CSRC, the Company issued 1 billion ordinary A shares with par value of RMB1 at a price of RMB30 each in December 2007. The total cash consideration received, after deduction of issuance expenses, amounted to approximately RMB29,032 million and the Company's registered and paid-up capital have been increased to RMB7,700 million thereafter. The Company's A shares were listed on the Shanghai Stock Exchange on 25 December 2007.

(h) In June 2008, with approval of CIRC, the Company injected additional cash of RMB2,761 million to CPPIC. As a result, the Company increased its equity interest in CPPIC from 98.14% to 98.30%.

(i) In June and November 2008, with the approval of CIRC, the Company injected additional cash of RMB5,902 million and RMB7,913 million to CPLIC, respectively. As a result, the Company increased its equity interest in CPLIC from 97.83% to 98.29%.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. The Financial Information has 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. The Financial Information is presented in RMB and all values are rounded to the nearest million except when otherwise indicated.

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 the Financial Information:

HKFRS 1 (Revised)	First-time Adoption of HKFRS [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]
HK(IFRIC)-Int 18	Transfers of Assets from Customers [2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transactions [3]
Amendment to HKAS 32	Classification of Rights Issues [4]
HKAS 24 (Revised)	Related Party Transactions [5]
HKFRS 9	Financial Instruments [6]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and that no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are generally effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for transfers of assets from customers received on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for annual periods beginning on or after 1 February 2010

5 Effective for annual periods beginning on or after 1 January 2011

6 Effective for annual periods beginning on or after 1 January 2013

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 recognised, 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 amended 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 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 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised 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 recognise 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.

HK(IFRIC)-Int 18 was issued in February 2009. The Interpretation provides additional guidance on the accounting for transfers of assets from customers where the entity must then use the assets either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. As the Group has no transfers of assets from customers during the Relevant Periods, the amendments are unlikely to have any significant financial impact on the Group.

Amendments to HKFRS 2 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 during the Relevant Periods, the amendments are unlikely to have any financial impact on the Group.

Amendment to HKAS 32 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. The Group had no such transactions during the Relevant Periods, the amendment will not have any significant impact on the financial statements of 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 financial statements of 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.

So far, 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 the Financial Information.

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

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

2.2 Summary of principal accounting policies

(1) Basis of consolidation

The Financial Information of the Group comprises the financial statements of the Company and its subsidiaries.

The financial statements of the subsidiaries for the purpose of preparing the Financial Information are prepared for the same reporting year as the Company, using consistent accounting policies. All income, expenses and unrealised 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 statements and within equity in the consolidated balance sheets, 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 recognised directly in equity (as capital reserve).

(2) Foreign currency translation

The Financial Information is 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 are initially recorded using the 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 recognised directly in equity, the gain or loss is then recognised 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 taken directly to a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statements, the cash flows of overseas operations are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas operations which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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

(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 entitiy are stated in the consolidated balance sheets 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 statements and consolidated reserves, respectively. Unrealised 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 unrealised losses provided evidence of an impairment of the asset transferred.

The results of jointly-controlled entity are included in the Company's income statements to the extent of dividends received and receivable. The Company's interests in jointly-controlled entity 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 sheets 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 statements and consolidated reserves, respectively. Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are included in the Company's income statements 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.

(6) Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised 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 recognised. An impairment loss recognised 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 recognised in the income statement.

(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 capitalised 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 balance sheet date.

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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised 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 periodically 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 derecognised 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 recognised 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.

(10) Intangible assets (other than goodwill)

The Group's intangible assets are initially recognized at cost.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

(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 amortised 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 in 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 recognised 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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether the embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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 recognised 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.

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 recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised 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. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation 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 amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

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 measured at fair value, with gains or losses recognised as a separate component of equity until the investments are derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised 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 recognised 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.

(14) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised 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.

(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 amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity financial assets carried at amortised cost 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) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to insurance and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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.

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 amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to 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, macro economic indicators relative to the business, significant legal or regulatory matters.

Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement. 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 recognised in the income statement.

(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 derecognised where:

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

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(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 sheets. 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.

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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (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 recognised 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 each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation), had no impairment loss been recognised 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) Deferred acquisition costs ("DAC")

The costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, which vary with and are primarily related to the production of the new and renewal business, are deferred. DAC is subject to recoverability testing at the time of the issue of the policy and at the end of each accounting period.

For long-term traditional insurance contracts, DAC is amortised over the expected life of the contracts as a constant percentage of expected premiums. Expected premiums are estimated at the date of policy issue and are consistently applied throughout the life of the contracts unless adverse experience causes a deficiency in liability adequacy test.

For long-term investment type insurance contracts, DAC is amortised over the expected life of the contracts based on a constant percentage of the present value of estimated gross profits that are expected to be realised over the life of the contracts. Estimated gross profits include expected amounts to be assessed for mortality, administration, investment and surrender, less benefit claims in excess of policyholder balances, administrative expenses and interest credited.

Estimated gross profits are revised regularly and the interest rate used to compute the present value of revised estimates of expected gross profits is the latest revised rate applied to the remaining benefit period. Deviations of actual results from estimated experience are reflected in the consolidated income statement. When DAC is amortised in proportion to gross profits on the acquired contracts, realised gains/losses are taken into account as well as gains/losses recognised directly in equity (unrealised gains/losses). If these gains/losses were to be realised, the gross profits used to amortise DAC would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in equity and is also reflected in the amount of DAC in the balance sheets ("shadow accounting").

For property and casualty and short-term accident and health insurance contracts, DAC is amortised over the period in which the related written premiums are earned. DAC is derecognised when the related contracts are settled or disposed of. DAC is periodically reviewed to determine that they do not exceed recoverable amounts. Contributions received from reinsurers towards acquisition costs are deferred in an identical manner.

For investment contracts without discretionary participation features ("DPF"), those incremental costs that are directly attributable to the provision of investment management services are deferred and recognised as assets, to the extent that these costs can be identified separately and measured reliably and it is probable that they will be recovered. This asset is amortised in line with revenue generated by the investment management service and is tested for recoverability at each reporting date.

(20) Reinsurance

The Group cedes insurance risk in the normal course of business. 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.

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 recognised 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 derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(21) 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.

(22) Insurance guarantee fund

Before 1 January 2009, pursuant to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2004] No. 16), the Group made provision for insurance guarantee fund based on net premiums in financial statements prepared under generally accepted accounting principles in the PRC as follows:

(a) at 1% of the net premiums of property and casualty insurance, accident insurance and short-term health insurance;

(b) at 0.15% of the net premiums of long-term life insurance with guaranteed investment returns and long-term health insurance;

(c) at 0.05% of the net premiums of long-term life insurance without guaranteed investment returns;

No additional provision is required when the cumulative provision balance of CPLIC reaches 1% of its total assets as determined in accordance with PRC GAAP, and no additional provision is required when the cumulative provision balance of CPPIC reaches 6% of its total assets as determined in accordance with PRC GAAP.

Since 1 January 2009, pursuant to "Administrative Measures on Insurance Guarantee Fund" (Baojianhuiling [2008] No. 2) and "Notice for Certain Matters Relating to Insurance Guarantee Fund" (Baojianfa [2008] No. 116), the Group provides for insurance guarantee fund based on premium income or premium and deposits in the financial statements prepared under generally accepted accounting principles in the PRC as follows:

(a) For non-investment type property and casualty insurance, insurance guarantee fund is provided at 0.8% of premium income; For investment type property and casualty insurance with guaranteed investment returns, insurance guarantee fund is provided at 0.08% of premium and deposits; For investment type property and casualty insurance without guaranteed investment returns, insurance guarantee fund is provided at 0.05% of premium and deposits;

(b) For life insurance with guaranteed investment returns, insurance guarantee fund is provided at 0.15% of premium and deposits; For life insurance without guaranteed investment returns, insurance guarantee fund is provided at 0.05% of premium and deposits;

(c) For short-term health insurance, insurance guarantee fund is provided at 0.8% of premium income; For long-term health insurance, insurance guarantee fund is provided at 0.15% of premium income;

(d) For non-investment type accident insurance, insurance guarantee fund is provided at 0.8% of premium income; For investment type accident insurance with guaranteed investment returns, insurance guarantee fund is provided at 0.08% of premium and deposits; For investment type accident insurance without guaranteed investment returns, insurance guarantee fund is provided at 0.05% of premium and deposits;

No additional provision is required when the cumulative provision balance of CPLIC reaches 1% of its total assets as determined in accordance with PRC GAAP, and no additional provision is required when the cumulative provision balance of CPPIC reaches 6% of its total assets as determined in accordance with PRC GAAP.

(23) Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contracts, or those where at the inception of the contracts there is a scenario with commercial substance where the level of insurance risk may be significant over time. 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. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right which entitles the contract holder to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits and whose amount or timing is contractually at the discretion of the Group. These DPF are contractually based on the performance of a specified pool of contracts or a specified type of contracts or on the realised and unrealised investment returns on a specified pool of assets held by the Group. The unrealised investment returns include gains/losses recognised directly in equity.

Certain property and casualty insurance contracts (policyholders' savings products) contain both an insurance component and a deposit component and the cash flows from the two components are distinct. Since the deposit component can be clearly identified and measured separately, the Group unbundles the insurance and deposit components, and accounts for the insurance component and the deposit component as an insurance contract and a financial liability respectively.

(24) Insurance contract liabilities

(a) Long-term life insurance contract reserves

(i) Long-term traditional insurance contracts

Long-term traditional insurance contracts include whole life and term life insurance, long-term health insurance, endowment insurance and annuity policies with significant life contingency risk, etc.

Liabilities for contractual benefits that are expected to be incurred in the future are recorded when the related premiums are recognised. Such liabilities for long-term traditional insurance contracts are calculated using a net level premium valuation method based on actuarial assumptions as to mortality, persistency, expenses, withdrawals and investment return, including where appropriate a provision for adverse deviation ("PAD"). The assumptions are established at the time of the issue of the policy and remain unchanged unless adverse experience causes a deficiency in liability adequacy testing.

For policies where the premium payment period is less than the policy term, a deferred profit liability is also included in the policyholder liability for long-term traditional insurance contracts. The deferred profit liability ensures a profit emergence in a constant relationship to the amount of insurance in force.

(ii) Long-term investment type insurance contracts

Long-term investment type insurance contracts include life insurance and annuity contracts with significant investment features but still with sufficiently significant insurance risk of being considered as insurance contracts under HKFRS 4, as well as certain investment contracts with DPF.

The liabilities for long-term investment type insurance contracts are recognized as accumulation of deposits received less charges plus interest credited.

These contracts are accounted for as follows: revenue from a contract consists of various charges (policy fees, handling fees, management fees, surrender charges) made against the contract for the cost of insurance, expenses and early surrender. Excess first year charges are deferred as an unearned revenue liability ("URL") and are recognised in the income statement over the estimated life of the contracts in a constant relationship to estimated gross profits. The URL is included in deferred revenue. To the extent unrealised gains or losses from available-for-sale financial assets affect the estimated gross profits, shadow adjustments are recognised in equity. Policy benefits and claims that are charged to expenses include benefit claims incurred in the year in excess of related contract balances and interest credited to these contracts.

(b) Claim reserves

Claim reserves comprise a best estimate of insurance contract provisions for the ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Significant delays can be experienced in the notification and settlement of claims and therefore, the ultimate cost cannot be known with certainty at the balance sheet date. The methods of determining such estimates and establishing the resulting liabilities are continually reviewed and updated. Resulting adjustments are reflected in the income statement for the period. The Group does not discount its claim reserves.

(c) Unearned premium reserves

Upon inception of property and casualty and short-term life insurance contracts, premiums are recorded as written and are earned on a pro-rata basis over the term of the related insurance contracts. The unearned premium reserves represent the portions of premiums written relating to unexpired periods of risk coverage.

(d) Liability adequacy test

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of the related deferred acquisition costs. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses as well as investment income from assets backing such liabilities are used. Any deficiency is immediately charged to the income statement initially by writing off deferred acquisition costs and subsequently by establishing a provision for losses arising from the liability adequacy tests. Any deferred acquisition costs written off will not be reinstated subsequently. As mentioned above, long-term traditional insurance contracts are measured based on assumptions set out at the inception of the policies. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities. For short-term life and property and casualty insurance contracts, a provision is assessed on the basis of estimates of future claims, costs, premiums earned, etc.

(25) Investment contract liabilities

These relate to investment contracts without DPF.

Investment contracts without DPF are not considered to be insurance contracts and are accounted for as financial liabilities. The liabilities for investment contracts without DPF are measured at estimated fair value or amortised cost using the effective interest method.

Revenue from these contracts consists of various charges (policy fees, handling fees, management fees and surrender charges) made against the contracts for the cost of management, expenses, early surrender, etc. Front-end fees received for rendering future investment management services are deferred and recognised in the income statement over the estimated life of the contracts when the related services are rendered. The deferred front-end fees are included in deferred revenue.

(26) DPF in long-term life insurance contracts

DPF is contained in certain long-term traditional insurance contracts and investment type insurance contracts. These contracts are collectively called participating contracts. Under the current PRC insurance regulations, the Group is obligated to pay to the policyholders of participating contracts at least 70% of the distributable surplus, which includes mainly net investment spread and other gains or losses arising from the assets supporting these contracts; if this eligible surplus has not been declared and paid, it is included in the long-term traditional insurance contract liabilities. The policyholders' share realised and unrealised gains, which may be paid to participating policyholders in the future under the policy terms, is included in long-term traditional insurance contract liabilities (shadow accounting will apply if part of the unrealized gain is captured within equity).

(27) Financial liabilities

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

Financial liabilities including interest-bearing borrowings (subordinated debt), policyholders' deposits, securities sold under repurchase agreements and miscellaneous payables and accruals, and are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised as "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation 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 recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

(28) Derecognition of financial liabilities

A financial liability is derecognised 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 recognised in the income statement.

(29) Securities sold under agreements to repurchase

Securities sold under agreements to repurchase are financial liabilities and are recorded at amortised 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.

(30) Provisions

A provision is recognised 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 recognised 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.

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

(31) Deferred revenue

Deferred revenue includes the URL arising from long-term investment type insurance contracts and deferred front-end fees arising from investment contracts without DPF. These unearned revenues and deferred fees are recognised in the income statement over the estimated life of the contracts.

(32) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

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.

Deferred tax liabilities are recognised 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 recognised 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 utilised, 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 recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised 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 utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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.

(33) Revenue recognition

Revenue is recognised 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) Premiums and policy fees

Premiums from long-term traditional life insurance contracts are recognised as revenue when due from policyholders. Amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue. These mainly include fees for the cost of insurance, administrative charges and surrender charges.

Premiums from the sale of property and casualty insurance contracts and short-term accident and health insurance contracts, net of endorsements, are recorded as written at the inception of risk and are earned on a pro-rata basis over the terms of the related policy coverage. For those contracts for which the period of risk differs significantly from the contract period, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

(b) Net investment income

Net 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 recognised on an accrual basis using the effective interest 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 recognised when the shareholders' right to receive payment is established.

(34) Employee benefits

(a) Pension schemes

The employees of the Group participate in various defined contribution pension plans principally organised 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 ("上海企業年金過渡計劃") managed by Changjiang Pension Insurance Co., Ltd. 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.

(b) Housing benefits

The employees of the Company and its subsidiaries which operate in Mainland China 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 vesting periods when employees provide services and are paid gradually.

(35) Borrowing costs

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

(36) 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 recognised as a liability.

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.

3.1 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 recognised 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) Classification of insurance contracts

The Group shall make significant judgments on the classification of insurance contracts. Different classifications would affect the accounting treatment and the Group's financial position and operating results.

(3) 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.

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

Life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time as increased by a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflects directors' best current estimate of future cash flows.

Certain acquisition costs related to the sale of policies are recorded in deferred acquisition costs and are amortised to the income statement over time. If the assumptions relating to future profitability of these policies are not realised, the amortisation of these costs could be accelerated and may require additional write-offs to the income statement.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates. The Group base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates depend on product features, policy duration and external circumstances, such as sale trends. Credible own experience is used in establishing these assumptions.

Property and casualty and short-term life insurance contract liabilities

For property and casualty and short-term life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR"). It may take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form a significant part of the balance sheet liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company'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 estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking into account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

(2) Valuation of investment contracts without DPF liabilities

The liability for investment contracts without DPF is measured at estimated fair value or amortised cost using the effective interest method. A variety of factors are considered in these valuations, including time value of money, volatility, policyholders' behaviour, servicing cost.

(3) 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.

(4) Deferred income tax assets

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

4. SEGMENT INFORMATION

For management purpose, the Group is organised 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 sheets.

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.

During the Relevant Periods, no gross written premiums and policy fees from transactions with a single external customer amounted to 2% or more of the Group's total gross written premiums and policy fees.

Segment income statement for the year ended 31 December 2006

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	17,729	18,144	147	(94)	18,197	—	—	35,926
Less: Premiums ceded to reinsurers	(2,137)	(4,322)	(29)	94	(4,257)	—	—	(6,394)
Net written premiums and policy fees	15,592	13,822	118	—	13,940	—	—	29,532
Net change in unearned premium reserves	(52)	(1,568)	2	—	(1,566)	—	—	(1,618)
Net premiums earned and policy fees	15,540	12,254	120	—	12,374	—	—	27,914
Investment income	8,320	1,112	14	—	1,126	88	—	9,534
Other operating income	116	68	1	—	69	280	(181)	284
Other income	8,436	1,180	15	—	1,195	368	(181)	9,818
Segment income	23,976	13,434	135	—	13,569	368	(181)	37,732
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(1,407)	—	—	—	—	—	—	(1,407)
Claims incurred	(326)	(7,395)	(79)	—	(7,474)	—	—	(7,800)
Changes in long-term traditional insurance contract liabilities	(10,362)	—	—	—	—	—	—	(10,362)
Interest credited to long-term investment type insurance contract liabilities	(2,660)	—	—	—	—	—	—	(2,660)
Policyholder dividends	(1,105)	—	—	—	—	—	—	(1,105)
Finance costs	(209)	(368)	—	—	(368)	(4)	—	(581)
Interest credited to investment contracts	(221)	—	—	—	—	—	—	(221)
Amortisation on deferred acquisition costs	(2,623)	(1,257)	—	—	(1,257)	—	—	(3,880)
Provision for insurance guarantee fund	(73)	(138)	—	—	(138)	—	—	(211)
Change in deferred revenue	240	—	—	—	—	—	—	240
Other operating and administrative expenses	(1,973)	(3,324)	(43)	—	(3,367)	(610)	208	(5,742)
Segment benefits, claims and expenses	(20,719)	(12,482)	(122)	—	(12,604)	(614)	208	(33,729)
Segment results	3,257	952	13	—	965	(246)	27	4,003
Share of profits/(losses) of:								
A jointly-controlled entity	—	—	—	—	—	5	—	5
Associates	—	—	—	—	—	(8)	—	(8)
Profit/(loss) before tax	3,257	952	13	—	965	(249)	27	4,000
Income tax	(1,058)	(261)	—	—	(261)	(44)	—	(1,363)
Net profit/(loss) for the year	2,199	691	13	—	704	(293)	27	2,637

Segment balance sheet as at 31 December 2006

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Interests in associates	—	—	—	—	—	209	—	209
Investment in a jointly-controlled entity	—	—	—	—	—	322	—	322
Investments in securities*	101,031	15,587	106	—	15,693	1,078	(9)	117,793
Term deposits	45,061	8,587	87	—	8,674	120	—	53,855
Deferred acquisition costs	10,283	993	—	—	993	—	—	11,276
Others	16,718	12,443	109	(57)	12,495	3,042	(1,801)	30,454
Segment assets	173,093	37,610	302	(57)	37,855	4,771	(1,810)	213,909
Insurance contract liabilities	138,042	17,484	136	(55)	17,565	—	—	155,607
Investment contract liabilities	7,449	—	—	—	—	—	—	7,449
Subordinated debt	2,038	—	—	—	—	—	—	2,038
Securities sold under agreements to repurchase	2,026	1,094	—	—	1,094	—	—	3,120
Policyholders' deposits	29	11,286	—	—	11,286	—	—	11,315
Deferred revenue	3,711	—	—	—	—	—	—	3,711
Others	8,983	2,994	31	(2)	3,023	2,898	(1,799)	13,105
Segment liabilities	162,278	32,858	167	(57)	32,968	2,898	(1,799)	196,345

* 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 2006

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Depreciation and amortisation (other than DAC)	211	220	1	—	221	8	(16)	424
Capital expenditure	263	246	—	—	246	83	—	592
Impairment losses charges/(reversal)	(35)	(37)	—	—	(37)	21	—	(51)
Interest income	4,835	708	5	—	713	44	—	5,592
Unrealised gains from financial assets at fair value through profit or loss	395	—	—	—	—	16	—	411

Segment income statement for the year ended 31 December 2007

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	21,332	23,474	184	(109)	23,549	—	—	44,881
Less: Premiums ceded to reinsurers	(1,747)	(5,097)	(27)	109	(5,015)	—	—	(6,762)
Net written premiums and policy fees	19,585	18,377	157	—	18,534	—	—	38,119
Net change in unearned premium reserves	(300)	(1,624)	(13)	—	(1,637)	—	—	(1,937)
Net premiums earned and policy fees	19,285	16,753	144	—	16,897	—	—	36,182
Investment income	22,881	3,782	23	—	3,805	544	—	27,230
Other operating income	299	50	2	—	52	329	(145)	535
Other income	23,180	3,832	25	—	3,857	873	(145)	27,765
Segment income	42,465	20,585	169	—	20,754	873	(145)	63,947
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(1,822)	—	—	—	—	—	—	(1,822)
Claims incurred	(463)	(10,007)	(98)	—	(10,105)	—	—	(10,568)
Changes in long-term traditional insurance contract liabilities	(17,409)	—	—	—	—	—	—	(17,409)
Interest credited to long-term investment type insurance contract liabilities	(3,511)	—	—	—	—	—	—	(3,511)
Policyholder dividends	(1,223)	—	—	—	—	—	—	(1,223)
Finance costs	(452)	(393)	—	—	(393)	(3)	—	(848)
Interest credited to investment contracts	(165)	—	—	—	—	—	—	(165)
Amortisation on deferred acquisition costs	(3,008)	(2,147)	—	—	(2,147)	—	—	(5,155)
Provision for insurance guarantee fund	(97)	(178)	—	—	(178)	—	—	(275)
Change in deferred revenue	(430)	—	—	—	—	—	—	(430)
Other operating and administrative expenses	(3,165)	(4,179)	(54)	—	(4,233)	(553)	106	(7,845)
Segment benefits, claims and expenses	(31,745)	(16,904)	(152)	—	(17,056)	(556)	106	(49,251)
Segment results	10,720	3,681	17	—	3,698	317	(39)	14,696
Share of profit of:								
A jointly-controlled entity	—	—	—	—	—	70	—	70
Profit before tax	10,720	3,681	17	—	3,698	387	(39)	14,766
Income tax	(1,430)	(1,031)	—	—	(1,031)	(39)	—	(2,500)
Net profit for the year	9,290	2,650	17	—	2,667	348	(39)	12,266

Segment balance sheet at 31 December 2007

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Investment in a jointly-controlled entity	—	—	—	—	—	367	—	367
Investments in securities*	157,765	17,687	105	—	17,792	20,825	(9)	196,373
Term deposits	47,944	6,658	82	—	6,740	4,578	—	59,262
Deferred acquisition costs	12,047	1,421	—	—	1,421	—	—	13,468
Others	24,579	15,483	125	(106)	15,502	24,897	(12,107)	52,871
Segment assets	242,335	41,249	312	(106)	41,455	50,667	(12,116)	322,341
Insurance contract liabilities	180,527	21,372	150	(70)	21,452	—	—	201,979
Investment contract liabilities	4,554	—	—	—	—	—	—	4,554
Subordinated debt	2,113	—	—	—	—	—	—	2,113
Securities sold under agreements to repurchase	11,779	—	—	—	—	9	—	11,788
Policyholders' deposits	10	6,903	—	—	6,903	—	—	6,913
Deferred revenue	4,018	—	—	—	—	—	—	4,018
Others	13,327	5,384	19	(36)	5,367	11,695	(12,069)	18,320
Segment liabilities	216,328	33,659	169	(106)	33,722	11,704	(12,069)	249,685

* 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 2007

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Depreciation and amortisation (other than DAC)	218	208	1	—	209	69	38	534
Capital expenditure	930	389	—	—	389	56	—	1,375
Impairment losses charges/(reversal)	(31)	59	—	—	59	—	—	28
Interest income	5,730	787	5	—	792	109	—	6,631
Unrealised gains/(losses) from financial assets at fair value through profit or loss	248	4	—	—	4	(17)	—	235

Segment income statement for the year ended 31 December 2008

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	25,921	27,875	171	(122)	27,924	—	—	53,845
Less: Premiums ceded to reinsurers	(2,024)	(6,505)	(28)	122	(6,411)	—	—	(8,435)
Net written premiums and policy fees	23,897	21,370	143	—	21,513	—	—	45,410
Net change in unearned premium reserves	(63)	(1,238)	(6)	—	(1,244)	—	—	(1,307)
Net premiums earned and policy fees	23,834	20,132	137	—	20,269	—	—	44,103
Investment income	9,587	1,179	(1)	—	1,178	(2,655)	—	8,110
Other operating income	422	83	—	—	83	493	(182)	816
Other income	10,009	1,262	(1)	—	1,261	(2,162)	(182)	8,926
Segment income	33,843	21,394	136	—	21,530	(2,162)	(182)	53,029
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,838)	—	—	—	—	—	—	(2,838)
Claims incurred	(629)	(13,208)	(106)	—	(13,314)	—	—	(13,943)
Changes in long-term traditional insurance contract liabilities	(10,093)	—	—	—	—	—	—	(10,093)
Interest credited to long-term investment type insurance contract liabilities	(4,748)	—	—	—	—	—	—	(4,748)
Policyholder dividends	(2,595)	—	—	—	—	—	—	(2,595)
Finance costs	(317)	(178)	—	—	(178)	(37)	—	(532)
Interest credited to investment contracts	(102)	—	—	—	—	—	—	(102)
Amortisation on deferred acquisition costs	(2,545)	(3,089)	—	—	(3,089)	—	—	(5,634)
Provision for insurance guarantee fund	(104)	(214)	—	—	(214)	—	—	(318)
Change in deferred revenue	(2,903)	—	—	—	—	—	—	(2,903)
Other operating and administrative expenses	(2,901)	(3,955)	(36)	—	(3,991)	(540)	186	(7,246)
Segment benefits, claims and expenses	(29,775)	(20,644)	(142)	—	(20,786)	(577)	186	(50,952)
Segment results	4,068	750	(6)	—	744	(2,739)	4	2,077
Share of loss of:								
A jointly-controlled entity	—	—	—	—	—	(52)	—	(52)
Profit/(loss) before tax	4,068	750	(6)	—	744	(2,791)	4	2,025
Income tax	345	(27)	—	—	(27)	843	—	1,161
Net profit/(loss) for the year	4,413	723	(6)	—	717	(1,948)	4	3,186

Segment balance sheet at 31 December 2008

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Investment in a jointly-controlled entity	—	—	—	—	—	391	—	391
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
Deferred acquisition costs	18,217	1,897	—	—	1,897	—	—	20,114
Others	26,655	16,230	302	(104)	16,428	7,166	(380)	49,869
Segment assets	277,300	39,163	439	(104)	39,498	21,541	(389)	337,950
Insurance contract liabilities	214,779	24,598	170	(80)	24,688	—	—	239,467
Investment contract liabilities	3,039	—	—	—	—	—	—	3,039
Subordinated debt	2,188	—	—	—	—	—	—	2,188
Securities sold under agreements to repurchase	6,980	40	—	—	40	—	—	7,020
Policyholders' deposits	10	566	—	—	566	—	—	576
Deferred revenue	9,469	—	—	—	—	—	—	9,469
Others	10,332	5,429	6	(24)	5,411	765	(343)	16,165
Segment liabilities	246,797	30,633	176	(104)	30,705	765	(343)	277,924

* 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	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Depreciation and amortisation (other than DAC)	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
Unrealised gains/(losses) from financial assets at fair value through profit or loss	(722)	(23)	—	—	(23)	3	—	(742)

Segment income statement for the six-month period ended 30 June 2008 (unaudited).

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	13,603	15,764	91	(65)	15,790	—	—	29,393
Less: Premiums ceded to reinsurers	(920)	(3,821)	(14)	65	(3,770)	—	—	(4,690)
Net written premiums and policy fees	12,683	11,943	77	—	12,020	—	—	24,703
Net change in unearned premium reserves	(88)	(2,291)	(7)	—	(2,298)	—	—	(2,386)
Net premiums earned and policy fees	12,595	9,652	70	—	9,722	—	—	22,317
Investment income	12,630	1,225	(3)	—	1,222	600	—	14,452
Other operating income	65	34	—	—	34	371	(126)	344
Other income	12,695	1,259	(3)	—	1,256	971	(126)	14,796
Segment income	25,290	10,911	67	—	10,978	971	(126)	37,113
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,135)	—	—	—	—	—	—	(2,135)
Claims incurred	(279)	(6,708)	(54)	—	(6,762)	—	—	(7,041)
Changes in long-term traditional insurance contract liabilities	(9,645)	—	—	—	—	—	—	(9,645)
Interest credited to long-term investment type insurance contract liabilities	(2,322)	—	—	—	—	—	—	(2,322)
Policyholder dividends	(1,274)	—	—	—	—	—	—	(1,274)
Finance costs	(219)	(126)	—	—	(126)	(35)	—	(380)
Interest credited to investment contracts	(59)	—	—	—	—	—	—	(59)
Amortisation on deferred acquisition costs	(1,167)	(1,350)	—	—	(1,350)	—	—	(2,517)
Provision for insurance guarantee fund	(56)	(120)	—	—	(120)	—	—	(176)
Change in deferred revenue	(1,541)	—	—	—	—	—	—	(1,541)
Other operating and administrative expenses	(1,733)	(2,028)	(24)	—	(2,052)	(218)	125	(3,878)
Segment benefits, claims and expenses	(20,430)	(10,332)	(78)	—	(10,410)	(253)	125	(30,968)
Segment results	4,860	579	(11)	—	568	718	(1)	6,145
Share of loss of:								
A jointly-controlled entity	—	—	—	—	—	(2)	—	(2)
Profit/(loss) before tax	4,860	579	(11)	—	568	716	(1)	6,143
Income tax	98	(48)	—	—	(48)	5	—	55
Net profit/(loss) for the period	4,958	531	(11)	—	520	721	(1)	6,198

Other segment information for the six-month period ended 30 June 2008 (unaudited).

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Depreciation and amortisation (other than DAC)	148	136	1	—	137	33	—	318
Capital expenditure	249	203	—	—	203	1,436	—	1,888
Impairment losses charges	1,059	195	—	—	195	186	—	1,440
Interest income	3,892	392	2	—	394	408	—	4,694
Unrealised gains/(losses) from financial assets at fair value through profit or loss	(578)	4	—	—	4	(1)	—	(575)

Segment income statement for the six-month period ended 30 June 2009

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	17,091	18,656	101	(75)	18,682	—	—	35,773
Less: Premiums ceded to reinsurers	(1,369)	(4,230)	(14)	75	(4,169)	—	—	(5,538)
Net written premiums and policy fees	15,722	14,426	87	—	14,513	—	—	30,235
Net change in unearned premium reserves	(207)	(3,044)	(8)	—	(3,052)	—	—	(3,259)
Net premiums earned and policy fees	15,515	11,382	79	—	11,461	—	—	26,976
Investment income	7,889	566	8	—	574	415	—	8,878
Other operating income	83	49	—	—	49	142	(109)	165
Other income	7,972	615	8	—	623	557	(109)	9,043
Segment income	23,487	11,997	87	—	12,084	557	(109)	36,019
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(1,850)	—	—	—	—	—	—	(1,850)
Claims incurred	(147)	(7,166)	(48)	—	(7,214)	—	—	(7,361)
Changes in long-term traditional insurance contract liabilities	(9,512)	—	—	—	—	—	—	(9,512)
Interest credited to long-term investment type insurance contract liabilities	(2,413)	—	—	—	—	—	—	(2,413)
Policyholder dividends	(985)	—	—	—	—	—	—	(985)
Finance costs	(135)	(3)	—	—	(3)	—	—	(138)
Interest credited to investment contracts	(38)	—	—	—	—	—	—	(38)
Amortisation on deferred acquisition costs	(1,889)	(1,897)	—	—	(1,897)	—	—	(3,786)
Provision for insurance guarantee fund	(64)	(149)	—	—	(149)	—	—	(213)
Change in deferred revenue	(987)	—	—	—	—	—	—	(987)
Other operating and administrative expenses	(1,575)	(1,887)	(29)	—	(1,916)	(259)	147	(3,603)
Segment benefits, claims and expenses	(19,595)	(11,102)	(77)	—	(11,179)	(259)	147	(30,886)
Segment results	3,892	895	10	—	905	298	38	5,133
Share of profit of:								
A jointly-controlled entity	—	—	—	—	—	26	—	26
Profit before tax	3,892	895	10	—	905	324	38	5,159
Income tax	(872)	(208)	—	—	(208)	(67)	(11)	(1,158)
Net profit for the period	3,020	687	10	—	697	257	27	4,001

Segment balance sheet as at 30 June 2009

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Investment in a jointly-controlled entity	—	—	—	—	—	417	—	417
Investments in securities*	191,122	18,883	355	—	19,238	7,907	(14)	218,253
Term deposits	79,328	5,204	—	—	5,204	6,529	—	91,061
Deferred acquisition costs	19,895	2,425	—	—	2,425	—	—	22,320
Others	28,142	18,864	110	(152)	18,822	8,398	(439)	54,923
Segment assets	318,487	45,376	465	(152)	45,689	23,251	(453)	386,974
Insurance contract liabilities	236,569	28,666	177	(86)	28,757	—	—	265,326
Investment contract liabilities	2,632	—	—	—	—	—	—	2,632
Subordinated debt	2,226	—	—	—	—	—	—	2,226
Securities sold under agreements to repurchase	21,435	1,000	—	—	1,000	—	—	22,435
Policyholders' deposits	10	84	—	—	84	—	—	94
Deferred revenue	9,812	—	—	—	—	—	—	9,812
Others	12,538	6,388	12	(66)	6,334	1,239	(434)	19,677
Segment liabilities	285,222	36,138	189	(152)	36,175	1,239	(434)	322,202

* 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 six-month period ended 30 June 2009

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Depreciation and amortisation (other than DAC)	182	147	3	—	150	55	—	387
Capital expenditure	272	85	—	—	85	345	—	702
Impairment losses charges	98	53	—	—	53	—	—	151
Interest income	5,099	416	8	—	424	310	—	5,833
Unrealised gains/(losses) from financial assets at fair value through profit or loss	107	21	—	—	21	(1)	—	127

5. NET WRITTEN PREMIUMS AND POLICY FEES

(a) Gross written premiums and policy fees

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Long-term life insurance premiums	12,447	15,136	18,660	9,831	12,607
Short-term life insurance premiums	2,385	2,633	2,838	1,467	1,706
Property and casualty insurance premiums	18,197	23,549	27,924	15,790	18,682
Policy fees	2,897	3,563	4,423	2,305	2,778
	35,926	44,881	53,845	29,393	35,773

(b) Premiums ceded to reinsurers

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Long-term life insurance premiums ceded to reinsurers	(1,020)	(983)	(1,158)	(482)	(925)
Short-term life insurance premiums ceded to reinsurers	(1,117)	(764)	(866)	(438)	(444)
Property and casualty insurance premiums ceded to reinsurers	(4,257)	(5,015)	(6,411)	(3,770)	(4,169)
	(6,394)	(6,762)	(8,435)	(4,690)	(5,538)

(c) Net written premiums and policy fees

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Net written premiums and policy fees	29,532	38,119	45,410	24,703	30,235

6. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Interest and dividend income (a)	6,386	12,379	17,755	11,657	6,362
Realised gains/(losses) (b)	2,737	14,616	(3,756)	4,634	2,517
Unrealised gains/(losses) (c)	411	235	(742)	(575)	127
Charge of impairment losses on financial assets	—	—	(5,147)	(1,264)	(128)
	9,534	27,230	8,110	14,452	8,878

(a) Interest and dividend income

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Financial assets at fair value through profit or loss					
- Fixed maturity investments	2	4	2	1	1
- Investment funds	414	798	169	136	1
- Equity securities	—	9	1	1	—
	416	811	172	138	2
Held-to-maturity financial assets					
- Fixed maturity investments	1,306	1,739	2,898	1,310	1,752
Loans and receivables					
- Fixed maturity investments	2,626	3,018	4,499	2,025	2,329
Available-for-sale financial assets					
- Fixed maturity investments	1,658	1,870	3,224	1,358	1,751
- Investment funds	371	4,815	6,800	6,689	355
- Equity securities	9	126	162	137	173
	2,038	6,811	10,186	8,184	2,279
	6,386	12,379	17,755	11,657	6,362

(b) Realised gains/(losses)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Derivative financial instruments	—	76	5	5	—
Other financial assets at fair value through profit or loss					
- Fixed maturity investments	3	—	—	—	11
- Investment funds	787	1,712	258	252	46
- Equity securities	27	109	(11)	24	2
	817	1,821	247	276	59
Available-for-sale financial assets					
- Fixed maturity investments	82	(522)	114	58	643
- Investment funds	1,126	4,907	(3,681)	420	198
- Equity securities	712	8,334	(441)	3,875	1,617
	1,920	12,719	(4,008)	4,353	2,458
	2,737	14,616	(3,756)	4,634	2,517

(c) Unrealised gains/(losses)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Derivative financial instruments	1	(1)	—	—	—
Other financial assets at fair value through profit or loss					
- Fixed maturity investments	—	(3)	6	1	7
- Investment funds	363	205	(668)	(501)	121
- Equity securities	47	34	(80)	(75)	(1)
	410	236	(742)	(575)	127
	411	235	(742)	(575)	127

7. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Year ended 31 December 2006		
	Gross	Ceded	Net
Life insurance death and other benefits paid	1,463	(56)	1,407
Claims incurred			
- Short-term life insurance	855	(529)	326
- Property and casualty insurance	10,118	(2,644)	7,474
Changes in long-term traditional insurance contract liabilities	10,867	(505)	10,362
Interest credited to long-term investment type insurance contract liabilities	2,660	—	2,660
Policyholder dividends	1,105	—	1,105
	27,068	(3,734)	23,334

	Year ended 31 December 2007		
	Gross	Ceded	Net
Life insurance death and other benefits paid	1,877	(55)	1,822
Claims incurred			
- Short-term life insurance	942	(479)	463
- Property and casualty insurance	12,872	(2,767)	10,105
Changes in long-term traditional insurance contract liabilities	18,058	(649)	17,409
Interest credited to long-term investment type insurance contract liabilities	3,511	—	3,511
Policyholder dividends	1,223	—	1,223
	38,483	(3,950)	34,533

	Year ended 31 December 2008		
	Gross	Ceded	Net
Life insurance death and other benefits paid	2,838	—	2,838
Claims incurred			
- Short-term life insurance	1,011	(381)	630
- Property and casualty insurance	17,411	(4,098)	13,313
Changes in long-term traditional insurance contract liabilities	10,674	(581)	10,093
Interest credited to long-term investment type insurance contract liabilities	4,748	—	4,748
Policyholder dividends	2,595	—	2,595
	39,277	(5,060)	34,217

	Six months ended 30 June 2008		
	Gross	Ceded	Net
		(unaudited)	
Life insurance death and other benefits paid	2,135	—	2,135
Claims incurred			
- Short-term life insurance	460	(181)	279
- Property and casualty insurance	9,312	(2,550)	6,762
Changes in long-term traditional insurance contract liabilities	9,874	(229)	9,645
Interest credited to long-term investment type insurance contract liabilities	2,322	—	2,322
Policyholder dividends	1,274	—	1,274
	25,377	(2,960)	22,417

	Six months ended 30 June 2009		
	Gross	Ceded	Net
Life insurance death and other benefits paid	1,850	—	1,850
Claims incurred			
- Short-term life insurance	402	(255)	147
- Property and casualty insurance	8,757	(1,543)	7,214
Changes in long-term traditional insurance contract liabilities	10,246	(734)	9,512
Interest credited to long-term investment type insurance contract liabilities	2,413	—	2,413
Policyholder dividends	985	—	985
	24,653	(2,532)	22,121

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Current borrowings					
- Interest expense on securities sold under agreements to repurchase	186	380	221	193	55
- Interest expense on policyholders' deposits	357	355	164	114	2
- Interest expense on policyholder dividends	—	38	72	35	42
- Others	—	—	—	—	1
	543	773	457	342	100
Non-current borrowings					
- Interest expense on subordinated debt	38	75	75	38	38
	581	848	532	380	138

9. PROFIT BEFORE TAX

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Employee benefits expense (including directors' and supervisors' emoluments) (note 11)	2,293	3,285	4,100	1,799	2,489
Auditors' remuneration	27	9	38	9	9
Operating lease payments in respect of land and buildings	229	270	331	97	191
Depreciation of property and equipment (note 17)	430	460	533	256	309
Amortisation of intangible assets (note 19)	32	50	117	56	69
Amortisation of prepaid land lease payments (note 20)	5	5	4	2	3
Amortisation/(reversal) of other assets	(43)	19	10	4	6
Loss/(gain) on disposal of items of property and equipment, intangible assets and other long-term assets	30	25	(127)	(123)	(9)
Charge of impairment loss on insurance receivables	—	76	54	109	31
Reversal of impairment loss on property and equipment (note 17)	(1)	—	—	—	—
Charge of impairment loss on financial assets (note 6)	—	—	5,147	1,264	128
Charge of impairment loss on the investment in Fudan Pacific Institute of Finance (the "Institute") and additional provision made (note 51)	325	—	—	—	—
Foreign exchange loss, net	147	242	132	115	3

10. OTHER COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Exchange differences on translation of foreign operations	(6)	(9)	(6)	(6)	(2)
Available-for-sale financial assets					
Gains/(losses) arising during the year/period	10,097	24,510	(29,829)	(25,716)	6,107
Reclassification adjustments for (gains)/losses included in profit or loss	(1,920)	(12,719)	4,008	(4,353)	(2,462)
Impairment charges reclassified to the income statement	—	—	5,141	1,264	128
	8,177	11,791	(20,680)	(28,805)	3,773
Income tax relating to available-for-sale financial assets	(2,670)	(2,228)	5,176	7,178	(943)
	5,507	9,563	(15,504)	(21,627)	2,830
Shadow accounting adjustment	(730)	(3,373)	2,452	6,904	380
Income tax relating to shadow accounting adjustment	241	745	(613)	(1,726)	(95)
	(489)	(2,628)	1,839	5,178	285
Other comprehensive income/(loss)	5,012	6,926	(13,671)	(16,455)	3,113

11. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' AND SUPERVISORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Salaries, allowances and other short-term benefits	1,966	2,750	3,323	1,535	2,106
Contributions to defined contribution plans(1)	320	465	675	256	354
Early retirement benefit obligation	7	10	23	8	5
Long-term incentive(2)	—	60	79	—	24
	2,293	3,285	4,100	1,799	2,489

(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. Pursuant to resolutions made at the shareholders' meeting held in 2007, the Group awarded eligible participants incentive rewards for fiscal year 2006, to be paid in cash in the sixth year from the date of award. On 24 October 2008, the board of directors of the Company approved a long-term deferred bonus plan for senior management and certain key employees. The deferred bonuses will be paid gradually during the three years following the year of grant subject to the performance of both the Group and the eligible participants in those years.

12. DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the directors' and the supervisors' remuneration are as follows:

(in RMB thousand)	Year ended 31 December 2006	2007	2008	Six months ended 30 June 2008	2009
				(unaudited)	
Fees	420	626	1,250	625	625
Other remuneration					
-Salaries, allowances and other short-term benefits	3,649	8,467	7,868	3,142	3,174
-Contributions to defined contribution plans	474	405	478	215	257
-Long-term incentive paid(1)	—	—	—	—	695
	4,123	8,872	8,346	3,357	4,126
	4,543	9,498	9,596	3,982	4,751

(1) This represents amount paid under the Group's long-term incentive plan detailed 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.

(a) *Independent non-executive directors*

Included in the fees are amounts of RMB420 thousand, RMB626 thousand, RMB1,250 thousand, RMB625 thousand and RMB625 thousand paid to independent non-executive directors for the years ended 31 December 2006, 2007 and 2008, and for the six-month periods ended 30 June 2008 (unaudited) and 2009. There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and for the six-month period ended 30 June 2008 (unaudited).

(in RMB thousand)	Year ended 31 December 2006: Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
GONG Haocheng	60	—	—	—	60
DENG Hongxun	60	—	—	—	60
FENG Jun	60	—	—	—	60
CHEN Hengping	60	—	—	—	60
ZHUO Zhi	60	—	—	—	60
HE Dechuan	60	—	—	—	60
GAO Yongfu	60	—	—	—	60
	420	—	—	—	420

(in RMB thousand)	Year ended 31 December 2007				
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
GONG Haocheng	30	—	—	—	30
DENG Hongxun	30	—	—	—	30
FENG Jun	30	—	—	—	30
CHEN Hengping	30	—	—	—	30
ZHUO Zhi	30	—	—	—	30
HE Dechuan	30	—	—	—	30
GAO Yongfu	30	—	—	—	30
LI Ruoshan	104	—	—	—	104
XIAO Wei	104	—	—	—	104
YUEN Tin Fan	104	—	—	—	104
CHANG Tso Tung Stephen	104	—	—	—	104
	626	—	—	—	626

(in RMB thousand)	Year ended 31 December 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

(in RMB thousand)	Six months ended 30 June 2008 (unaudited)				
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
XU Shanda	125	—	—	—	125
LI Ruoshan	125	—	—	—	125
XIAO Wei	125	—	—	—	125
YUEN Tin Fan	125	—	—	—	125
CHANG Tso Tung Stephen	125	—	—	—	125
	625	—	—	—	625

(in RMB thousand)	Six months ended 30 June 2009				
	Fees	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
LI Ruoshan	125	—	—	—	125
XIAO Wei	125	—	—	—	125
YUEN Tin Fan	125	—	—	—	125
CHANG Tso Tung Stephen	125	—	—	—	125
XU Shanda	125	—	—	—	125
	625	—	—	—	625

(b) Executive directors and non-executive directors

(in RMB thousand)	Year ended 31 December 2006 Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive director:				
HUO Lianhong	—	1,201	135	1,336
Non-executive directors:				
GAO Guofu	—	328	57	385
CHEN Shaochang	—	—	—	—
HUANG Kongwei	—	—	—	—
SHEN Weiming	—	—	—	—
XU Ming	—	—	—	—
YANG Xianghai	—	—	—	—
YU Yeming	—	—	—	—
ZHOU Ciming	—	—	—	—
ZHANG Jianwei	—	—	—	—
ZHANG Meng	—	—	—	—
PAN Jiande	—	—	—	—
WANG Guoliang	—	1,109	135	1,244
	—	2,638	327	2,965

(in RMB thousand)	Year ended 31 December 2007 Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
Executive director:				
HUO Lianhong	—	2,640	136	2,776
Non-executive directors:				
GAO Guofu	—	2,840	112	2,952
CHEN Shaochang	—	104	—	104
HUANG Kongwei	—	104	—	104
SHEN Weiming	—	104	—	104
XU Ming	—	104	—	104
YANG Xianghai	—	104	—	104
YU Yeming	—	104	—	104
ZHOU Ciming	—	104	—	104
YANG Xiangdong	—	104	—	104
FENG Junyuan, Janine	—	104	—	104
	—	6,416	248	6,664

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Year ended 31 December 2008			
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 relevant regulations.

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Six months ended 30 June 2008 (unaudited)			
Executive director:				
HUO Lianhong	—	582	69	651
Non-executive directors:				
GAO Guofu	—	642	64	706
CHEN Shaochang	—	125	—	125
HUANG Kongwei	—	125	—	125
SHEN Weiming	—	125	—	125
YANG Xiangdong	—	125	—	125
FENG Junyuan, Janine	—	125	—	125
YANG Xianghai	—	125	—	125
YU Yeming	—	125	—	125
ZHOU Ciming	—	125	—	125
	—	2,224	133	2,357

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Six months ended 30 June 2009			
Executive directors:				
GAO Guofu	260	642	71	973
HUO Lianhong	236	582	79	897
Non-executive directors:				
YANG Xiangdong	—	125	—	125
HUANG Kongwei	—	125	—	125
FENG Junyuan, Janine	—	125	—	125
YANG Xianghai	—	125	—	125
YU Yeming**	—	125	—	125
ZHOU Ciming	—	125	—	125
CHEN Shaochang	—	83	—	83
SHEN Weiming	—	83	—	83
	496	2,140	150	2,786

** Resigned effective on 28 October 2009.

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 the Relevant Periods and the six-month period ended 30 June 2008 (unaudited).

(c) Supervisors

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Year ended 31 December 2006			
MA Guoqiang	—	—	—	—
LI Bailing	—	—	—	—
TIAN Shibao	—	—	—	—
XIONG Xingwang	—	703	92	795
YUAN Songwen	—	308	55	363
	—	1,011	147	1,158

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Year ended 31 December 2007			
MA Guoqiang	—	104	—	104
ZHANG Jianwei	—	104	—	104
LIN Lichun	—	104	—	104
XIONG Xingwang	—	1,310	95	1,405
YUAN Songwen	—	429	62	491
	—	2,051	157	2,208

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Year ended 31 December 2008			
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

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Six Months Ended 30 June 2008 (unaudited)			
MA Guoqiang	—	125	—	125
ZHANG Jianwei	—	125	—	125
LIN Lichun	—	125	—	125
XIONG Xingwang	—	393	49	442
YUAN Songwen	—	150	33	183
	—	918	82	1,000

(in RMB thousand)	Long-term incentive	Salaries, allowances and other short-term benefits	Contributions to defined contribution plans	Total
	Six months ended 30 June 2009			
MA Guoqiang	—	125	—	125
ZHANG Jianwei	—	125	—	125
LIN Lichun	—	125	—	125
SONG Junxiang	198	489	68	755
YUAN Songwen	—	170	40	210
	198	1,034	108	1,340

On 25 June 2007, the board of directors resolved to grant annual allowance of RMB250 thousand to each supervisor, except for Mr. Xiong Xingwang, 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 the Relevant Periods and the six-month period ended 30 June 2008 (unaudited).

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose remuneration was the highest in the Group include the remuneration of two directors whose emoluments amount to RMB1,870 thousand for the six-month period ended 30 June 2009 (no director for the year ended 31 December 2008, two directors for the year ended 31 December 2007: RMB5,728 thousand, two directors for the year ended 31 December 2006: RMB2,580 thousand, and two directors for the six-month period ended 30 June 2008: RMB1,357 thousand) which are included in the analysis in note 12.

The number of non-director, highest paid individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December			Six months Ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Nil to RMB1,000,000	—	—	—	1	—
RMB1,000,001 to RMB2,000,000	2	—	—	—	1
RMB2,000,001 to RMB3,000,000	—	2	1	2	1
RMB3,000,001 to RMB4,000,000	—	—	2	—	—
RMB4,000,001 to RMB5,000,000	—	—	—	—	1
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	3	3	5	3	3

Details of the remuneration of the highest paid non-director individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
(in RMB thousand)	2006	2007	2008	2008	2009
				(unaudited)	
Salaries, allowances and other short-term benefits	8,485	12,280	18,206	5,363	8,080
Contributions to defined contribution plans	226	227	411	—	—
Long-term incentive paid(1)	—	—	2,886	—	—
	8,711	12,507	21,503	5,363	8,080
The number of non-director individuals for above remuneration	3	3	5	3	3

(1) This represents amount paid under the Group's long-term incentive plan detailed 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.

During the Relevant Periods and the six-month period ended 30 June 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.

14. INCOME TAX

(a) Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Current income tax	402	471	—	58	58
Deferred income tax (note 30)	961	2,029	(1,161)	(113)	1,100
	1,363	2,500	(1,161)	(55)	1,158

(b) Tax recorded in other comprehensive income

	Year ended 31 December			Six Months Ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Deferred income tax liabilities/(assets) (note 30)	2,429	1,483	(4,563)	(5,452)	1,038

(c) Reconciliation of tax expense

Current income tax has been provided at the rate of 33% on the estimated assessable profits arising in Mainland China of the PRC during the years ended 31 December 2006 and 2007. According to the PRC Corporate Income Tax Law, the corporate income tax rate for the year ended 31 December 2008, the six-month periods ended 30 June 2008 and 2009 was reduced from 33% to 25%. 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% (for the years ended 31 December 2006 and 2007 using the PRC statutory income tax rate of 33%) to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Profit before tax	4,000	14,766	2,025	6,143	5,159
Tax computed at the statutory tax rate	1,320	4,873	506	1,536	1,290
Effect on deferred tax due to change in tax rate from 33% to 25%	—	(828)	—	—	—
Lower tax rates of subsidiaries incorporated outside the Mainland China	(2)	(3)	—	(1)	—
Adjustments to income tax in respect of previous periods	46	48	(20)	8	(83)
Attributable to a jointly-controlled entity and associates	1	(23)	13	—	(7)
Unrecognised deferred income tax assets	—	—	—	208	—
Income not subject to tax	(132)	(1,609)	(1,880)	(1,840)	(174)
Expenses not deductible for tax	130	42	220	34	132
Tax expense at the Group's effective rate	1,363	2,500	(1,161)	(55)	1,158

There was no share of income tax attributable to the jointly-controlled entity and associates as they have been included in "Share of profits/(losses) of a jointly-controlled entity and associates" on the face of the consolidated income statement for the Relevant Periods and the six-month period ended 30 June 2008.

15. NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated net profit attributable to equity holders of the parent for the years ended 31 December 2006, 2007, 2008 and for the six-month periods ended 30 June 2008 (unaudited) and 2009 included net profit/(loss) of RMB(140) million, RMB3,448 million, RMB900 million, RMB3,444 million and RMB3,542 million, respectively, which have been dealt with in the financial statements of the Company.

16. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Consolidated net profit for the year/period attributable to equity holders of the parent	2,019	11,238	3,086	6,082	3,937
Weighted average number of ordinary shares in issue (million)	4,300	6,167	7,700	7,700	7,700
Earnings per ordinary share	RMB0.47	RMB1.82	RMB0.40	RMB0.79	RMB0.51

The Company had no dilutive potential ordinary shares for the Relevant Periods and the six-month period ended 30 June 2008, hence no diluted earnings per share amount is presented.

17. PROPERTY AND EQUIPMENT

Group	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2006	3,696	143	417	1,177	289	5,722
Additions	142	54	68	193	18	475
Transfers	172	(175)	—	—	3	—
Disposals	(41)	—	(31)	(62)	(19)	(153)
At 31 December 2006	3,969	22	454	1,308	291	6,044
Additions	51	461	85	518	61	1,176
Transfers	29	(29)	—	—	—	—
Cost adjustment	(73)	—	—	—	—	(73)
Disposals	(18)	—	(36)	(71)	(4)	(129)
At 31 December 2007	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
Additions	11	453	18	116	34	632
Transfers	40	(40)	—	—	—	—
Disposals	(3)	—	(5)	(33)	—	(41)
At 30 June 2009	4,388	2,464	547	2,122	549	10,070
Accumulated depreciation and impairment						
At 1 January 2006	580	—	216	827	168	1,791
Depreciation charge	128	—	74	180	48	430
Disposals	(31)	—	(26)	(28)	(19)	(104)
Reversal of impairment losses	(1)	—	—	—	—	(1)
At 31 December 2006	676	—	264	979	197	2,116
Depreciation charge	148	—	72	203	37	460
Disposals	(12)	—	(35)	(52)	(2)	(101)
Write-off of impairment losses	(3)	—	—	—	—	(3)
At 31 December 2007	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
Depreciation charge	71	—	32	172	34	309
Disposals	—	—	(3)	(32)	—	(35)
At 30 June 2009	1,006	—	329	1,508	314	3,157
Net book value						
At 31 December 2006	3,293	22	190	329	94	3,928
At 31 December 2007	3,149	454	202	625	116	4,546
At 31 December 2008	3,405	2,051	234	671	235	6,596
At 30 June 2009	3,382	2,464	218	614	235	6,913

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 RMB860 million, RMB243 million RMB155 million and RMB162 million as at 31 December 2006, 2007, 2008 and 30 June 2009. 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 30 June 2009, buildings of the Group with a net book value of RMB24 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.

Company	Land and buildings	Construction in progress	Motor vehicles	Office furniture and equipment	Leasehold improvements	Total
Cost						
At 1 January 2006	385	1	6	94	—	486
Additions	7	2	1	43	4	57
Transfer to investment property (note 18)	(75)	—	—	—	—	(75)
Disposals	—	(3)	(1)	(16)	—	(20)
At 31 December 2006	317	—	6	121	4	448
Additions	—	—	3	38	—	41
Cost adjustment	(73)	—	—	—	—	(73)
Transfer from investment property (note 18)	34	—	—	—	—	34
At 31 December 2007	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	—	330	—	8	2	340
Disposals	—	—	(1)	—	—	(1)
Transfer from investment property (note 18)	20	—	—	—	—	20
At 30 June 2009	298	1,869	8	265	55	2,495
Accumulated depreciation and impairment						
At 1 January 2006	24	—	4	55	—	83
Depreciation charge	27	—	1	32	—	60
Transfer to investment property (note 18)	(10)	—	—	—	—	(10)
Disposals	—	—	(1)	(15)	—	(16)
At 31 December 2006	41	—	4	72	—	117
Depreciation charge	10	—	1	27	1	39
Transfer from investment property (note 18)	9	—	—	—	—	9
At 31 December 2007	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	4	—	1	28	1	34
Transfers from investment property (note 18)	4	—	—	—	—	4
At 30 June 2009	77	—	5	164	3	249
Net book value						
At 31 December 2006	276	—	2	49	4	331
At 31 December 2007	218	—	4	60	3	285
At 31 December 2008	209	1,539	5	121	51	1,925
At 30 June 2009	221	1,869	3	101	52	2,246

18. INVESTMENT PROPERTY

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Cost				
Beginning of year/period	229	304	270	270
Transfer from/(to) property and equipment	75	(34)	—	(20)
End of year/period	304	270	270	250
Accumulated depreciation and impairment losses				
Beginning of year/period	31	51	51	59
Transfer from/(to) property and equipment	10	(9)	—	(4)
Depreciation charge	10	9	8	4
End of year/period	51	51	59	59
Net book value				
End of year/period	253	219	211	191
Beginning of year/period	198	253	219	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 categorised as a building of the Group in the consolidated balance sheets.

19. INTANGIBLE ASSETS

Group	Software
Cost	
At 1 January 2006	119
Additions	89
At 31 December 2006	208
Additions	182
At 31 December 2007	390
Additions	234
Disposal	(14)
At 31 December 2008	610
Additions	66
Disposal	(44)
As at 30 June 2009	632
Accumulated amortisation	
At 1 January 2006	59
Amortisation	32
At 31 December 2006	91
Amortisation	50
At 31 December 2007	141
Amortisation	117
Disposal	(13)
At 31 December 2008	245
Amortisation	69
Disposal	(24)
At 30 June 2009	290
Carrying amount	
At 31 December 2006	117
At 31 December 2007	249
At 31 December 2008	365
At 30 June 2009	342

20. PREPAID LAND LEASE PAYMENTS

Land use rights	Group	Company
Cost		
At 1 January 2006, 31 December 2006, 2007 and 2008, and 30 June 2009	241	213
Accumulated amortisation		
At 1 January 2006	14	12
Amortisation	5	4
At 31 December 2006	19	16
Amortisation	5	5
At 31 December 2007	24	21
Amortisation	4	4
At 31 December 2008	28	25
Amortisation	3	2
At 30 June 2009	31	27
Carrying amount		
At 31 December 2006	222	197
At 31 December 2007	217	192
At 31 December 2008	213	188
At 30 June 2009	210	186

Land use rights are acquired under the PRC laws for fixed periods, and the related costs are amortised 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 amortised over the lease terms ranging from 30 to 50 years.

The Company's land use rights with a total cost of RMB213 million have been provided for use by the Institute free of charge.

21. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
Company	2006	2007	2008	2009
Unlisted shares, at cost	7,643	13,874	30,581	30,581

Particulars of the Company's subsidiaries as at 30 June 2009 are set out in note 1 to this Financial Information.

The amounts due from and to subsidiaries are disclosed in note 32 to the Financial Information or on the face of the Company's balance sheets. 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.

22. INTERESTS IN ASSOCIATES

	As at 31 December			As at 30 June
Group	2006	2007	2008	2009
Share of net assets	31	—	—	—
Advances to an associate	209	—	—	—
	240	—	—	—
Provision for impairment	(31)	—	—	—
	209	—	—	—

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Unlisted shares, at cost	63	—	—	—
Advances to an associate	209	—	—	—
	272	—	—	—
Provision for impairment	(63)	—	—	—
	209	—	—	—

The advances to an associate are unsecured, interest-free and have no fixed terms of repayment.

The Group had interests in associates in respect of the Institute and Yun Nan Dong Lu Hotel (the "Hotel") as at 31 December 2006.

As mentioned in note 51, the Institute was an associate of the Group until the Group transferred its equity interest in the Institute to Fudan University in July 2007.

The Hotel reported a loss during 2006 and ceased operations in 2007. The Group has made full provision for its investment in the Hotel, and has written off such investment in 2007.

The assets and liabilities of the Group's associates as at 31 December 2006 and their results for the year then ended, as disclosed below, include the assets and liabilities, as well as the results, of both the Institute and the Hotel as extracted from their respective financial statements:

	As at 31 December 2006	2007	2008	As at 30 June 2009
Associates' assets and liabilities :				
Assets	1,091	—	—	—
Liabilities	(1,031)	—	—	—
Net assets	60	—	—	—
Associates' results :				
Revenue	36	—	—	—
Losses	(71)	—	—	—

The financial statements of the above associates were not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

23. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Share of net assets	322	367	391	417
Company				
Unlisted shares, at cost	350	350	400	400

Particulars of the jointly-controlled entity as at 30 June 2009 are as follows:

Name	Place of incorporation	Percentage of equity attributable to the Company Direct	Indirect	Registered and paid-up capital (RMB thousand)	Principal activity
Pacific Antai	Shanghai	50.00	—	800,000	Life insurance

The following table illustrates the financial information of the Group's jointly-controlled entity:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Share of the jointly-controlled entity's assets and liabilities:				
Assets	1,412	1,618	1,923	2,090
Liabilities	(1,090)	(1,251)	(1,532)	(1,673)
Net assets	322	367	391	417
Share of the jointly-controlled entity's results:				
Revenue	315	357	559	296
Net profit/(loss)	5	70	(52)	26

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 2006, 2007 and 2008, and six-month period ended 30 June 2009 of the jointly-controlled entity were not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

24.1 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:

	As at 31 December			As at 30 June
Group	2006	2007	2008	2009
Listed				
Equity securities	152	162	17	—
Investment funds	445	152	226	49
Debt securities				
- Government bonds	41	39	33	32
- Corporate bonds	10	15	54	70
	648	368	330	151
Unlisted				
Derivative financial assets	1	—	—	—
Investment funds	4,059	2,095	836	265
Debt securities				
- Corporate bonds	50	—	—	—
	4,110	2,095	836	265
	4,758	2,463	1,166	416

	As at 31 December			As at 30 June
Company	2006	2007	2008	2009
Listed				
Equity securities	42	—	—	—
Debt securities				
- Government bonds	41	39	33	32
	83	39	33	32
Unlisted				
Derivative financial assets	1	—	—	—
Debt securities				
- Corporate bonds	10	—	—	—
	11	—	—	—
	94	39	33	32

24.2 Held-to-Maturity Financial Assets

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

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Listed				
Debt securities				
- Government bonds	3,916	3,935	3,955	3,856
- Finance bonds	—	—	58	45
- Corporate bonds	3,963	5,498	6,193	6,320
	7,879	9,433	10,206	10,221
Unlisted				
Debt securities				
- Government bonds	1,513	808	1,601	3,054
- Finance bonds	13,190	15,373	18,331	26,369
- Corporate bonds	14,297	32,506	40,842	42,275
	29,000	48,687	60,774	71,698
	36,879	58,120	70,980	81,919

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Listed				
Debt securities				
- Corporate bonds	—	27	582	595
Unlisted				
Debt securities				
- Corporate bonds	—	—	100	100
	—	27	682	695

24.3 Available-for-Sale Financial Assets

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Listed				
Equity securities	10,732	34,427	5,307	17,454
Investment funds	8,114	14,049	4,033	4,452
Debt securities				
- Government bonds	13,593	13,168	11,239	9,901
- Corporate bonds	1,935	2,751	12,319	12,878
	34,374	64,395	32,898	44,685
Unlisted				
Other equity investments	14	84	1,622	2,877
Investment funds	2,826	14,174	2,886	6,577
Debt securities				
- Government bonds	493	6,103	4,457	550
- Finance bonds	23,126	23,853	39,328	36,830
- Corporate bonds	7,597	13,258	14,951	22,053
	34,056	57,472	63,244	68,887
	68,430	121,867	96,142	113,572

At 30 June 2009, certain unlisted equity investments with a carrying amount of RMB2,877 million (RMB14 million, RMB84 million and RMB1,622 million at 31 December 2006, 2007 and 2008, respectively) 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	As at 31 December 2006	2007	2008	As at 30 June 2009
Listed				
Equity securities	59	3,134	55	356
Investment funds	106	644	581	66
Debt securities				
- Corporate bonds	—	2	1,328	1,407
	165	3,780	1,964	1,829
Unlisted				
Investment funds	2	4,526	15	56
Debt securities				
- Government bonds	—	4,573	—	—
- Finance bonds	—	1,396	1,675	2,143
- Corporate bonds	16	5,589	636	1,373
	18	16,084	2,326	3,572
	183	19,864	4,290	5,401

24.4 Investments Classified as Loans and Receivables

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Debt securities				
-Finance	7,726	9,227	11,537	9,904
-Corporate	—	4,696	4,995	12,442
	7,726	13,923	16,532	22,346

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Debt securities -Finance	700	704	1,876	1,199

25. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Securities-bonds				
Stock Exchange	590	—	60	—
Inter-bank market	1,154	5,500	—	—
	1,744	5,500	60	—

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
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.

26. TERM DEPOSITS

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Within 1 year (including 1 year)	14,758	20,381	212	7,627
1 to 3 years (including 3 year)	20,762	7,886	20,929	30,120
3 to 5 years (including 5 year)	17,486	29,260	61,260	53,010
More than 5 years	849	1,735	355	304
	53,855	59,262	82,756	91,061

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Within 1 year (including 1 year)	25	25	25	27
3 to 5 years (including 5 year)	10	4,000	6,500	6,500
More than 5 years	86	553	41	—
	121	4,578	6,566	6,527

27. INTEREST RECEIVABLE

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Interest receivable from deposits	762	1,386	2,214	2,755
Interest receivable from loans	1	7	24	29
Interest receivable from bonds	1,372	2,001	2,742	4,074
	2,135	3,394	4,980	6,858
Less: Bad debt provision	(1)	(1)	(1)	(1)
	2,134	3,393	4,979	6,857

28. DEFERRED ACQUISITION COSTS

Group	Gross	Ceded	Net
At 1 January 2006	12,478	(1,235)	11,243
Deferred	6,797	(1,746)	5,051
Amortised	(5,272)	1,392	(3,880)
Effect of net unrealised gains on investments through equity (shadow accounting adjustment)	(1,138)	—	(1,138)
At 31 December 2006	12,865	(1,589)	11,276
Deferred	9,929	(2,184)	7,745
Amortised	(7,223)	2,068	(5,155)
Effect of net unrealised gains on investments through equity (shadow accounting adjustment)	(398)	—	(398)
At 31 December 2007	15,173	(1,705)	13,468
Deferred	12,767	(2,557)	10,210
Amortised	(8,078)	2,444	(5,634)
Effect of net unrealised losses on investments through equity (shadow accounting adjustment)	2,070	—	2,070
At 31 December 2008	21,932	(1,818)	20,114
Deferred	8,197	(1,704)	6,493
Amortised	(5,032)	1,246	(3,786)
Effect of net unrealised gains on investments through equity (shadow accounting adjustment)	(501)	—	(501)
At 30 June 2009	24,596	(2,276)	22,320

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
DAC excluding unrealised gains/losses	12,678	15,268	19,844	22,551
DAC recorded in unrealised (gains)/losses	(1,402)	(1,800)	270	(231)
	11,276	13,468	20,114	22,320

29. REINSURANCE ASSETS

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Reinsurers' share of insurance contracts (note 36)	7,247	8,395	9,627	11,082
Reinsurers' share of investment contracts (note 37)	—	—	—	—
	7,247	8,395	9,627	11,082

30. 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	As at 31 December 2006	2007	2008	As at 30 June 2009
Net deferred income tax assets/(liabilities), at beginning of year/period	188	(3,202)	(6,714)	(990)
Recognised as expense/(income) (note 14(a))	(961)	(2,029)	1,161	(1,100)
Recognised in equity (note 14(b))	(2,429)	(1,483)	4,563	(1,038)
Net deferred income tax liabilities, at end of year/period	(3,202)	(6,714)	(990)	(3,128)

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Deferred income tax assets/(liabilities):				
Insurance contract and investment contract liabilities	1,790	(542)	(729)	(972)
Impairment of assets	431	167	719	97
Commissions and handling fees	230	183	—	269
Tax losses carried forward	167	—	1,180	1,019
Deferred revenue	1,224	1,005	2,367	2,453
Net fair value adjustment on available-for-sale financial assets and financial assets carried at fair value through profit or loss	(3,346)	(4,182)	449	(585)
Deferred acquisition costs	(3,721)	(3,367)	(5,028)	(5,581)
Others	23	22	52	172
Net deferred income tax liabilities	(3,202)	(6,714)	(990)	(3,128)
Represented by:				
Deferred tax assets	79	6	763	705
Deferred tax liabilities	(3,281)	(6,720)	(1,753)	(3,833)

31. INSURANCE RECEIVABLES

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Insurance receivables	3,277	3,859	4,499	5,244
Provision for impairment of insurance receivables	(100)	(148)	(196)	(227)
	3,177	3,711	4,303	5,017

An aged analysis of the insurance receivables is as follows:

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Within 3 months	2,663	2,813	3,251	3,585
Over 3 months and within 1 year	442	641	846	1,098
Over 1 year	72	257	206	334
	3,177	3,711	4,303	5,017

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.

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	As at 31 December 2006	2007	2008	As at 30 June 2009
Insurance receivables that are individually determined to be impaired	53	67	63	128
Related provision for impairment	(53)	(67)	(63)	(128)
	—	—	—	—

32. OTHER ASSETS

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Due from the Institute	63	—	—	—
Foreclosed assets (note 51)	22	843	873	873
Due from agents	63	54	46	225
Receivable from securities clearance	—	—	337	222
Co-insurance receivable	—	—	339	265
Tax receivable other than income tax	—	—	384	39
Others	407	487	427	615
	555	1,384	2,406	2,239

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Due from subsidiaries	8	11	—	—
Dividends receivable	9	956	8	10
Foreclosed assets (note 51)	—	840	871	871
Others	84	113	59	57
	101	1,920	938	938

33. CASH AND SHORT-TERM TIME DEPOSITS

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Cash at banks and on hand	4,774	13,248	5,991	5,771
Time deposits with original maturity of no more than three months	4,930	2,044	10,997	12,387
Other monetary assets	438	8,330	525	576
	10,142	23,622	17,513	18,734

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Cash at banks and on hand	1,367	6,175	316	457
Time deposits with original maturity of no more than three months	—	1,650	1,970	3,154
Other monetary assets	438	8,246	252	43
	1,805	16,071	2,538	3,654

The Group's balances denominated in RMB amounted to RMB7,025 million, RMB22,632 million, RMB15,810 million and RMB17,713 million as at 31 December 2006, 2007, 2008 and as at 30 June 2009, respectively. RMB is not freely convertible into other currencies; however, under Mainland China's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

34. ISSUED CAPITAL

Group and Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Number of shares registered, issued and fully paid at RMB1 each (million)	4,300	7,700	7,700	7,700

Please refer to note 1 for details of changes in issued capital.

35. RESERVES AND RETAINED PROFITS

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of the Financial Information.

(a) Capital reserve

Capital reserve mainly represents share premiums arising from the issuance of shares and the deemed disposal of an equity interest in CPLIC to the Foreign Investors in December 2005, and the subsequent repurchase of the equity interest in CPLIC by the Company in April 2007.

(i) Dilution of equity interest in CPLIC in December 2005

Pursuant to a resolution of the Company's first extraordinary shareholders' meeting held in October 2005 and approval of CIRC, the registered capital of CPLIC was increased from RMB1,000 million to RMB1,998 million in December 2005. The additional capital of RMB998 million was equally contributed by the Company and the Foreign Investors.

As a result, the Company's equity interest in CPLIC was diluted from the original 95% to 72.52%, and the Foreign Investors acquired a 24.98% equity interest in CPLIC. Since this is accounted for as an equity transaction, the increase in the Group's share in the book value of the net assets of CPLIC as a result of the transaction was recorded in equity as capital reserve.

(ii) Accumulated losses offset by capital reserve

Pursuant to a resolution made at the Company's 2005 annual general shareholders' meeting held on 20 July 2006, it was resolved that the Company would utilise an amount of RMB2,037 million standing to the credit of the Company's capital reserve as at 31 December 2005 to offset the entire accumulated losses as reported in its statutory financial statements as at 31 December 2005.

(iii) Acquisition of minority interest in CPLIC in April 2007

In April 2007, the Company acquired the Foreign Investors' 24.98% equity interest in CPLIC at a consideration of RMB3,311 million.

Since this is accounted for as an equity transaction, the excess of carrying amount of minority interest acquired over the consideration paid was recorded in equity as capital reserve.

(iv) Additional capital injections to CPLIC and CPPIC in May 2007, June 2008, November 2008

As mentioned in notes 1(b) and 1(c), the Company injected RMB2,002 million and RMB701 million into CPLIC and CPPIC, respectively, in May 2007 to acquire additional 302 million shares and 236 million shares in CPLIC and CPPIC, respectively.

In June 2008, the Company injected RMB5,902 million and RMB2,761 million into CPLIC and CPPIC, respectively, to acquire additional 1,180 million shares and 1,380 million shares in CPLIC and CPPIC, respectively.

In November 2008, the Company injected RMB7,913 million into CPLIC to acquire additional 1,583 million shares.

The difference between the changes in the Group's share of book value of net assets of CPLIC and CPPIC and respective considerations is recorded as an increase in capital reserve, and as a decrease in minority interests by the same amount in the consolidated statement of changes in equity.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve, the statutory public welfare fund and the 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 Mainland China, the Company and the subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under the PRC GAAP, to their SSR until the balance reaches 50% of respective registered capital.

Subject to the approval of shareholders, SSR may be used to offset 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, RMB994 million as at 30 June 2009 (31 December 2008: RMB994 million; 31 December 2007: RMB667 million; 31 December 2006: nil) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

(ii) Statutory public welfare fund ("PWF")

Prior to 1 January 2006, the Company and its subsidiaries in Mainland China were required to appropriate 5% to 10% of their net profits (after offsetting the accumulated losses incurred in previous years), as determined under the PRC GAAP, to the PWF, which is a non-distributable reserve except in the event of liquidation of the Company and the subsidiaries.

According to the revised PRC Company Law effective from 1 January 2006, the Group is no longer required to make appropriation to the PWF. All unutilised PWF as at 1 January 2006 was transferred to the SSR.

(iii) Discretionary surplus reserve ("DSR")

After making necessary appropriations to the SSR and PWF (prior to 1 January 2006), the Company and its subsidiaries in Mainland China may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

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

(c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. CPPIC and CPLIC 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, RMB991 million as at 30 June 2009 (31 December 2008: RMB991 million; 31 December 2007: RMB666 million; 31 December 2006: nil) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

(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 Mainland China.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company after the listing of the shares on the Main Board of SEHK should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. The amount that the Company's subsidiaries can legally distribute by way of a dividend is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in the Financial Information, which is prepared in accordance with HKFRSs.

(f) The movements in reserves and retained profits of the Company during the Relevant Periods are set out below:

Company	Capital reserve	Surplus reserves	Available-for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2006	3,929	244	1	4,174	765
Changes in fair value of available-for-sale financial assets	—	—	26	26	—
Realised loss transferred to the income statement on sale of available-for-sale financial assets	—	—	20	20	—
Other comprehensive income for the year	—	—	46	46	—
Net loss for the year	—	—	—	—	(140)
Total comprehensive income for the year	—	—	46	46	(140)
Accumulated losses offset by capital reserve	(2,037)	—	—	(2,037)	2,037
Others	2	—	—	2	—
	(2,035)	—	46	(1,989)	1,897
At 31 December 2006	1,894	244	47	2,185	2,662

Company	Capital reserve	Surplus reserves	Available-for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2007	1,894	244	47	2,185	2,662
Changes in fair value of available-for-sale financial assets	—	—	841	841	—
Realised gain transferred to the income statement on sale of available-for-sale financial assets	—	—	(458)	(458)	—
Aggregate tax effect of items recognised directly in equity	—	—	(108)	(108)	—
Other comprehensive income for the year	—	—	275	275	—
Net profit for the year	—	—	—	—	3,448
Total comprehensive income for the year	—	—	275	275	3,448
Issue of shares	35,874	—	—	35,874	—
Appropriations to surplus reserve	—	347	—	347	(347)
Others	3	—	—	3	—
	35,877	347	275	36,499	3,101
At 31 December 2007	37,771	591	322	38,684	5,763

Company	Capital reserve	Surplus reserves	Available-for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2008	37,771	591	322	38,684	5,763
Changes in fair value of available-for-sale financial assets	—	—	(4,231)	(4,231)	—
Realised loss transferred to the income statement on sale of available-for-sale financial assets	—	—	2,791	2,791	—
Impairment charges reclassified to the income statement	—	—	1,336	1,336	—
Aggregate tax effect of items recognised directly in equity	—	—	26	26	—
Other comprehensive income for the year	—	—	(78)	(78)	—
Net profit for the year	—	—	—	—	900
Total comprehensive income for the year	—	—	(78)	(78)	900
Dividends declared	—	—	—	—	(2,310)
Appropriations to surplus reserve	—	91	—	91	(91)
	—	91	(78)	13	(1,501)
At 31 December 2008	37,771	682	244	38,697	4,262

Company	Capital reserve	Surplus reserves	Available-for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2009	37,771	682	244	38,697	4,262
Changes in fair value of available-for-sale financial assets	—	—	50	50	—
Realised gain transferred to the income statement on sale of available-for-sale financial assets	—	—	(101)	(101)	—
Aggregate tax effect of items recognised directly in equity	—	—	13	13	—
Other comprehensive income for the period	—	—	(38)	(38)	—
Net profit for the period	—	—	—	—	3,542
Total comprehensive income for the period	—	—	(38)	(38)	3,542
Dividends declared	—	—	—	—	(2,310)
	—	—	(38)	(38)	1,232
At 30 June 2009	37,771	682	206	38,659	5,494

36. INSURANCE CONTRACT LIABILITIES

Group	As at 31 December 2006 Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	51,310	(1,771)	49,539
- Investment type insurance contracts	85,055	—	85,055
- Claim reserves	183	(12)	171
	136,548	(1,783)	134,765
Short-term life insurance contracts			
- Unearned premiums	1,188	(570)	618
- Claim reserves	306	(152)	154
	1,494	(722)	772
Property and casualty insurance contracts			
- Unearned premiums	10,821	(2,266)	8,555
- Claim reserves	6,744	(2,476)	4,268
	17,565	(4,742)	12,823
	155,607	(7,247)	148,360
IBNR included in claim reserves	2,223	(609)	1,614

Group	As at 31 December 2007 Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	71,446	(2,420)	69,026
- Investment type insurance contracts	106,876	—	106,876
- Claim reserves	463	(14)	449
	178,785	(2,434)	176,351
Short-term life insurance contracts			
- Unearned premiums	1,337	(419)	918
- Claim reserves	405	(156)	249
	1,742	(575)	1,167
Property and casualty insurance contracts			
- Unearned premiums	12,738	(2,546)	10,192
- Claim reserves	8,714	(2,840)	5,874
	21,452	(5,386)	16,066
	201,979	(8,395)	193,584
IBNR included in claim reserves	3,242	(818)	2,424

Group	As at 31 December 2008 Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	79,638	(3,001)	76,637
- Investment type insurance contracts	132,536	—	132,536
- Claim reserves	709	(16)	693
	212,883	(3,017)	209,866
Short-term life insurance contracts			
- Unearned premiums	1,426	(444)	982
- Claim reserves	470	(139)	331
	1,896	(583)	1,313
Property and casualty insurance contracts			
- Unearned premiums	14,520	(3,090)	11,430
- Claim reserves	10,168	(2,937)	7,231
	24,688	(6,027)	18,661
	239,467	(9,627)	229,840
IBNR included in claim reserves	1,815	(509)	1,306

Group	As at 30 June 2009 Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	89,926	(3,736)	86,190
- Investment type insurance contracts	143,801	—	143,801
- Claim reserves	786	(17)	769
	234,513	(3,753)	230,760
Short-term life insurance contracts			
- Unearned premiums	1,618	(429)	1,189
- Claim reserves	438	(129)	309
	2,056	(558)	1,498
Property and casualty insurance contracts			
- Unearned premiums	18,623	(4,140)	14,483
- Claim reserves	10,134	(2,631)	7,503
	28,757	(6,771)	21,986
	265,326	(11,082)	254,244
IBNR included in claim reserves	1,827	(475)	1,352

(a) Long-term life insurance contract liabilities

Movements of traditional insurance contract liabilities

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 31 January 2006	39,517	(1,266)	38,251
Valuation premiums	7,497	(409)	7,088
Liabilities released for payments on benefits and claims	(1,141)	49	(1,092)
Accretion of investment income	1,873	(56)	1,817
Other movements	3,564	(89)	3,475

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 31 December 2006	51,310	(1,771)	49,539
Valuation premiums	8,885	(895)	7,990
Liabilities released for payments on benefits and claims	(1,477)	79	(1,398)
Accretion of investment income	2,401	(81)	2,320
Other movements	10,327	248	10,575
At 31 December 2007	71,446	(2,420)	69,026
Valuation premiums	10,407	(1,158)	9,249
Liabilities released for payments on benefits and claims	(1,918)	113	(1,805)
Accretion of investment income	2,858	(109)	2,749
Other movements	(3,155)	573	(2,582)
At 31 December 2008	79,638	(3,001)	76,637
Valuation premiums	6,574	(925)	5,649
Liabilities released for payments on benefits and claims	(1,003)	112	(891)
Accretion of investment income	1,638	(64)	1,574
Other movements	3,079	142	3,221
At 30 June 2009	89,926	(3,736)	86,190

Movements of investment type insurance contract liabilities

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 1 January 2006	67,160	—	67,160
Deposits received	21,217	—	21,217
Deposits released for payments on benefits and claims	(3,608)	—	(3,608)
Fees deducted	(2,773)	—	(2,773)
Interest credited	2,660	—	2,660
Effect of net unrealised gains on investments through equity (shadow accounting adjustment) and others	399	—	399
At 31 December 2006	85,055	—	85,055
Deposits received	32,451	—	32,451
Deposits released for payments on benefits and claims	(11,681)	—	(11,681)
Fees deducted	(3,480)	—	(3,480)
Interest credited	3,511	—	3,511
Effect of net unrealised gains on investments through equity (shadow accounting adjustment) and others	1,020	—	1,020
At 31 December 2007	106,876	—	106,876
Deposits received	44,488	—	44,488
Deposits released for payments on benefits and claims	(19,529)	—	(19,529)
Fees deducted	(4,350)	—	(4,350)
Interest credited	4,748	—	4,748
Effect of net unrealised gains on investments through equity (shadow accounting adjustment) and others	303	—	303
At 31 December 2008	132,536	—	132,536
Deposits received	20,808	—	20,808
Deposits released for payments on benefits and claims	(9,602)	—	(9,602)
Fees deducted	(2,727)	—	(2,727)
Interest credited	2,413	—	2,413
Effect of net unrealised gains on investments through equity (shadow accounting adjustment) and others	373	—	373
At 30 June 2009	143,801	—	143,801

(b) Short-term life insurance contract liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 1 January 2006	1,090	(524)	566
Premiums written	2,385	(1,117)	1,268
Premiums earned	(2,287)	1,071	(1,216)
At 31 December 2006	1,188	(570)	618
Premiums written	2,633	(764)	1,869
Premiums earned	(2,484)	915	(1,569)
At 31 December 2007	1,337	(419)	918
Premiums written	2,838	(866)	1,972
Premiums earned	(2,749)	841	(1,908)
At 31 December 2008	1,426	(444)	982
Premiums written	1,706	(444)	1,262
Premiums earned	(1,514)	459	(1,055)
At 30 June 2009	1,618	(429)	1,189

Movements of claim reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 1 January 2006	282	(97)	185
Claims incurred	855	(529)	326
Claims paid	(831)	474	(357)
At 31 December 2006	306	(152)	154
Claims incurred	942	(479)	463
Claims paid	(843)	475	(368)
At 31 December 2007	405	(156)	249
Claims incurred	1,011	(381)	630
Claims paid	(946)	398	(548)
At 31 December 2008	470	(139)	331
Claims incurred	402	(255)	147
Claims paid	(434)	265	(169)
At 30 June 2009	438	(129)	309

(c) Property and casualty insurance contracts liabilities

Movements of unearned premiums

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 1 January 2006	8,785	(1,796)	6,989
Premiums written	18,197	(4,257)	13,940
Premiums earned	(16,161)	3,787	(12,374)
At 31 December 2006	10,821	(2,266)	8,555
Premiums written	23,549	(5,015)	18,534
Premiums earned	(21,632)	4,735	(16,897)
At 31 December 2007	12,738	(2,546)	10,192
Premiums written	27,924	(6,411)	21,513
Premiums earned	(26,142)	5,867	(20,275)
At 31 December 2008	14,520	(3,090)	11,430
Premiums written	18,682	(4,169)	14,513
Premiums earned	(14,579)	3,119	(11,460)
At 30 June 2009	18,623	(4,140)	14,483

Movements of claim reserves

Group	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 29)	Net
At 1 January 2006	5,317	(1,565)	3,752
Claims incurred	10,118	(2,644)	7,474
Claims paid	(8,691)	1,733	(6,958)
At 31 December 2006	6,744	(2,476)	4,268
Claims incurred	12,872	(2,767)	10,105
Claims paid	(10,902)	2,403	(8,499)
At 31 December 2007	8,714	(2,840)	5,874
Claims incurred	17,411	(4,098)	13,313
Claims paid	(15,957)	4,001	(11,956)
At 31 December 2008	10,168	(2,937)	7,231
Claims incurred	8,757	(1,543)	7,214
Claims paid	(8,791)	1,849	(6,942)
At 30 June 2009	10,134	(2,631)	7,503

37. INVESTMENT CONTRACT LIABILITIES

	As at 31 December			As at 30 June
Group	2006	2007	2008	2009
Investment contract liabilities	7,449	4,554	3,039	2,632
Reinsurers' share of investment contract liabilities (note 29)	—	—	—	—
	7,449	4,554	3,039	2,632

Movements of investment contract liabilities

Group	Investment contract liabilities	Reinsurers' share of investment contract liabilities (note 29)	Net
At 1 January 2006	11,201	(6)	11,195
Deposits received	1,787	—	1,787
Deposits withdrawn	(5,636)	6	(5,630)
Fees deducted	(124)	—	(124)
Interest credited	221	—	221
At 31 December 2006	7,449	—	7,449
Deposits received	1,041	—	1,041
Deposits withdrawn	(4,018)	—	(4,018)
Fees deducted	(83)	—	(83)
Interest credited	165	—	165
At 31 December 2007	4,554	—	4,554
Deposits received	719	—	719
Deposits withdrawn	(2,263)	—	(2,263)
Fees deducted	(73)	—	(73)
Interest credited	102	—	102
At 31 December 2008	3,039	—	3,039
Deposits received	491	—	491
Deposits withdrawn	(885)	—	(885)
Fees deducted	(51)	—	(51)
Interest credited	38	—	38
At 30 June 2009	2,632	—	2,632

38. SUBORDINATED DEBT

	As at 31 December			As at 30 June
Group	2006	2007	2008	2009
Subordinated debt	2,038	2,113	2,188	2,226

With CIRC's approval, CPLIC issued RMB2,000 million of callable subordinated debt 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.

39. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December			As at 30 June
Group	2006	2007	2008	2009
Bonds				
Stock exchange	416	428	3,020	—
Inter-bank market	2,704	11,360	4,000	22,435
	3,120	11,788	7,020	22,435

As at 30 June 2009, bond investments of approximately RMB22,435 million (31 December 2008: RMB7,020 million; 31 December 2007: RMB11,788 million; 31 December 2006: RMB3,185 million) were used as securities sold under agreements to repurchase, among which bond investments of approximately RMB22,000 million were pledged as at 30 June 2009 (31 December 2008: RMB7,020 million; 31 December 2007: RMB11,788 million; 31 December 2006: RMB3,185 million). Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

40. PROVISIONS

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Provision for the Institute (note 51)	305	87	94	94
Provision for lawsuits (note 49)	680	315	4	4
	985	402	98	98

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Provision for the Institute (note 51)	305	87	94	94

41. DEFERRED REVENUE

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Beginning of year/period	5,683	3,711	4,018	9,469
Fee deferred	1,819	2,416	3,037	1,761
Amortization in income statement	(2,059)	(1,986)	(134)	(774)
Unrealized (gains)/losses	(1,732)	(123)	2,548	(644)
End of year/period	3,711	4,018	9,469	9,812
Deferred revenue excluding unrealised (gains)/losses	5,829	6,259	9,162	10,149
Deferred revenue recorded in unrealised (gains)/losses	(2,118)	(2,241)	307	(337)
	3,711	4,018	9,469	9,812

42. OTHER LIABILITIES

Group	As at 31 December 2006	2007	2008	As at 30 June 2009
Salary and staff welfare payable	815	1,065	993	966
Commission and brokerage payable	632	804	829	1,186
Annuity and other insurance payables	708	1,234	1,644	1,896
Co-insurance payable	—	—	291	270
Payables for purchase of office buildings	314	163	48	6
Payables for securities clearance	215	—	—	349
Tax payable other than income tax	239	191	265	397
Accrued expenses	167	210	183	309
Insurance guarantee fund	58	105	120	127
Dividend payable	13	14	25	411
Others	518	813	760	870
	3,679	4,599	5,158	6,787

Company	As at 31 December 2006	2007	2008	As at 30 June 2009
Salary and staff welfare payable	97	132	101	101
Payables for purchase of office buildings	297	—	—	—
Payables for securities clearance	215	—	—	—
Dividend payable	—	—	—	382
Others	138	167	140	157
	747	299	241	640

43. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS — ASSUMPTIONS AND SENSITIVITIES

(a) Long-term life insurance contracts

Key assumptions

Material 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 either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included for long-term traditional insurance contracts. 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:

- 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.

- Investment return

  The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on the current market returns as well as expectations about future economic and financial developments.

  The best estimate investment return assumption grades from 4.1% per annum in 2006 to 5.2% per annum in 2014.

  An increase in investment return would lead to a decrease in long-term life insurance contract liabilities and an increase in profits for the shareholders.

- Expenses

  Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies. The assumption for policy administration expense 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.

- Lapse and surrender rates

  Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and sale trend.

  An increase in lapse rates that occurs early in the life of the policy would tend to reduce profits for the shareholders, but those that occur later in the life of the policy are broadly neutral in terms of their effect to the results of the Group.

Change in assumptions

The assumptions used to estimate the liabilities of the Group's long-term life insurance contracts require judgement and are subject to uncertainty. In 2006, the long-term life insurance contract liabilities increased by RMB785 million mainly due to the loss recognition triggered by the changes in assumption for lapse rate of certain non-participating group life insurance contracts. In 2007, there were further changes in lapse rate assumptions of certain non-participating group life insurance contracts, which resulted in loss recognition and additional liabilities recognised of RMB173 million.

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. For long-term traditional insurance contracts, the assumption changes apply to both lock-in assumption and current best estimate assumption. For long-term investment type insurance contracts, the impact of assumption change to liabilities would only realise if the liabilities fail the liability adequacy test.

	As at 31 December 2006		
	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**
Mortality and morbidity rates	+10%	10	0.01%
Investment return	+25 basis points	(1,297)	(0.97)%
Investment return	–25 basis points	1,355	1.02%
Expenses	+10%	74	0.06%
Lapse and surrender rates	–10%	34	0.03%

	As at 31 December 2007		
	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**
Mortality and morbidity rates	10%	19	0.01%
Investment return	+ 25 basis points	(1,727)	(1.08)%
Investment return	–25 basis points	1,817	1.14%
Expenses	10%	91	0.06%
Lapse and surrender rates	–10%	(12)	(0.01)%

	As at 31 December 2008		
	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**
Mortality and morbidity rates	10%	40	0.02%
Investment return	+25 basis points	(1,858)	(0.96)%
Investment return	–25 basis points	1,937	1.00%
Expenses	10%	105	0.05%
Lapse and surrender rates	–10%	24	0.01%

	As at 30 June 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
Mortality and morbidity rates	10%	59	0.03%
Investment return	+ 25 basis points	(1,992)	(0.94)%
Investment return	–25 basis points	2,075	0.98%
Expenses	10%	115	0.05%
Lapse and surrender rates	–10%	47	0.02%

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.

(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 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 30 June 2009 by RMB375 million and RMB15 million (31 December 2008: RMB362 million and RMB17 million; 31 December 2007: RMB294 million and RMB12 million; 31 December 2006: RMB213 million and RMB8 million), respectively.

Claim development tables

The following tables reflect the cumulative incurred claims, including both claims notified and incurred but not reported 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/period at end of					
Estimate of ultimate claim cost	**31 December 2005**	**31 December 2006**	**31 December 2007**	**31 December 2008**	**30 June 2009**	**Total**
Accident year	8,748	10,431	13,270	18,631	8,979	
One year later	8,345	10,017	12,725	18,565		
Two years later	8,231	9,499	12,632			
Three years later	8,082	9,467				
Four years later	8,088					
Current estimate of cumulative claims	8,088	9,467	12,632	18,565	8,979	57,731
Cumulative payments to date	(7,991)	(9,206)	(11,792)	(15,221)	(3,793)	(48,003)
Liability recognised in the consolidated balance sheets	97	261	840	3,344	5,186	9,728
Liability in respect of prior years and unallocated loss adjustment expenses						406
Total gross claim reserves included in the consolidated balance sheets						10,134

Net property and casualty insurance claim reserves:

	Accident year/period at end of					
Estimate of ultimate claim cost	**31 December 2005**	**31 December 2006**	**31 December 2007**	**31 December 2008**	**30 June 2009**	**Total**
Accident year	6,600	7,518	10,459	14,036	7,176	
One year later	6,390	7,233	10,108	14,031		
Two years later	6,349	7,104	10,048			
Three years later	6,285	7,094				
Four years later	6,283					
Current estimate of cumulative claims	6,283	7,094	10,048	14,031	7,176	44,632
Cumulative payments to date	(6,223)	(6,942)	(9,461)	(11,677)	(3,117)	(37,420)
Liability recognised in the consolidated balance sheets	60	152	587	2,354	4,059	7,212
Liability in respect of prior years and unallocated loss adjustment expenses						292
Total net claim reserves included in the consolidated balance sheets						7,504

Gross short-term life insurance claim reserves:

	Accident year/period at end of					
Estimate of ultimate claim cost	**31 December 2005**	**31 December 2006**	**31 December 2007**	**31 December 2008**	**30 June 2009**	**Total**
Accident year	722	772	909	1,005	433	
One year later	865	881	920	1,013		
Two years later	873	870	901			
Three years later	837	847				
Four years later	837					
Current estimate of cumulative claims	837	847	901	1,013	433	4,031
Cumulative payments to date	(836)	(837)	(850)	(871)	(199)	(3,593)
Total gross claim reserves included in the consolidated balance sheets						438

Net short-term life insurance claim reserves:

	Accident year/period at end of					
Estimate of ultimate claim cost	**31 December 2005**	**31 December 2006**	**31 December 2007**	**31 December 2008**	**30 June 2009**	**Total**
Accident year	451	386	545	711	315	
One year later	541	441	558	711		
Two years later	546	440	542			
Three years later	523	423				
Four years later	523					
Current estimate of cumulative claims	523	423	542	711	315	2,514
Cumulative payments to date	(523)	(418)	(510)	(610)	(144)	(2,205)
Total net claim reserves included in the consolidated balance sheets						309

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.

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 analysed by premium income in note 5.

(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.

(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 Mainland China 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 summarise the Group's exposure to foreign currency exchange rate risk at the balance sheet date by categorising all financial assets and liabilities by major currencies.

	As at 31 December 2006			
	RMB	USD	HKD	Total
Financial assets at fair value through profit or loss	4,758	—	—	4,758
Held-to-maturity financial assets	36,782	—	97	36,879
Available-for-sale financial assets	67,795	—	635	68,430
Investments classified as loans and receivables	7,726	—	—	7,726
Term deposits	53,125	603	127	53,855
Reinsurance assets	7,247	—	—	7,247
Others	7,897	581	12	8,490
Cash and short-term time deposits	7,025	3,069	48	10,142
	192,355	4,253	919	197,527
Subordinated debt	2,038	—	—	2,038
Securities sold under agreements to repurchase	3,120	—	—	3,120
Policyholders' deposits	11,315	—	—	11,315
Insurance contract liabilities	155,607	—	—	155,607
Investment contract liabilities	7,449	—	—	7,449
Others	6,448	364	29	6,841
	185,977	364	29	186,370

	As at 31 December 2007			
	RMB	USD	HKD	Total
Financial assets at fair value through profit or loss	2,463	—	—	2,463
Held-to-maturity financial assets	58,028	71	21	58,120
Available-for-sale financial assets	119,980	13	1,874	121,867
Investments classified as loans and receivables	13,923	—	—	13,923
Term deposits	58,417	778	67	59,262
Reinsurance assets	8,395	—	—	8,395
Others	13,709	656	13	14,378
Cash and short-term time deposits	22,632	701	289	23,622
	297,547	2,219	2,264	302,030
Subordinated debt	2,113	—	—	2,113
Securities sold under agreements to repurchase	11,788	—	—	11,788
Policyholders' deposits	6,913	—	—	6,913
Insurance contract liabilities	201,979	—	—	201,979
Investment contract liabilities	4,554	—	—	4,554
Others	7,945	476	10	8,431
	235,292	476	10	235,778

	As at 31 December 2008			
	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	9,627	—	—	9,627
Others	11,589	1,271	7	12,867
Cash and short-term time deposits	15,810	863	840	17,513
	303,930	2,287	1,366	307,583
Subordinated debt	2,188	—	—	2,188
Securities sold under agreements to repurchase	7,020	—	—	7,020
Policyholders' deposits	576	—	—	576
Insurance contract liabilities	239,467	—	—	239,467
Investment contract liabilities	3,039	—	—	3,039
Others	9,903	996	4	10,903
	262,193	996	4	263,193

	As at 30 June 2009			
	RMB	USD	HKD	Total
Financial assets at fair value through profit or loss	416	—	—	416
Held-to-maturity financial assets	81,774	145	—	81,919
Available-for-sale financial assets	112,335	178	1,059	113,572
Investments classified as loans and receivables	22,346	—	—	22,346
Term deposits	90,832	202	27	91,061
Reinsurance assets	11,082	—	—	11,082
Others	14,639	1,205	19	15,863
Cash and short-term time deposits	17,713	595	426	18,734
	351,137	2,325	1,531	354,993
Subordinated debt	2,226			2,226
Securities sold under agreements to repurchase	22,435	—	—	22,435
Policyholders' deposits	94	—	—	94
Insurance contract liabilities	265,326	—	—	265,326
Investment contract liabilities	2,632	—	—	2,632
Others	12,470	1,072	3	13,545
	305,183	1,072	3	306,258

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.

		31 December 2006	
Currency	Changes in exchange rate	Impact on profit before tax	Impact on equity
USD	+ 5%	194	194
USD	– 5%	(194)	(194)
HKD	+ 5%	13	13
HKD	– 5%	(13)	(13)

Currency	Changes in exchange rate	31 December 2007	
		Impact on profit before tax	Impact on equity
USD	+ 5%	87	87
USD	– 5%	(87)	(87)
HKD	+ 5%	19	19
HKD	– 5%	(19)	(19)

Currency	Changes in exchange rate	31 December 2008	
		Impact on profit before tax	Impact on equity
USD	+ 5%	64	64
USD	– 5%	(64)	(64)
HKD	+ 5%	48	48
HKD	– 5%	(48)	(48)

Currency	Changes in exchange rate	30 June 2009	
		Impact on profit before tax	Impact on equity
USD	+ 5%	63	63
USD	– 5%	(63)	(63)
HKD	+ 5%	25	25
HKD	– 5%	(25)	(25)

(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.

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 2006	
	Impact on profit before tax	Impact on equity
+ 50 basis points	229	(824)
– 50 basis points	(229)	824

Changes in RMB interest rate	31 December 2007	
	Impact on profit before tax	Impact on equity
+ 50 basis points	349	(566)
– 50 basis points	(349)	656

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

Changes in RMB interest rate	30 June 2009	
	Impact on profit before tax	Impact on equity
+ 50 basis points	324	(541)
– 50 basis points	(324)	583

Since carrying amounts of most investment contracts of the Group and interest credited to those contracts would not change even if the market interest rate had changed, in respect of investment contracts, changes in market interest rates by 50 basis points would not result in significant impact on the profit before tax and equity of the Group.

(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. The Group began to adopt the VAR technique to estimate its price risk from 2007.

As at 30 June 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 RMB2,284 million (31 December 2008: RMB1,194 million; 31 December 2007: RMB4,120 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.

The Group mitigates credit risk by utilising 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.

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Financial assets at fair value through profit or loss	101	54	87	102
Held-to-maturity financial assets	36,879	58,120	70,980	81,919
Available-for-sale financial assets	46,744	59,133	82,294	82,212
Investments classified as loans and receivables	7,726	13,923	16,532	22,346
Term deposits	53,855	59,262	82,756	91,061
Reinsurance assets	7,247	8,395	9,627	11,082
Insurance receivables	3,177	3,711	4,303	5,017
Others	5,503	10,668	8,564	10,846
Cash and short-term time deposits	10,136	23,618	17,508	18,724
Total credit risk exposure	171,368	236,884	292,651	323,309

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.

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 summarise 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 2006			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	22,537	44,340	88,730	155,607
Investment contract liabilities	7,449	—	—	7,449
Subordinated debt	—	2,375	—	2,375
Securities sold under agreements to repurchase	3,123	—	—	3,123
Policyholders' deposits	11,315	—	—	11,315
Others	6,743	86	9	6,838
Total	51,167	46,801	88,739	186,707

	As at 31 December 2007			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	43,013	33,912	125,054	201,979
Investment contract liabilities	4,554	—	—	4,554
Subordinated debt	—	2,375	—	2,375
Securities sold under agreements to repurchase	11,795	—	—	11,795
Policyholders' deposits	6,913	—	—	6,913
Others	8,112	249	63	8,424
Total	74,387	36,536	125,117	236,040

	As at 31 December 2008			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	28,201	31,952	179,314	239,467
Investment contract liabilities	298	255	2,486	3,039
Subordinated debt	—	2,375	—	2,375
Securities sold under agreements to repurchase	7,021	—	—	7,021
Policyholders' deposits	576	—	—	576
Others	10,378	510	15	10,903
Total	46,474	35,092	181,815	263,381

	As at 30 June 2009			
	Up to one year*	1 to 5 years	Over 5 years	Total
Insurance contract liabilities	37,620	24,992	202,714	265,326
Investment contract liabilities	411	247	1,974	2,632
Subordinated debt	—	2,375	—	2,375
Securities sold under agreements to repurchase	22,458	—	—	22,458
Policyholders' deposits	94	—	—	94
Others	12,994	531	14	13,539
Total	73,577	28,145	204,702	306,424

* Either due up to one year or payable on demand.

The table below summarises the expected utilisation or settlement of assets and liabilities.

	As at 31 December 2006		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	4,758	—	4,758
Held-to-maturity financial assets	1,517	35,362	36,879
Available-for-sale financial assets	21,938	46,492	68,430
Investments classified as loans and receivables	—	7,726	7,726
Term deposits	14,758	39,097	53,855
Others	18,314	13,805	32,119
Cash and short-term time deposits	10,142	—	10,142
Total assets	71,427	142,482	213,909
Liabilities			
Insurance contract liabilities	22,537	133,070	155,607
Investment contract liabilities	7,449	—	7,449
Subordinated debt	—	2,038	2,038
Securities sold under agreements to repurchase	3,120	—	3,120
Policyholders' deposits	11,315	—	11,315
Others	6,270	10,546	16,816
Total liabilities	50,691	145,654	196,345

	As at 31 December 2007		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	2,463	—	2,463
Held-to-maturity financial assets	532	57,588	58,120
Available-for-sale financial assets	70,158	51,709	121,867
Investments classified as loans and receivables	—	13,923	13,923
Term deposits	20,381	38,881	59,262
Others	29,346	13,738	43,084
Cash and short-term time deposits	23,622	—	23,622
Total assets	146,502	175,839	322,341
Liabilities			
Insurance contract liabilities	43,013	158,966	201,979
Investment contract liabilities	4,554	—	4,554
Subordinated debt	—	2,113	2,113
Securities sold under agreements to repurchase	11,788	—	11,788
Policyholders' deposits	6,913	—	6,913
Others	11,116	11,222	22,338
Total liabilities	77,384	172,301	249,685

	As at 31 December 2008		
	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
Others	20,694	32,167	52,861
Cash and short-term time deposits	17,513	—	17,513
Total assets	69,100	268,850	337,950
Liabilities			
Insurance contract liabilities	28,357	211,110	239,467
Investment contract liabilities	298	2,741	3,039
Subordinated debt	—	2,188	2,188
Securities sold under agreements to repurchase	7,020	—	7,020
Policyholders' deposits	576	—	576
Others	16,756	8,878	25,634
Total liabilities	53,007	224,917	277,924

	As at 30 June 2009		
	Current	Non-current	Total
Assets:			
Financial assets at fair value through profit or loss	416	—	416
Held-to-maturity financial assets	4,746	77,173	81,919
Available-for-sale financial assets	41,885	71,687	113,572
Investments classified as loans and receivables	5,297	17,049	22,346
Term deposits	7,627	83,434	91,061
Others	25,396	33,530	58,926
Cash and short-term time deposits	18,734	—	18,734
Total assets	104,101	282,873	386,974

	As at 30 June 2009		
	Current	Non-current	Total
Liabilities			
Insurance contract liabilities	37,620	227,706	265,326
Investment contract liabilities	411	2,221	2,632
Subordinated debt	—	2,226	2,226
Securities sold under agreements to repurchase	22,435	—	22,435
Policyholders' deposits	94	—	94
Others	17,497	11,992	29,489
Total liabilities	78,057	244,145	322,202

(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 authorisations 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, authorisation 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 maximise 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, optimises 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.

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 admitted assets and liabilities for this purpose are computed mainly based on the assets and liabilities in the financial statements in accordance with the PRC GAAP, adjusted for a number of risk factors on a conservative basis. Minimum solvency margin represents the required capital that must be held to meet the payments of claims and other liabilities, which is computed by reference to such key indicators such as premium income, claim payments and insurance contract liabilities as determined under the PRC GAAP.

The table below summarises the minimum and actual solvency margins of the major insurance subsidiaries of the Group determined according to CIRC's solvency rules based on the audited accounts prepared by the Group in accordance with PRC GAAP as at 31 December 2007 and 2008, and 30 June 2009 (31 December 2006: prepared according to CIRC solvency rules based on the audited accounts prepared in accordance with the Previous PRC GAAP):

	As at 31 December			As at 30 June
CPPIC	**2006**	**2007**	**2008**	**2009**
Actual solvency margin	2,502	5,955	5,959	6,299
Minimum solvency margin	2,052	2,715	3,177	3,550
Surplus	450	3,240	2,782	2,749
Solvency margin ratio	122%	219%	188%	177%

	As at 31 December			As at 30 June
CPLIC	**2006**	**2007**	**2008**	**2009**
Actual solvency margin	4,201	23,570	24,035	25,285
Minimum solvency margin	7,119	8,507	10,291	11,305
Surplus/(deficiency)	(2,918)	15,063	13,744	13,980
Solvency margin ratio	59%	277%	234%	224%

According to 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. Prior to 2007, CPLIC's actual solvency margin was lower than the minimum solvency margin. As a result, CPLIC was restricted from expanding its branch network and the Company was restricted from declaring and distributing dividends to its shareholders. This was corrected as a result of the CPLIC's continued profitability in recent years as well as increase in capital injections to CPLIC.

Following the adoption of the PRC GAAP effective from 1 January 2007, the recalculated actual and minimum solvency margins of CPPIC as at 1 January 2007 should be RMB3,112 million and RMB2,052 million respectively; and the recalculated actual and minimum solvency margins of CPLIC as at 1 January 2007 should be RMB9,712 million and RMB7,095 million respectively.

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 authorised 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(3)).

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 summarises 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 sheets.

	As at 31 December 2006	
	Carrying Amounts	**Estimated fair Values**
Financial assets:		
Held-to-maturity financial assets	36,879	37,319
Investments classified as loans and receivables	7,726	7,735
Financial liabilities:		
Subordinated debt	2,038	1,698

	As at 31 December 2007	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	58,120	54,625
Investments classified as loans and receivables	13,923	13,763
Financial liabilities:		
Subordinated debt	2,113	1,830

	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 at 30 June 2009	
	Carrying Amounts	Estimated fair Values
Financial assets:		
Held-to-maturity financial assets	81,919	83,344
Investments classified as loans and receivables	22,346	22,351
Financial liabilities:		
Subordinated debt	2,226	2,258

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

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 categorised 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 2006			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Derivative financial assets	—	—	1	1
- Equity securities	152	—	—	152
- Investment funds	4,504	—	—	4,504
- Debt securities	51	50	—	101
	4,707	50	1	4,758

	As at 31 December 2006			
	Level 1	Level 2	Level 3	Total fair value
Available-for-sale financial assets				
- Equity securities	10,732	—	—	10,732
- Investment funds	10,940	—	—	10,940
- Debt securities	15,528	31,216	—	46,744
	37,200	31,216	—	68,416
Total	41,907	31,266	1	73,174

	As at 31 December 2007			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Equity securities	162	—	—	162
- Investment funds	2,247	—	—	2,247
- Debt securities	54	—	—	54
	2,463	—	—	2,463
Available-for-sale financial assets				
- Equity securities	34,427	—	—	34,427
- Investment funds	28,223	—	—	28,223
- Debt securities	15,919	43,214	—	59,133
	78,569	43,214	—	121,783
Total	81,032	43,214	—	124,246

	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

	As at 30 June 2009			
	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value through profit or loss				
- Investment funds	314	—	—	314
- Debt securities	102	—	—	102
	416	—	—	416
Available-for-sale financial assets				
- Equity securities	17,454	—	—	17,454
- Investment funds	11,029	—	—	11,029
- Debt securities	22,779	59,433	—	82,212
	51,262	59,433	—	110,695
Total	51,678	59,433	—	111,111

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the Relevant Periods.

The movements of financial instruments recorded at fair value in level 3 during the Relevant Periods represent fair value change of derivative financial assets.

46. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

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

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Profit before tax	4,000	14,766	2,025	6,143	5,159
Investment income	(9,534)	(27,230)	(8,110)	(14,452)	(8,878)
Foreign currency losses, net	147	242	132	115	3
Finance costs	581	848	296	380	93
Charge/(reversal) of impairment losses on insurance receivables and other assets, net	(70)	28	74	176	23
Reversal of impairment loss on property and equipment	(1)	—	—	—	—
Depreciation of property and equipment	430	460	533	256	309
Amortisation of intangible assets	32	50	117	56	69
Amortisation/(reversal) of other assets	(43)	19	10	4	6
Amortisation of prepaid land lease payments	5	5	4	2	3
Loss/(gain) on disposal of items of property and equipment, intangible assets and other long-term assets, net	30	25	(127)	(123)	(9)
Charge of impairment loss on the investment in the Institute and additional provision made	325	—	—	—	—
Charge/(reversal) of provision for lawsuits	—	2	(280)	—	—
Share of losses of associates	8	—	—	—	—
Share of losses/(profits) of a jointly-controlled entity	(5)	(70)	52	2	(26)
	(4,095)	(10,855)	(5,274)	(7,441)	(3,248)
Increase in deferred acquisition costs	(1,171)	(2,590)	(4,576)	(2,647)	(2,707)
Increase in reinsurance assets	(1,988)	(1,148)	(1,232)	(2,094)	(1,455)
Increase in insurance receivables	(520)	(611)	(646)	(2,286)	(760)
Increase in other assets	(67)	(872)	(1,549)	(579)	(224)
Increase in insurance contract liabilities	31,966	43,273	39,668	32,620	25,446
Decrease in investment contract liabilities	(3,752)	(2,895)	(1,515)	(861)	(407)
Increase in insurance guarantee fund	1	47	15	10	7
Increase/(decrease) in deferred revenue	(240)	430	2,903	1,541	987
Increase/(decrease) in other operating liabilities	7,439	(2,099)	(2,576)	(1,096)	1,264
Cash generated from operating activities	27,573	22,680	25,218	17,167	18,903

47. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in note 51 in the Financial Information, the Group had the following material transactions with related parties:

(a) Sale of insurance and investment contracts

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Equity holders who individually own more than 5% of equity interests of the Company	55	28	49	43	39

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

(b) Purchase of property and equipment

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Equity holders who individually own more than 5% of equity interests of the Company	—	83	—	—	—

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
				(unaudited)	
Salaries, allowances and other short-term benefits	18	39	30	14	11
Long-term incentive paid(1)	—	—	1	—	2
Total compensation of key management personnel	18	39	31	14	13

(1) This represents amount paid under the Group's long-term incentive plan detailed 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, and the eventual entitlement and payment of such amounts depend upon the future performance of both the Group and the relevant personnel.

Further details of directors' emoluments are included in note 12 to this Financial Information.

48. COMMITMENTS

(a) Capital commitments

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

	Year ended 31 December			As at 30 June
	2006	2007	2008	2009
Contracted, but not provided for ((1),(2),(3),(4),(5),(6))	244	140	6,863	5,586
Authorised, but not contracted for	—	728	461	461
	244	868	7,324	6,047

(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 would amount to RMB4 billion in total. As at 30 June 2009, RMB1,201 million (31 December 2008: RMB2,456 million) has not yet been paid.

(2) In March 2008, the board of directors of CPLIC approved CPLIC's investment in CPIC-Wujiang Water Power Station Debt Investment Scheme established by PAMC, amounting to RMB2,700 million. RMB2,400 million was not yet paid as at 31 December 2008, and that was paid in January 2009.

(3) 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 and investment has not been made as at 30 June 2009.

(4) In March 2009, CIRC approved PICC Asset Management Co., Ltd to establish 5-year and 10-year PICC-Tianjin Binhai New Area Traffic Project Debt Investment Scheme. The Group's total investment would be RMB2,200 million. As at 30 June 2009, RMB1,800 million was yet to be invested.

(5) In April 2009, pursuant to the approval from CPLIC's board of directors, CPLIC entered into a share transfer agreement with Shanghai International Group ("SIG") to purchase SIG's 114 million shares in Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") for RMB170 million. CPLIC also entered into a share subscription agreement with Changjiang Pension to subscribe for 219 million new shares in Changjiang Pension for RMB328 million. The subscription amounting to RMB328 million was subsequently paid in July 2009.

The share transfer agreement was approved by CIRC in October 2009. The share subscription was not yet completed.

(6) In April 2009, CIRC approved PAMC to establish CPIC-Shanghai Chongming Tunnel Project Debt Investment Scheme amounting to RMB2,000 million. The Group subscribed for RMB1,200 million in total in this investment scheme. As at 30 June 2009, RMB300 million was yet to be invested.

(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:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
Within 1 year	130	182	256	268
1 to 2 years	110	130	200	191
2 to 3 years	47	83	127	126
More than 3 years	38	138	499	508
	325	533	1,082	1,093

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 30 June 2009, the Group was the defendant in certain pending litigation and disputes with a gross claim of RMB13 million (31 December 2008: RMB9 million; 31 December 2007: RMB513 million; 31 December 2006: RMB866 million). Provisions have been made for the possible loss based on best estimate by the directors (see note 40) and the Group would only be contingently liable for any claim that is in excess of what had been provided. During the Relevant Periods, provision amounts had decreased as they had been utilised for the settlement of such claims.

50. POST BALANCE SHEET EVENTS

On 31 August 2009, the Company's shareholders' general meeting approved the Company's H share offering plan.

Please also refer to Note 48(a)(5) for post balance sheet events in relation to Changjiang Pension.

51. OTHER SIGNIFICANT MATTERS

(a) Investment in the Institute

In September 2003, the Company entered into a 10-year cooperation agreement ("Cooperation Agreement") with Fudan University in respect of the establishment of the Institute. Fudan University obtained 17.5% equity interest in the Institute in exchange for the use of its brand name by the Institute. The Company, along with four other companies including Dalian Shi De (Group) Company Limited, injected cash totalling RMB200 million to obtain the remaining 82.50% equity interest in the Institute, where the Company initially injected RMB100 million for 41.25% equity interest. The Company did not control the Institute and recorded the investment in the Institute as an investment in an associate. The Institute constructed buildings for education purposes on a piece of land provided free-of-charge by the Company and recorded such buildings as its assets.

In August 2004, the Company entered into a training agreement with the Institute, which stipulated that the Institute would provide various training courses to the Group from October 2004 to 2008, for a consideration of approximately RMB411 million.

After the sale of 10.31% and 9.28% equity interests in the Institute to other investors of the Institute in 2005 and 2006, respectively, in November 2006, the Company's board of directors decided to dispose of the Company's remaining investment in the Institute. As of 31 December 2006, a full provision of RMB20 million was made for the Company's investment in the Institute, and a further provision of RMB305 million was made for the losses that were expected to be incurred as implementing a plan to exit from this investment and terminating all agreements with Fudan University and the Institute.

Pursuant to the resolutions of the board of directors' meeting held in November 2006 and the board of directors' meeting held on 7 February 2007, the Company took the following measures in 2007:

- An agreement between the Company and the Institute was signed to terminate the training agreement. Further, agreements were entered into with other investors of the Institute, other than Fudan University, pursuant to which the Company agreed to pay these investors an aggregate amount of RMB81 million. In return, these investors agreed to give up their equity interests and related rights in the Institute.

- Related outstanding loans and payables were settled or otherwise extinguished by the Company on behalf of the Institute. In June 2007, the Company entered into a debt restructuring agreement with the Institute and agreed to take possession of the buildings, related facilities and other assets of the Institute with a net book value of RMB978 million to settle the receivables due from the Institute of approximately RMB923 million. The difference of RMB54 million would be settled in cash by the Company to the Institute. In order for the Institute to provide education to the existing students, the Company agreed to continue to provide necessary educational facilities to the Institute free of consideration till 31 August 2010, when all existing students of the Institute would have graduated. Upon initial recognition, the above foreclosed assets were recorded at RMB840 million in other assets (see note 32) based on valuation results.

- In June 2007, the Company entered into an agreement with Fudan University to terminate the Cooperation Agreement. The agreement was subsequently approved by the PRC education authorities and CIRC in July 2007. The Company transferred its remaining interests in the Institute to Fudan University for a consideration of RMB1 according to this agreement.

As a result of subsequent utilisation, the above provision for the Institute was reduced to RMB94 million as at 30 June 2009.

(b) Applying PRC GAAP and HKFRSs since 2009 year end financial reporting

Currently, the differences between the Group's HKFRSs Financial Information and its PRC GAAP financial statements for the same periods are mainly related to accounting for acquisition costs, measurements of premium income and actuarial reserves, as well as related impact on deferred tax.

On 5 January 2009, CIRC issued "Circular on Insurance Industry's Implementation of Interpretation No. 2 to New China Accounting Standards" (Baojianfa (2009) No. 1) which requires a PRC insurance company to modify its existing accounting policies, such that there would be no material GAAP differences in its PRC GAAP and HKFRSs financial statements since the year ending 31 December 2009. The major requirements include:

(1) Acquisition costs for insurance contracts are expensed in the income statement (under the Group's current HKFRSs accounting policy in Note 2.2(19), acquisition costs are deferred and amortized over the expected life of the insurance contracts);

(2) Measurement of premium income should be based on testing "significant insurance risk" and unbundling (under the Group's current HKFRSs accounting policies in Note 2.2(23) and 2.2(33)(a), the Group already considers such principles); and

(3) Best estimates should be used for measuring actuarial reserves (under the Group's current HKFRSs accounting policies in Note 2.2(24) and (26), certain actuarial assumptions for long term life insurance contract reserves are established at the time of issuing the policies and remain unchanged unless adverse experience causes a deficiency in liability adequacy testing).

Baojianfa (2009) No. 1 also states that detailed implementation requirements will be issued in due course and that, prior to issuance such implementation requirements, insurance companies shall continue to use their existing accounting policies. As soon as the said implementation requirements are issued, the Group will assess their implications on its current accounting policies, operating results and financial position.

52. RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRSs FINANCIAL STATEMENTS

Material differences between the Group's PRC GAAP and HKFRSs financial statements are as follows:

Consolidated net profit attributable to equity holders of the parent

		Years ended 31 December			Six months ended 30 June	
	Notes	**2006**	**2007**	**2008**	**2008**	**2009**
Financial statements prepared in accordance with PRC GAAP		1,008	6,893	1,339	5,512	2,364
Premiums, benefits and reserves for life insurance	(i)	700	3,655	(2,136)	(1,828)	(604)
Deferred acquisition costs	(ii)	1,171	2,590	4,576	2,647	2,707
Deferred tax	(iii)	(644)	(1,126)	(609)	(204)	(526)
Minority interests and others		(216)	(774)	(84)	(45)	(4)
Financial statements prepared in accordance with HKFRSs		2,019	11,238	3,086	6,082	3,937

Consolidated equity attributable to equity holders of the parent

	Notes	31 December 2006	31 December 2007	31 December 2008	30 June 2009
Financial statements prepared in accordance with PRC GAAP		11,153	62,807	48,741	51,756
Premiums, benefits and reserves for life insurance	(i)	(5,076)	(1,276)	(5,958)	(5,924)
Deferred acquisition costs	(ii)	11,276	13,468	20,114	22,320
Deferred tax	(iii)	(2,041)	(3,048)	(3,538)	(4,100)
Minority interests and others		(828)	(7)	(4)	(8)
Financial statements prepared in accordance with HKFRSs		14,484	71,944	59,355	64,044

Notes:

(i) Premiums, benefits and reserves for life insurance

In the Group's PRC GAAP financial statements, long-term products generally comprise long-term life insurance and long-term health insurance, where premiums received and benefits paid are recognized in current period's income statement. In the Group's HKFRSs financial statements, long-term products are mainly classified as long-term traditional insurance contracts, long-term investment type insurance contracts and investment contracts. Premiums from long-term traditional life insurance contracts are recognised as revenue when due form policyholders, whereas amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits and only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue.

Also included in this reconciling item are differences in actuarial reserving methodologies. In the Group's PRC GAAP financial statements, reserves for life insurance are provided for in accordance with related actuarial regulations promulgated by CIRC. In the Group's HKFRSs financial statements, reserves for life insurance are provided for in accordance with HKFRS 4 Insurance Contracts with reference to international practices.

(ii) Deferred acquisition costs

In the Group's PRC GAAP financial statements, the costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, are recognized in the income statement when incurred. In the Group's HKFRSs financial statements, commissions, underwriting, marketing and policy issue expenses of acquiring new and renewal policies are deferred and amortized over the expected life of the insurance contracts as a constant percentage of expected premiums or as a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product types.

(iii) Deferred tax related to the above differences

The above differences between the Group's PRC GAAP and HKFRSs financial statements are temporary differences in accordance with HKAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities accordingly using the tax rates at that time expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

53. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group and the Company in respect of any period subsequent to 30 June 2009.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

Under the rules of the Shanghai Stock Exchange on which our A shares are listed, we are required to publish, on a quarterly basis, reports containing unaudited financial statements. Since we published certain financial statements for the three months and the nine months ended 30 September 2009 in the PRC prior to the date of this prospectus, we have prepared consolidated financial statements as of and for the three months and the nine months ended 30 September 2009 in accordance with Hong Kong Financial Reporting Standards and have included such consolidated financial statements in this prospectus.

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INDEPENDENT REVIEW REPORT

The Board of Directors
China Pacific Insurance (Group) Co., Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of China Pacific Insurance (Group) Co., Ltd. and its subsidiaries (the "Group") set out on pages II-2 to II-22, which comprise the consolidated balance sheet as at 30 September 2009, the consolidated income statements and statements of comprehensive income for the three-month and nine-month periods ended 30 September 2008 and 2009, the consolidated statements of changes in equity and cash flow statements for the nine-month periods ended 30 September 2008 and 2009, and a summary of significant accounting policies and other explanatory notes. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
10 December 2009

INTERIM CONSOLIDATED INCOME STATEMENTS
(All amounts expressed in Renminbi ("RMB") million unless otherwise specified)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008	2009	2008	2009
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Gross written premiums and policy fees	4(a)	12,641	16,330	42,034	52,103
Less: Premiums ceded to reinsurers	4(b)	(1,879)	(2,238)	(6,569)	(7,776)
Net written premiums and policy fees	4	10,762	14,092	35,465	44,327
Net change in unearned premium reserves		149	(516)	(2,237)	(3,775)
Net premiums earned and policy fees		10,911	13,576	33,228	40,552
Investment income	5	(3,858)	5,797	10,594	14,675
Other operating income		58	87	402	252
Other income		(3,800)	5,884	10,996	14,927
Total income		7,111	19,460	44,224	55,479
Net policyholders' benefits and claims:					
Life insurance death and other benefits paid	6	(148)	(631)	(2,283)	(2,481)
Claims incurred	6	(3,557)	(4,112)	(10,598)	(11,473)
Changes in long-term traditional insurance contract liabilities	6	1,309	(4,952)	(8,336)	(14,464)
Interest credited to long-term investment type insurance contract liabilities	6	(1,236)	(1,268)	(3,558)	(3,681)
Policyholder dividends	6	(729)	(580)	(2,003)	(1,565)
Finance costs		(91)	(169)	(471)	(307)
Interest credited to investment contracts		(26)	(18)	(85)	(56)
Amortisation on deferred acquisition costs		(1,341)	(2,241)	(3,858)	(6,027)
Provision for insurance guarantee fund		(78)	(96)	(254)	(309)
Change in deferred revenue		(1,031)	(374)	(2,572)	(1,361)
Other operating and administrative expenses		(1,626)	(1,980)	(5,504)	(5,583)
Total benefits, claims and expenses		(8,554)	(16,421)	(39,522)	(47,307)
Share of (loss)/profit of:					
A jointly-controlled entity		(42)	26	(44)	52
(Loss)/profit before tax	7	(1,485)	3,065	4,658	8,224
Income tax	8	388	(773)	443	(1,931)
Net (loss)/profit for the period		(1,097)	2,292	5,101	6,293
Attributable to:					
Equity holders of the parent		(1,101)	2,258	4,981	6,195
Minority interests		4	34	120	98
		(1,097)	2,292	5,101	6,293
Basic (loss)/earnings per share attributable to ordinary equity holders of the parent	9	RMB(0.14)	RMB0.29	RMB0.65	RMB0.80

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(All amounts expressed in RMB million unless otherwise specified)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2008 (unaudited)	2009 (unaudited)	2008 (unaudited)	2009 (unaudited)
Net (loss)/profit for the period		(1,097)	2,292	5,101	6,293
Other comprehensive income					
Exchange differences on translation of foreign operations		(1)	—	(7)	(2)
Net gains/(losses) on available-for-sale financial assets		2,947	(6,833)	(25,858)	(3,060)
Shadow accounting adjustment		(2,302)	1,991	4,602	2,371
Income tax relating to components of other comprehensive income/(loss)		(145)	1,199	5,307	161
Other comprehensive income/(loss) for the period, net of tax	10	499	(3,643)	(15,956)	(530)
Total comprehensive (loss)/income for the period, net of tax		(598)	(1,351)	(10,855)	5,763
Attributable to:					
Equity holders of the parent		(593)	(1,329)	(10,666)	5,670
Minority interests		(5)	(22)	(189)	93
		(598)	(1,351)	(10,855)	5,763

INTERIM CONSOLIDATED BALANCE SHEET
(All amounts expressed in RMB million unless otherwise specified)

	Notes	31 December 2008 (audited)	30 September 2009 (unaudited)
ASSETS			
Property and equipment		6,596	7,326
Intangible assets		365	343
Prepaid land lease payments		213	205
Investment in a jointly-controlled entity		391	397
Financial assets at fair value through profit or loss	11	1,166	371
Held-to-maturity financial assets	12	70,980	86,618
Available-for-sale financial assets	13	96,142	117,694
Investments classified as loans and receivables	14	16,532	22,200
Securities purchased under agreements to resell		60	—
Term deposits		82,756	86,340
Restricted statutory deposits		1,838	1,838
Policy loans		698	1,182
Interest receivables		4,979	6,708
Deferred acquisition costs		20,114	24,046
Reinsurance assets	15	9,627	11,396
Deferred income tax assets	16	763	726
Income tax receivable		508	—
Insurance receivables		4,303	4,877
Other assets		2,406	3,555
Cash and short-term time deposits	17	17,513	11,996
Total assets		337,950	387,818
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	7,700	7,700
Reserves	19	38,264	37,739
Retained profits	19	13,391	17,276
Equity attributable to equity holders of the parent		59,355	62,715
Minority interests		671	706
Total equity		60,026	63,421
Liabilities			
Insurance contract liabilities	20	239,467	274,256
Investment contract liabilities	21	3,039	2,454
Subordinated debt		2,188	2,244
Securities sold under agreements to repurchase		7,020	14,778
Policyholders' deposits		576	90
Provisions		98	94
Deferred income tax liabilities	16	1,753	3,058
Income tax payable		8	382
Deferred revenue		9,469	11,016
Premium received in advance		2,788	1,454
Policyholder dividend payable		4,147	4,956
Payables to reinsurers		2,213	3,058
Other liabilities		5,158	6,557
Total liabilities		277,924	324,397
Total equity and liabilities		337,950	387,818

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(All amounts expressed in RMB million unless otherwise specified)

	For the nine months ended 30 September 2008 (unaudited)								
	Attributable to equity holders of the parent								
		Reserves							
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2008	7,700	38,519	894	(18)	12,143	12,706	71,944	712	72,656
Total comprehensive (loss)/income	—	—	—	(7)	(15,640)	4,981	(10,666)	(189)	(10,855)
Dividends declared[1]	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(60)	(60)
Capital injection into subsidiaries	—	10	—	—	—	—	10	126	136
Reattribution of available-for-sale investment revaluation reserve due to the acquisition of additional interest in subsidiaries	—	9	—	—	(9)	—	—	—	—
At 30 September 2008	7,700	38,538	894	(25)	(3,506)	15,377	58,978	589	59,567

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).

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(All amounts expressed in RMB million unless otherwise specified)

	For the nine months ended 30 September 2009 (unaudited)								
	Attributable to equity holders of the parent								
		Reserves							
	Issued capital	Capital reserve	Surplus reserves	Foreign currency translation reserve	Available-for-sale investment revaluation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2009	7,700	38,541	985	(24)	(1,238)	13,391	59,355	671	60,026
Total comprehensive (loss)/income	—	—	—	(2)	(523)	6,195	5,670	93	5,763
Dividends declared[1]	—	—	—	—	—	(2,310)	(2,310)	—	(2,310)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(58)	(58)
At 30 September 2009	7,700	38,541	985	(26)	(1,761)	17,276	62,715	706	63,421

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).

INTERIM CONSOLIDATED CASH FLOW STATEMENTS
(All amounts expressed in RMB million unless otherwise specified)

	Note	Nine months ended 30 September	
		2008	2009
		(unaudited)	(unaudited)
OPERATING ACTIVITIES			
Cash generated from operating activities	22	22,986	27,097
Income tax (paid)/refund		(148)	454
Net cash inflow from operating activities		22,838	27,551
INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(2,521)	(1,198)
Proceeds from sale of items of property and equipment, intangible assets and other assets		131	21
Purchases of investments, net		(31,416)	(44,784)
Increase of investments in a jointly-controlled entity		(50)	—
Interest received		6,387	6,997
Dividends received from investments		7,191	620
Net cash outflow from investing activities		(20,278)	(38,344)
FINANCING ACTIVITIES			
Securities sold under agreements to repurchase, net		(10,863)	7,758
Capital contribution from minority shareholders of subsidiaries		137	—
Interest paid		(420)	(199)
Dividends paid		(2,268)	(2,342)
Net cash (outflow)/inflow from financing activities		(13,414)	5,217
Effects of exchange rate changes on cash and cash equivalents		(90)	(1)
Net decrease in cash and cash equivalents		(10,944)	(5,577)
Cash and cash equivalents at beginning of period		29,122	17,573
Cash and cash equivalents at end of period		18,178	11,996
Analysis of balances of cash and cash equivalents			
Cash at banks and on hand		5,743	6,588
Time deposits with original maturity of no more than three months		9,203	4,684
Other monetary assets		1,504	724
Securities purchased under agreements to resell with original maturity of no more than three months		1,728	—
Cash and cash equivalents at end of period		18,178	11,996

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(All amounts expressed in 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 approval by the China Insurance Regulatory Commission in 2001, the Company separated its insurance business into property and casualty insurance and life insurance and was restructured as an investment holding, joint stock limited company in October 2001.

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.

The principal activities of the Company and its subsidiaries (the "Group") are various property and casualty and life insurance businesses.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants, as part of the Hong Kong Financial Reporting Standards ("HKFRSs").

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's HKFRSs financial statements as included in the Accountants' Report dated 10 December 2009, the text of which is set out in Appendix I to the Prospectus.

The preparation of these financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's HKFRSs financial statements as included in the Accountants' Report dated 10 December 2009.

3. SEGMENT INFORMATION

For management purpose, the Group is organised 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.

During the nine-month periods ended 30 September 2008 and 2009, no gross written premiums and policy fees from transactions with a single external customer amounted to 2% or more of the Group's total gross written premiums and policy fees.

Segment income statement for the nine-month period ended 30 September 2008 (unaudited)

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	19,833	22,160	136	(95)	22,201	—	—	42,034
Less: Premiums ceded to reinsurers	(1,444)	(5,197)	(23)	95	(5,125)	—	—	(6,569)
Net written premiums and policy fees	18,389	16,963	113	—	17,076	—	—	35,465
Net change in unearned premium reserves	(78)	(2,151)	(8)	—	(2,159)	—	—	(2,237)
Net premiums earned and policy fees	18,311	14,812	105	—	14,917	—	—	33,228
Investment income	10,391	1,302	6	—	1,308	(1,105)	—	10,594
Other operating income	94	35	—	—	35	408	(135)	402
Other income	10,485	1,337	6	—	1,343	(697)	(135)	10,996
Segment income	28,796	16,149	111	—	16,260	(697)	(135)	44,224
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,283)	—	—	—	—	—	—	(2,283)
Claims incurred	(481)	(10,039)	(78)	—	(10,117)	—	—	(10,598)
Changes in long-term traditional insurance contract liabilities	(8,336)	—	—	—	—	—	—	(8,336)
Interest credited to long-term investment type insurance contract liabilities	(3,558)	—	—	—	—	—	—	(3,558)
Policyholder dividends	(2,003)	—	—	—	—	—	—	(2,003)
Finance costs	(270)	(163)	—	—	(163)	(38)	—	(471)
Interest credited to investment contracts	(85)	—	—	—	—	—	—	(85)
Amortisation on deferred acquisition costs	(1,686)	(2,172)	—	—	(2,172)	—	—	(3,858)
Provision for insurance guarantee fund	(84)	(170)	—	—	(170)	—	—	(254)
Change in deferred revenue	(2,572)	—	—	—	—	—	—	(2,572)
Other operating and administrative expenses	(2,432)	(2,907)	(36)	—	(2,943)	(318)	189	(5,504)
Segment benefits, claims and expenses	(23,790)	(15,451)	(114)	—	(15,565)	(356)	189	(39,522)
Segment results	5,006	698	(3)	—	695	(1,053)	54	4,702
Share of loss of:								
A jointly-controlled entity	—	—	—	—	—	(44)	—	(44)
Profit/(loss) before tax	5,006	698	(3)	—	695	(1,097)	54	4,658
Income tax	84	(80)	—	—	(80)	439	—	443
Net profit/(loss) for the period	5,090	618	(3)	—	615	(658)	54	5,101

Segment income statement for the nine-month period ended 30 September 2009 (unaudited)

	Life insurance	Property and casualty insurance				Corporate and others	Eliminations	Total
		Mainland China	Hong Kong	Eliminations	Sub-total			
Gross written premiums and policy fees	25,058	27,001	154	(110)	27,045	—	—	52,103
Less: Premiums ceded to reinsurers	(2,088)	(5,775)	(23)	110	(5,688)	—	—	(7,776)
Net written premiums and policy fees	22,970	21,226	131	—	21,357	—	—	44,327
Net change in unearned premium reserves	(323)	(3,441)	(11)	—	(3,452)	—	—	(3,775)
Net premiums earned and policy fees	22,647	17,785	120	—	17,905	—	—	40,552
Investment income	13,027	860	14	—	874	771	3	14,675
Other operating income	134	76	2	—	78	207	(167)	252
Other income	13,161	936	16	—	952	978	(164)	14,927
Segment income	35,808	18,721	136	—	18,857	978	(164)	55,479
Net policyholders' benefits and claims:								
Life insurance death and other benefits paid	(2,481)	—	—	—	—	—	—	(2,481)
Claims incurred	(280)	(11,123)	(70)	—	(11,193)	—	—	(11,473)
Changes in long-term traditional insurance contract liabilities	(14,464)	—	—	—	—	—	—	(14,464)
Interest credited to long-term investment type insurance contract liabilities	(3,681)	—	—	—	—	—	—	(3,681)
Policyholder dividends	(1,565)	—	—	—	—	—	—	(1,565)
Finance costs	(296)	(9)	—	—	(9)	(2)	—	(307)
Interest credited to investment contracts	(56)	—	—	—	—	—	—	(56)
Amortisation on deferred acquisition costs	(3,015)	(3,012)	—	—	(3,012)	—	—	(6,027)
Provision for insurance guarantee fund	(93)	(216)	—	—	(216)	—	—	(309)
Change in deferred revenue	(1,361)	—	—	—	—	—	—	(1,361)
Other operating and administrative expenses	(2,498)	(2,847)	(43)	—	(2,890)	(412)	217	(5,583)
Segment benefits, claims and expenses	(29,790)	(17,207)	(113)	—	(17,320)	(414)	217	(47,307)
Segment results	6,018	1,514	23	—	1,537	564	53	8,172
Share of profit of:								
A jointly-controlled entity	—	—	—	—	—	52	—	52
Profit before tax	6,018	1,514	23	—	1,537	616	53	8,224
Income tax	(1,409)	(374)	—	—	(374)	(133)	(15)	(1,931)
Net profit for the period	4,609	1,140	23	—	1,163	483	38	6,293

4. NET WRITTEN PREMIUMS AND POLICY FEES

(a) Gross written premiums and policy fees

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Long-term life insurance premiums	14,114	18,421
Short-term life insurance premiums	2,192	2,634
Property and casualty insurance premiums	22,201	27,045
Policy fees	3,527	4,003
	42,034	52,103

(b) Premiums ceded to reinsurers

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Long-term life insurance premiums ceded to reinsurers	(776)	(1,402)
Short-term life insurance premiums ceded to reinsurers	(668)	(686)
Property and casualty insurance premiums ceded to reinsurers	(5,125)	(5,688)
	(6,569)	(7,776)

(c) Net written premiums and policy fees

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Net written premiums and policy fees	35,465	44,327

5. INVESTMENT INCOME

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Interest and dividend income(a)	14,854	9,554
Realised gains/(losses)(b)	(54)	5,124
Unrealised gains/(losses)(c)	(695)	125
Charge of impairment losses on financial assets	(3,511)	(128)
	10,594	14,675

(a) Interest and dividend income

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Financial assets at fair value through profit or loss		
- Fixed maturity investments	1	2
- Investment funds	143	1
- Equity securities	1	—
	145	3
Held-to-maturity financial assets		
- Fixed maturity investments	2,071	2,723
Loans and receivables		
- Fixed maturity investments	3,296	3,547
Available-for-sale financial assets		
- Fixed maturity investments	2,328	2,656
- Investment funds	6,847	448
- Equity securities	167	177
	9,342	3,281
	14,854	9,554

(b) Realised gains/(losses)

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Derivative financial instruments	5	—
Other financial assets at fair value through profit or loss		
- Fixed maturity investments	—	19
- Investment funds	307	46
- Equity securities	23	2
	330	67
Available-for-sale financial assets		
- Fixed maturity investments	1	845
- Investment funds	(1,684)	711
- Equity securities	1,294	3,501
	(389)	5,057
	(54)	5,124

(c) Unrealised gains/(losses)

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Financial assets at fair value through profit or loss		
- Fixed maturity investments	2	(1)
- Investment funds	(594)	127
- Equity securities	(103)	(1)
	(695)	125

6. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	Nine months ended 30 September 2008		
	Gross	Ceded	Net
		(unaudited)	
Life insurance death and other benefits paid	2,283	—	2,283
Claims incurred			
- Short-term life insurance	774	(293)	481
- Property and casualty insurance	13,621	(3,504)	10,117
Changes in long-term traditional insurance contract liabilities	8,692	(356)	8,336
Interest credited to long-term investment type insurance contract liabilities	3,558	—	3,558
Policyholder dividends	2,003	—	2,003
	30,931	(4,153)	26,778

	Nine months ended 30 September 2009		
	Gross	Ceded	Net
		(unaudited)	
Life insurance death and other benefits paid	2,481	—	2,481
Claims incurred			
- Short-term life insurance	637	(357)	280
- Property and casualty insurance	13,701	(2,508)	11,193
Changes in long-term traditional insurance contract liabilities	15,512	(1,048)	14,464
Interest credited to long-term investment type insurance contract liabilities	3,681	—	3,681
Policyholder dividends	1,565	—	1,565
	37,577	(3,913)	33,664

7. PROFIT BEFORE TAX

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Employee benefits expense (including directors' and supervisors' emoluments)	2,834	3,835
Auditors' remuneration	33	14
Operating lease payments in respect of land and buildings	200	278
Depreciation of property and equipment	386	497
Amortisation of intangible assets	84	105
Amortisation of prepaid land lease payments	3	7
Amortisation of other assets	7	6
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(123)	(17)
Charge of impairment loss on insurance receivables	109	37
Charge of impairment loss on financial assets (note 5)	3,511	128
Foreign exchange loss, net	122	3

8. INCOME TAX

(a) Income tax expense

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Current income tax	76	428
Deferred income tax (note 16)	(519)	1,503
	(443)	1,931

(b) Tax recorded in other comprehensive income

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Deferred income tax (note 16)	(5,307)	(161)

Current income tax has been provided at the rate of 25% on the estimated assessable profits arising in Mainland China of 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:

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Profit before tax	4,658	8,224
Tax computed at the statutory tax rate	1,165	2,056
Lower tax rates of subsidiaries incorporated outside the Mainland China	—	(2)
Adjustments to income tax in respect of previous periods	3	(48)
Attributable to a jointly-controlled entity	11	(13)
Income not subject to tax	(1,863)	(215)
Expenses not deductible for tax	62	153
Unrecognized deferred income tax assets	179	—
Tax expense at the Group's effective rate	(443)	1,931

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

9. BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Consolidated net profit for the period attributable to equity holders of the parent	4,981	6,195
Weighted average number of ordinary shares in issue (million)	7,700	7,700
Earnings per ordinary share	RMB0.65	RMB0.80

The Company had no dilutive potential ordinary shares for the nine-month periods ended 30 September 2008 and 2009, hence no diluted earnings per share amount is presented.

10. OTHER COMPREHENSIVE LOSS

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Exchange differences on translation of foreign operations	(7)	(2)
Available-for-sale financial assets		
Gains/(losses) arising during the period	(29,758)	1,869
Reclassification adjustments for (gains)/losses included in profit or loss	389	(5,057)
Impairment charges reclassified to the income statement	3,511	128
	(25,858)	(3,060)
Income tax relating to available-for-sale financial assets	6,458	754
	(19,400)	(2,306)
Shadow accounting adjustment	4,602	2,371
Income tax relating to shadow accounting adjustment	(1,151)	(593)
	3,451	1,778
Other comprehensive loss	(15,956)	(530)

11. 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:

	31 December 2008	30 September 2009
	(audited)	(unaudited)
Listed		
Equity securities	17	—
Investment funds	226	17
Debt securities		
- Government bonds	33	32
- Corporate bonds	54	66
	330	115
Unlisted		
Investment funds	836	256
	1,166	371

12. HELD-TO-MATURITY FINANCIAL ASSETS

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

	31 December 2008	30 September 2009
	(audited)	(unaudited)
Listed		
Debt securities		
- Government bonds	3,955	3,037
- Finance bonds	58	51
- Corporate bonds	6,193	8,462
	10,206	11,550
Unlisted		
Debt securities		
- Government bonds	1,601	3,055
- Finance bonds	18,331	28,876
- Corporate bonds	40,842	43,137
	60,774	75,068
	70,980	86,618

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2008 (audited)	30 September 2009 (unaudited)
Listed		
Equity securities	5,307	24,518
Investment funds	4,033	6,657
Debt securities		
- Government bonds	11,239	6,931
- Corporate bonds	12,319	12,542
	32,898	50,648
Unlisted		
Other equity investments	1,622	3,480
Investment funds	2,886	9,379
Debt securities		
- Government bonds	4,457	542
- Finance bonds	39,328	32,955
- Corporate bonds	14,951	20,690
	63,244	67,046
	96,142	117,694

At 30 September 2009, certain unlisted equity investments with a carrying amount of RMB3,480 million (RMB1,622 million at 31 December 2008) 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.

14. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2008 (audited)	30 September 2009 (unaudited)
Debt securities		
-Finance	11,537	7,656
-Corporate	4,995	14,544
	16,532	22,200

15. REINSURANCE ASSETS

	31 December 2008 (audited)	30 September 2009 (unaudited)
Reinsurers' share of insurance contracts (note 20)	9,627	11,396
Reinsurers' share of investment contracts (note 21)	—	—
	9,627	11,396

16. 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.

	31 December 2008 (audited)	30 September 2009 (unaudited)
Net deferred income tax liabilities, at beginning of year/period	(6,714)	(990)
Recognised as income/(expense) (note 8(a))	1,161	(1,503)
Recognised in equity (note 8(b))	4,563	161
Net deferred income tax liabilities, at end of year/period	(990)	(2,332)

17. CASH AND SHORT-TERM TIME DEPOSITS

	31 December 2008 (audited)	30 September 2009 (unaudited)
Cash at banks and on hand	5,991	6,588
Time deposits with original maturity of no more than three months	10,997	4,684
Other monetary assets	525	724
	17,513	11,996

The Group's balances denominated in RMB amounted to RMB10,396 million as at 30 September 2009 (RMB15,810 million as at 31 December 2008). RMB is not freely convertible into other currencies; however, under Mainland China's foreign exchange regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term time deposits approximate their fair values.

18. ISSUED CAPITAL

	31 December 2008 (audited)	30 September 2009 (unaudited)
Number of shares registered, issued and fully paid at RMB1 each (million)	7,700	7,700

19. RESERVES AND RETAINED PROFITS

(a) Capital reserve

Capital reserve mainly represents share premiums arising from the issuance of shares and the deemed disposal of an equity interest in China Pacific Life Insurance Co., Ltd. ("CPLIC"), the Company's life insurance subsidiary, to certain foreign investors in December 2005, and the subsequent repurchase of the said equity interest in the same subsidiary by the Company in April 2007.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserve and the 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 Mainland China, the Company and its subsidiaries are required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under generally accepted accounting principles in the PRC ("PRC GAAP"), to SSR until the balance reaches 50% of the respective registered capital.

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

Of the Group's retained profits, RMB994 million as at 30 September 2009 (31 December 2008: RMB994 million) represents the Company's share of its subsidiaries' surplus reserve fund which cannot be used for profit distribution.

(ii) Discretionary surplus reserve ("DSR")

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

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

(c) General reserve

In accordance with the relevant regulations, general reserve should be set aside to cover catastrophic losses as incurred by companies operating in the insurance business. The Company's insurance subsidiaries in the Mainland China 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, RMB991 million as at 30 September 2009 (31 December 2008: RMB991 million) represents the Company's share of its subsidiaries' general reserve which cannot be used for profit distribution.

(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 Mainland China.

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company after the listing of its shares on the Main Board of the Stock Exchange of Hong Kong should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. The amount that the Company's subsidiaries can legally distribute by way of a dividend is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in the financial statements prepared in accordance with HKFRSs.

20. INSURANCE CONTRACT LIABILITIES

	As at 31 December 2008 (audited)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 15)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	79,638	(3,001)	76,637
- Investment type insurance contracts	132,536	—	132,536
- Claim reserves	709	(16)	693
	212,883	(3,017)	209,866
Short-term life insurance contracts			
- Unearned premiums	1,426	(444)	982
- Claim reserves	470	(139)	331
	1,896	(583)	1,313
Property and casualty insurance contracts			
- Unearned premiums	14,520	(3,090)	11,430
- Claim reserves	10,168	(2,937)	7,231
	24,688	(6,027)	18,661
	239,467	(9,627)	229,840
IBNR included in claim reserves	1,815	(509)	1,306

	As at 30 September 2009 (unaudited)		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities (note 15)	Net
Long-term life insurance contracts			
- Traditional insurance contracts	93,449	(4,049)	89,400
- Investment type insurance contracts	148,343	—	148,343
- Claim reserves	794	(18)	776
	242,586	(4,067)	238,519
Short-term life insurance contracts			
- Unearned premiums	1,756	(451)	1,305
- Claim reserves	427	(128)	299
	2,183	(579)	1,604
Property and casualty insurance contracts			
- Unearned premiums	18,887	(4,004)	14,883
- Claim reserves	10,600	(2,746)	7,854
	29,487	(6,750)	22,737
	274,256	(11,396)	262,860
IBNR included in claim reserves	1,882	(491)	1,391

21. INVESTMENT CONTRACT LIABILITIES

	31 December 2008 (audited)	30 September 2009 (unaudited)
Investment contract liabilities	3,039	2,454
Reinsurers' share of investment contract liabilities (note 15)	—	—
	3,039	2,454

22. NOTE TO INTERIM CONSOLIDATED CASH FLOW STATEMENT

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

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Profit before tax	4,658	8,224
Investment income	(10,594)	(14,675)
Foreign currency losses, net	122	3
Finance costs	471	240
Charge of impairment losses on insurance receivables and other assets, net	91	27
Depreciation of property and equipment	386	497
Amortisation of intangible assets	84	105
Amortisation of other assets	7	6
Amortisation of prepaid land lease payments	3	7
Gain on disposal of items of property and equipment, intangible assets and other long-term assets	(123)	(17)
Share of loss/(profit) of a jointly-controlled entity	44	(52)
	(4,851)	(5,635)
Increase in deferred acquisition costs	(4,076)	(3,822)
Increase in reinsurance assets	(1,961)	(1,769)
Increase in insurance receivables	(2,416)	(611)
Increase in other assets	(1,311)	(32)
Increase in insurance contract liabilities	37,576	42,803
Decrease in investment contract liabilities	(1,214)	(585)
Increase in insurance guarantee fund	20	19
Increase in deferred revenue	2,572	1,361
Decrease in other operating liabilities	(1,353)	(4,632)
Cash generated from operating activities	22,986	27,097

23. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties:

(a) Sale of insurance and investment contracts

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Equity holders who individually own more than 5% of equity interests of the Company	45	42

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

(b) Compensation of key management personnel of the Group

	Nine months ended 30 September	
	2008	2009
	(unaudited)	(unaudited)
Salaries, allowances and other short-term benefits	18	16
Long-term incentive paid[1]	1	3
Total compensation of key management personnel	19	19

1 This represents amount paid to key management personnel under the Group's long-term incentive plan. 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, and the eventual entitlement and payment of such amounts depend upon the future performance of both the Group and the relevant personnel.

24. COMMITMENTS

(a) Capital commitments

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

	31 December 2008 (audited)	30 September 2009 (unaudited)
Contracted, but not provided for:	6,863	2,526
Authorised, but not contracted for	461	461
	7,324	2,987

(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:

	31 December 2008 (audited)	30 September 2009 (unaudited)
Within 1 year	256	290
1 to 2 years	200	205
2 to 3 years	127	130
More than 3 years	499	514
	1,082	1,139

25. 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 management can reasonably estimate the outcome of the litigation taking into account the related legal advice, if any.

In addition to the above legal proceedings, the Group was the defendant in certain pending litigation and disputes with a gross claim of RMB9 million and nil as at 31 December 2008 and 30 September 2009. 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. Provision amounts had decreased as they had been utilized for the settlement of such claims.

26. RECONCILIATION OF DIFFERENCES BETWEEN PRC GAAP AND HKFRSs FINANCIAL STATEMENTS

The material differences between the Group's PRC GAAP and HKFRSs financial statements are as follows:

Consolidated net profit attributable to equity holders of the parent

	Notes	Nine Months Ended 30 September 2008	2009
Financial statements prepared in accordance with PRC GAAP		3,876	4,061
Premiums, benefits and reserves for life insurance	(i)	(2,493)	(995)
Deferred acquisition costs	(ii)	4,083	3,822
Deferred tax	(iii)	(396)	(706)
Minority interests and others		(89)	13
Financial statements prepared in accordance with HKFRSs		4,981	6,195

Consolidated equity attributable to equity holders of the parent

		31 December 2008	30 September 2009
Financial statements prepared in accordance with PRC GAAP		48,741	50,052
Premiums, benefits and reserves for life insurance	(i)	(5,958)	(7,140)
Deferred acquisition costs	(ii)	20,114	24,046
Deferred tax	(iii)	(3,538)	(4,226)
Minority interests and others		(4)	(17)
Financial statements prepared in accordance with HKFRSs		59,355	62,715

(i) Premiums, benefits and reserves for life insurance

In the Group's PRC GAAP financial statements, long-term products generally comprise long-term life insurance and long-term health insurance, where premiums received and benefits paid are recognized in current period's income statement. In the Group's HKFRSs financial statements, long-term products are mainly classified as long-term traditional insurance contracts, long-term investment type insurance contracts and investment contracts. Premiums from long-term traditional life insurance contracts are recognised as revenue when due from policyholders, whereas amounts collected as premiums from long-term investment type insurance contracts and investment contracts are reported as deposits and only those parts of the premiums used to cover the insured risks and associated costs are treated as revenue.

Also included in this reconciling item are differences in actuarial reserving methodologies. In the Group's PRC GAAP financial statements, reserves for life insurance are provided for in accordance with related actuarial regulations promulgated by CIRC. In the Group's HKFRSs financial statements, reserves for life insurance are provided for in accordance with HKFRS 4 Insurance Contracts with reference to international practices.

(ii) Deferred acquisition costs

In the Group's PRC GAAP financial statements, the costs of acquiring new and renewal business, including commissions, underwriting, marketing and policy issue expenses, are recognized in the income statement when incurred. In the Group's HKFRSs financial statements, commissions, underwriting, marketing and policy issue expenses of acquiring new and renewal policies are deferred and amortized over the expected life of the insurance contracts as a constant percentage of expected premiums or as a constant percentage of the present value of estimated gross profits expected to be realized over the life of the insurance contracts by product types.

(iii) Deferred tax related to the above differences

The above differences between the Group's PRC GAAP and HKFRSs financial statements are temporary differences in accordance with HKAS 12 Income Taxes. The Group recognizes deferred tax assets and liabilities accordingly using the tax rates at that time expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

27. POST BALANCE SHEET EVENT

In April 2009, pursuant to the approval from CPLIC's board of directors, CPLIC entered into a share transfer agreement with Shanghai International Group ("SIG") to purchase SIG's 114 million shares in Changjiang Pension Insurance Co., Ltd. ("Changjiang Pension") for RMB170 million. CPLIC also entered into a share subscription agreement with Changjiang Pension to subscribe for 219 million new shares in Changjiang Pension for RMB328 million. The subscription amounting to RMB328 million was subsequently paid in July 2009. The share transfer agreement was approved by CIRC in October 2009. The share subscription was not yet completed.

Our forecast net profit attributable to equity holders of the Company for the year ending 31 December 2009 is set forth in the section headed "Financial Information — Profit Forecast".

A. BASES

Our Directors have prepared the forecast net profit attributable to equity holders of the Company for the year ending 31 December 2009, based on the audited consolidated results of the Group for the six months ended 30 June 2009, the unaudited consolidated results of the Group for the three months ended 30 September 2009 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by us as summarized in Appendix I to this prospectus and on the following principal assumptions:

(i) there will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory where the Group carries out business;

(ii) there will be no change in legislation, regulations or rules (including accounting standards relevant to the Group) in the PRC or any other country or territory where the Group carries out business or with which the Group has arrangements or agreements, which may have a material adverse effect on the Group's business;

(iii) there will be no material change in the bases or rates of taxation or duties in the PRC or any other country or territory where the Group carries out business, except as otherwise disclosed in this prospectus; and

(iv) there will be no material change in the PRC's capital markets, interest rates or foreign currency exchange rates from those prevailing as of 30 September 2009.

However, our reported net profits for the year ending 31 December 2009 to be included in our annual report for the year ending 31 December 2009 may differ materially from the profit forecast if Interpretation No. 2 and the CIRC Notice are implemented. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

To the extent detailed guidance for the implementation of Interpretation No. 2 and the CIRC Notice is issued and applicable to our financial statements for the year ending 31 December 2009, we will disclose in our annual report for the year ending 31 December 2009: (i) our net profit for the year ending 31 December 2009, derived using the same accounting policies as those under which our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared; and (ii) a reconciliation of such net profit to our reported net profit for the year ending 31 December 2009 derived using the accounting policies that reflect the implementation of Interpretation No. 2 and the CIRC Notice, in each case of (i) and (ii) with such financial information audited or reviewed by our auditors.

B. LETTERS

Set out below are texts of letters received by our Directors, from Ernst & Young and from the Joint Sponsors in connection with the profit forecast of us for the year ending 31 December 2009.

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10 December 2009

The Directors
China Pacific Insurance (Group) Co., Ltd.

UBS AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
As joint sponsors

Dear Sirs,

Profit Forecast
China Pacific Insurance (Group) Co., Ltd. (the "Company" and, together with its subsidiaries, the "Group")

We have reviewed the accounting policies and calculations adopted in arriving at the forecast of the Group's consolidated net profit attributable to the equity holders of the Company for the year ending 31 December 2009 (the "Profit Forecast"), as set out in the subsection headed "Profit Forecast" under the section headed "Financial Information" in the prospectus of the Company dated 10 December 2009 (the "Prospectus"), for which the Directors of the Company are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors of the Company based on the audited consolidated results of the Group for the six months ended 30 June 2009, the unaudited consolidated results of the Group for the three months ended 30 September 2009 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2009.

In our opinion, so far as the Group's current accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors of the Company as set out in Part A of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report dated 10 December 2009, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

UBS Investment Bank
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Two International
Finance Centre
8 Finance Street
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CREDIT SUISSE
45th Floor
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CICC
中金香港证券
29/F
One International
Finance Centre
1 Harbour View Street
Central, Hong Kong

Goldman Sachs
68th Floor
Cheung Kong Center
2 Queen's Road
Central
Hong Kong

10 December 2009

The Directors
China Pacific Insurance (Group) Co., Ltd.

Dear Sirs,

We refer to the forecast of the consolidated net profit attributable to the equity holders of China Pacific Insurance (Group) Co., Ltd. (the **"Company"**) for the year ending 31 December 2009 (the **"Profit Forecast"**) as set out in the prospectus issued by the Company dated 10 December 2009.

We understand that the Profit Forecast has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the **"Group"**) for the six months ended 30 June 2009, the unaudited consolidated results of the Group for the three months ended 30 September 2009 and a forecast of the consolidated results of the Group for the remaining three months ending 31 December 2009.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 10 December 2009 addressed to yourselves and ourselves from Ernst & Young, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
UBS AG, Hong Kong Branch

Ren Wang
Managing Director

Tim Cen
Executive Director

For and on behalf of
Credit Suisse (Hong Kong) Limited

Hu Zhizhi
Managing Director

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited

Huang Zhaohui
Managing Director

For and on behalf of
Goldman Sachs (Asia) L.L.C.

Douglas Lehman Feagin
Managing Director

Wong Hong Kit, Kenneth
Managing Director

The information set forth in this appendix does not form part of the Accountants' Report received from Ernst and Young, Certified Public Accountants, Hong Kong, our auditors and reporting accountants, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS AND GROUP EMBEDDED VALUE, ADJUSTED FOR ESTIMATED NET PROCEEDS FROM THE GLOBAL OFFERING

For illustrative purpose only, the following pro forma financial information is set out here to provide the investors with further information to assess the financial position of CPIC Group after completion of the Global Offering. Because of its nature, it may not give a true picture of CPIC Group's financial position.

The following statement of unaudited pro forma adjusted net tangible assets of CPIC Group is based on the audited consolidated net assets attributable to equity holders of the Company as of 30 June 2009, as shown in the Accountants' Report set forth in Appendix I to this prospectus and adjusted as follows:

	Audited consolidated net assets attributable to equity holders of the Company as at 30 June 2009	Intangible assets	Deferred acquisition costs(1)	Tax liabilities related to deferred acquisition costs(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)	
		(in millions of RMB, except per Share data)					(RMB)	(HK$)
Based on an Offer Price of HK$26.80 per Offer Share. . . .	64,044	342	22,320	5,581	17,835	64,798	7.64	8.67
Based on an Offer Price of HK$30.10 per Offer Share. . . .	64,044	342	22,320	5,581	20,054	67,017	7.90	8.97

(1) Deferred acquisition costs are regarded as an intangible asset as they are an identifiable non-monetary asset without physical substance. The deferred acquisition costs and their related deferred tax liabilities are excluded in the determination of net tangible assets.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined on the basis that 8,483,000,000 Shares are issued and outstanding, assuming the Global Offering had been completed on 30 June 2009 but not taking into account any Shares that may be issued upon the exercise of the H Share Over-Allotment Option.

(4) As at 30 September 2009, our properties were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set forth in Appendix V to this prospectus. The net revaluation surplus of those properties, representing the excess of market value of such properties over their carrying value, is approximately RMB2,733 million. In accordance with our accounting policies, such properties are stated at historical cost less accumulated depreciation and impairment. As such, the amount of such net revaluation surplus will not be included in our consolidated financial statements for the year ending 31 December 2009 nor the calculation of the above unaudited pro forma adjusted net tangible assets. Had these properties been stated at such valuation, an estimated additional depreciation charge of RMB110 million per annum would be incurred.

The following statement of group embedded value, adjusted for estimated net proceeds from the Global Offering, of CPIC Group is based on our group embedded value as of 30 June 2009 and adjusted as follows:

	Group embedded value of CPIC Group as at 30 June 2009(1)	Estimated net proceeds to us from the Global Offering(2)	Group embedded value, adjusted for estimated net proceeds from the Global Offering	Group embedded value per Share, adjusted for estimated net proceeds from the Global Offering(3)
	(in millions of RMB, except per Share data)			(RMB)
Based on an Offer Price of HK$26.80 per Offer Share	74,889	17,835	92,724	10.93
Based on an Offer Price of HK$30.10 per Offer Share	74,889	20,054	94,943	11.19

(1) Based on estimate of group embedded value of CPIC Group assuming a risk discount rate of 11.5%, as shown in the Consulting Actuaries' Report set forth in Appendix VI to this prospectus.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-Allotment Option. The estimated net proceeds to us from the Global Offering are based on the Offer Prices of HK$26.80 and HK$30.10 per Offer Share, respectively, after deducting estimated underwriting fees and expenses payable by us in the Global Offering. To the extent the H Share Over-Allotment Option is exercised, the group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, will be increased, and earnings per Share will be diluted correspondingly.

(3) The group embedded value per Share, adjusted for estimated net proceeds from the Global Offering, is arrived at on the basis that 8,483,000,000 Shares will be in issue and the H Share Over-Allotment Option is not exercised.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER H SHARE

The statistics in the following table are based on the assumption that the H Share Over-Allotment Option is not exercised.

Forecast net profit attributable to equity holders of the Company(1) no less than	RMB6,510 million
Pro forma fully diluted forecast earnings per H Share(2)(3)	RMB0.77 (HK$0.87)

(1) The bases on which the above profit forecast has been prepared are set out in Appendix III to this prospectus. See "Risk Factors — Risks Relating to Our Company — New PRC accounting pronouncements may significantly affect our financial statements for the year ending 31 December 2009 and future years, and may materially and adversely affect our reported net profits and shareholders' equity, among other things".

(2) The calculation of the forecast earnings per H Share on a pro forma fully diluted basis is based on the forecast net profit attributable to equity holders of the Company for the year ending 31 December 2009, assuming that our H Shares had been listed since 1 January 2009 and a total of 8,483,000,000 Shares were issued and outstanding during the entire year ending 31 December 2009. This calculation assumes that the H Share Over-Allotment Option will not be exercised and the H Shares issued pursuant to the Global Offering were issued on 1 January 2009.

(3) Forecast earnings per H Share are converted into Hong Kong dollars based on the PBOC Rate of HK$1.00 = RMB0.8809 prevailing on 2 December 2009.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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10 December 2009

The Directors
China Pacific Insurance (Group) Co., Ltd.

UBS AG, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
As joint sponsors

Dear Sirs,

We report on the unaudited pro forma financial information of adjusted net tangible assets, adjusted group embedded value and fully diluted forecast earnings per share, after taking into account the estimated net proceeds from the public offering of H shares (the "Unaudited Pro Forma Financial Information") set out in Parts A and B of Appendix IV to the prospectus dated 10 December 2009 (the "Prospectus") in connection with the public offering of H shares (the "Global Offering") of China Pacific Insurance (Group) Co., Ltd. (the "Company") (together with its subsidiaries, hereinafter collectively referred to as the "Group"), which has been prepared, for illustrative purposes only, to provide information about how the Global Offering might have affected the relevant financial information of the Group presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts A and B in Appendix IV to the prospectus.

Respective Responsibilities of Directors of the Company (the "Directors") and Reporting Accountants

It is the sole responsibility of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work does not constitute an audit or review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement, or Hong Kong Standards on Assurance Engagements, issued by the HKICPA and, accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the current accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Hong Kong Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and, accordingly, should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the Directors and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2009 or any future dates; or
- the fully diluted forecast earnings per share of the Group for the year ending 31 December 2009 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) Such bases, other than the bases for any information on group embedded value, are consistent with the current accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29 (1) of the Hong Kong Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2009 of our property interests. As described in section "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix XI, a copy of the full valuation report will be made available for public inspection.

JONES LANG LASALLE® SALLMANNS

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

10 December 2009

The Board of Directors
China Pacific Insurance (Group) Co., Ltd.
South Tower, Bank of Communications Financial Building
190 Central Yincheng Road
Pudong New District
Shanghai
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the properties in which China Pacific Insurance (Group) Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2009 (the "date of valuation").

We have categorized the property interests held or owned by the Group into various sub-groups according to their locations. The property interests of each sub-group are located in various provinces, autonomous regions or direct administered municipalities in the PRC and Hong Kong.

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests in Groups I (except for portions of property no. 21) and IV by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in the relevant market.

Where, due to the nature of the buildings and structures of portions of property no. 21 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, therefore these portions have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interests in Group II, which have not been assigned to the Group and thus the titles of the properties were not vested in the Group as at the date of valuation.

We have attributed no commercial value to the property interests in Groups III and V, which are rented by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

As at the date of valuation, the Group held 603 buildings or units with an aggregate gross floor area of approximately 1,015,223.88 sq.m. in the PRC, among which 575 buildings or units with an aggregate gross floor area of approximately 774,041.88 sq.m. are occupied by the Group for commercial, office, residential or ancillary uses, while 28 buildings with an aggregate gross floor area of approximately 241,182 sq.m. are currently occupied by Fudan-Pacific Institute subject to an agreement entered into between Fudan University and the Group dated 21 June 2007. In addition, the Group also held 3 parcels of vacant land with a total site area of approximately 20,266.05 sq.m. in Shandong Province, 3 parcels of land with a total site area of approximately 822,614 sq.m. in Shanghai for educational use and 6 office or residential units with an aggregate gross floor area of approximately 385.8 sq.m. in Hong Kong.

Among these properties in the PRC, the Group has obtained relevant Building Ownership Certificates ("BOCs") and granted State-owned Land Use Rights Certificates ("LURCs") or Real Estate Title Certificates ("RETCs") for 460 buildings or units with an aggregate gross floor area of approximately 725,232.33 sq.m. and 6 parcels of land with a total site area of approximately 842,880.05 sq.m. For the remaining 143 buildings or units with an aggregate gross floor area of approximately 289,991.55 sq.m., the Group has not obtained valid title documents.

As at the date of valuation the Group has entered into Sale and Purchase Agreements with various real estate developers in respect of acquiring 17 office buildings or units with an aggregate gross floor area of approximately 152,965.40 sq.m. in the PRC. Owing to the fact that some of them were still under construction and the required payments had not been fully paid as at the date of valuation, thus the properties have not been assigned to the Group and the title certificates of the properties have not yet been vested in the Group. Therefore, we have not attributed any commercial value to these properties.

As at the date of valuation, the Group also leased 4,118 properties in the PRC with an aggregate lettable area of approximately 1,690,333.22 sq.m. and 2 properties in Hong Kong with an aggregate lettable area of approximately 565 sq.m. from various independent third parties.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing those property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997, we have taken account of the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June

2047 and that a rent of three per cent of the then rateable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, except for those in respect of which a waiver has been applied and granted in respect of paragraph 34(2) of the Third Schedule to the Companies Ordinance and Rule 5.01, Rule 5.06, Rule 19A.27(4) and Paragraph 3(a) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

As the Company is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus of which a summary is included in the Summary of Values and certificate for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including LURCs, BOCs, RETCs and official plans relating to the property interests in the PRC and Hong Kong and have caused searches to be made at the Hong Kong Land Registries in respect of Hong Kong properties. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the properties or any tenancy amendments which may not appear on the copies handed to us. We have relied considerably on the advice given by the Company's PRC legal advisers — King & Wood PRC Lawyers, concerning the validity of the property interests in the PRC.

We have not carried out detailed site measurements to verify the correctness of the areas in respect of the properties but have assumed that the site areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). In valuing property interests in Group IV, we have adopted an exchange rate of HK$1 to RMB0.88, which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

SUMMARY OF VALUES

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
1.	6 properties located in Anhui Province in the PRC	64,055,000	62,963,000
2.	4 properties located in Beijing in the PRC	218,426,000	214,702,000
3.	30 properties located in Chongqing in the PRC	127,354,000	125,183,000
4.	18 properties located in Fujian Province in the PRC	187,114,000	183,922,000
5.	2 properties located in Gansu Province in the PRC	48,133,000	47,312,000
6.	17 properties located in Guangxi Zhuang Autonomous Region in the PRC	78,695,000	77,354,000
7.	65 properties located in Guangdong Province in the PRC	385,483,000	378,921,000
8.	7 properties located in Guizhou Province in the PRC	69,440,000	68,256,000
9.	36 properties located in Hainan Province in the PRC	17,309,000	17,017,000
10.	12 properties located in Hebei Province in the PRC	140,856,000	138,456,000
11.	6 properties located in Heilongjiang Province in the PRC	98,250,000	96,574,000
12.	4 properties located in Henan Province in the PRC	54,753,000	53,820,000
13.	26 properties located in Hubei Province in the PRC	115,506,000	113,537,000
14.	4 properties located in Hunan Province in the PRC	38,641,000	37,982,000
15.	55 properties located in Jiangsu Province in the PRC	673,913,000	662,428,000
16.	10 properties located in Jiangxi Province in the PRC	81,837,000	80,442,000
17.	33 properties located in Jilin Province in the PRC	156,028,000	153,369,000
18.	45 properties located in Liaoning Province in the PRC	157,049,000	154,372,000
19.	5 properties located in Shaanxi Province in the PRC	No commercial value	No commercial value
20.	37 properties and 3 parcels of land located in Shandong Province in the PRC	353,323,000	347,299,000

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
21.	53 properties, 3 parcels of land and 28 buildings erected thereon located in Shanghai in the PRC	3,192,090,000	3,177,793,000
22.	4 properties located in Shanxi Province in the PRC	70,817,000	69,609,000
23.	17 properties located in Sichuan Province in the PRC	57,695,000	56,711,000
24.	6 properties located in Tianjin in the PRC	100,715,000	98,998,000
25.	19 properties located in Xinjiang Uighur Autonomous Region in the PRC	78,238,000	76,904,000
26.	7 properties located in Yunnan Province in the PRC	73,822,000	72,563,000
27.	46 properties located in Zhejiang Province in the PRC	688,020,000	676,763,000
28.	A property located in Ningxia Hui Autonomous Region in the PRC	16,691,000	16,406,000
	Sub-total:	**7,344,253,000**	**7,259,656,000**

GROUP II — PROPERTY INTERESTS CONTRACTED TO BE ACQUIRED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
29.	17 properties located in the PRC	No commercial value	No commercial value
	Sub-total:	**Nil**	**Nil**

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
30.	4,118 properties leased by the Group in the PRC	No commercial value	No commercial value
	Sub-total:	**Nil**	**Nil**

GROUP IV — PROPERTY INTERESTS OWNED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
31.	6 properties located in Hong Kong	21,498,000	21,498,000
	Sub-total:	**21,498,000**	**21,498,000**

GROUP V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Capital value in existing state as at 30 September 2009	Capital value attributable to the Group as at 30 September 2009
		RMB	RMB
32.	2 properties located in Hong Kong	No commercial value	No commercial value
	Sub-total:	**Nil**	**Nil**
	Grand-total:	**7,365,751,000**	**7,281,154,000**

VALUATION CERTIFICATE

GROUP I — PROPERTY INTERESTS HELD AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
1.	6 properties located in Anhui Province in the PRC	The properties comprise 5 office and commercial buildings or units and a residential unit, completed in various stages between 1995 and 2008. The properties have a total gross floor area of approximately 18,583.39 sq.m. and the approximate floor areas of the properties for each use are shown as follow:	The properties are currently occupied by the Group for commercial, office and residential uses.	64,055,000 Interest attributable to the Group: RMB62,963,000

Usage	Gross Floor Area (sq.m.)
office and commercial	18,504.48
residential	78.91
Total:	18,583.39

Notes:

1. According to 6 BOCs and 5 LURCs, the building ownership rights of 5 items of the properties with a total gross floor area of approximately 18,504.48 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 5 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to a BOC, the building ownership rights of one item of the properties with a gross floor area of approximately 78.91 sq.m. have been obtained by the Group. However, the Group has not obtained LURC for the item of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the above property. Before obtaining relevant LURC, the Group is not entitled to freely transfer, mortgage or otherwise dispose of this property.

3. In the course of our valuation, we have attributed no commercial value to the property mentioned in note 2 as proper LURC has not been obtained. However, for reference purpose, we are of the opinion that the capital value of it as at the date of valuation would be RMB97,000 assuming that the relevant title certificate had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
2.	4 properties located in Beijing in the PRC	The properties comprise 4 office and commercial buildings or units, completed in various stages between 1992 and 2000. The properties have a total gross floor area of approximately 10,090.3 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	218,426,000 Interest attributable to the Group: RMB214,702,000

Notes:

1. According to 2 BOCs and 2 LURCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 8,438.65 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOC and LURC for the 2 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above property.

2. For the remaining 2 items of the properties with a total gross floor area of approximately 1,651.65 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of the properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB8,807,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
3.	30 properties located in Chongqing in the PRC	The properties comprise 17 office and commercial buildings or units, 8 residential buildings or units and 5 ancillary buildings or units, completed in various stages between 1991 and 2002. The properties have a total gross floor area of approximately 24,360.17 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	127,354,000 Interest attributable to the Group: RMB125,183,000

Usage	Gross Floor Area (sq.m.)
office and commercial	23,421.12
residential	570.19
ancillary	368.86
Total	24,360.17

Notes:

1. According to 30 BOCs and 28 LURCs, the building ownership rights of 28 items of the properties with a total gross floor area of approximately 24,256.17 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 28 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 2 BOCs and 2 LURCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 104 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the properties before obtaining LURCs by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of these properties, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB199,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
4.	18 properties located in Fujian Province in the PRC	The properties comprise 11 office and commercial buildings or units, a residential unit and 6 ancillary units, completed in various stages between 1994 and 2001. The properties have a total gross floor area of approximately 22,889.75 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	187,114,000 Interest attributable to the Group: RMB183,922,000

Usage	Gross Floor Area (sq.m.)
office and commercial	21,130.76
residential	858.28
ancillary	900.71
Total:	22,889.75

Notes:

1. According to 62 BOCs/ RETCs and 12 LURCs, the building ownership rights of 18 items of the properties with a total gross floor area of approximately 22,889.75 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 18 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
5.	2 properties located in Gansu Province in the PRC	The properties comprise 2 office and commercial units, completed in 2000. The properties have a total gross floor area of approximately 9,294.34 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	48,133,000 Interest attributable to the Group: RMB47,312,000

Notes:

1. According to 3 BOCs and 2 LURCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 9,294.34 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 2 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
6.	17 properties located in Guangxi Zhuang Autonomous Region in the PRC	The properties comprise 15 office and commercial buildings or units and 2 residential units, completed in various stages between 1995 and 2006. The properties have a total gross floor area of approximately 23,082.17 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** — **Gross Floor Area (sq.m.)** office and commercial — 22,924.17 residential — 158.00 Total: — 23,082.17	The properties are currently occupied by the Group for commercial, office and residential uses.	78,695,000 Interest attributable to the Group: RMB77,354,000

Notes:

1. According to 50 BOCs and 50 LURCs, the building ownership rights of 17 items of the properties with a total gross floor area of approximately 23,082.17 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 17 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
7.	65 properties located in Guangdong Province in the PRC	The properties comprise 36 office and commercial buildings or units, 9 residential buildings or units and 20 ancillary buildings or units, completed in various stages between 1990 and 2006. The properties have a total gross floor area of approximately 44,195.38 sq.m. and the approximate floor areas of the properties for each use are shown as follows: Usage / Gross Floor Area (sq.m.) office and commercial: 39,371.86 residential: 4,584.80 ancillary: 238.72 Total: 44,195.38	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	385,483,000 Interest attributable to the Group: RMB378,921,000

Notes:

1. According to 96 RETCs, the building ownership rights of 59 items of the properties with a total gross floor area of approximately 37,359.56 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 59 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. For the remaining 6 items of the properties with a total gross floor area of approximately 6,835.82 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of the relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of the properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 and as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB39,109,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
8.	7 properties located in Guizhou Province in the PRC	The properties comprise 7 office and commercial buildings or units, completed in various stages between 1994 and 2004. The properties have a total gross floor area of approximately 13,551.76 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	69,440,000 Interest attributable to the Group: RMB68,256,000

Notes:

1. According to 11 BOCs and 7 LURCs, the building ownership rights of 7 items of the properties with a total gross floor area of approximately 13,551.76 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 7 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
9.	36 properties located in Hainan Province in the PRC	The properties comprise 3 office and commercial units and 33 residential buildings or units, completed in various stages between 1993 and 2003. The properties have a total gross floor area of approximately 5,854.90 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	17,309,000 Interest attributable to the Group: RMB17,017,000

Usage	Gross Floor Area (sq.m.)
office and commercial	3,270.18
residential	2,584.72
Total:	5,854.90

Notes:

1. According to 28 BOCs and 28 LURCs, the building ownership rights of 28 items of the properties with a total gross floor area of approximately 5,250.05 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 28 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 8 BOCs, the building ownership rights of 8 items of the properties with a total gross floor area of approximately 604.85 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 8 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB1,917,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
10.	12 properties located in Hebei Province in the PRC	The properties comprise 9 office and commercial buildings or units and 3 residential units, completed in various stages between 1982 and 2003. The properties have a total gross floor area of approximately 30,946.41 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	140,856,000 Interest attributable to the Group: RMB138,456,000

Usage	Gross Floor Area (sq.m.)
office and commercial	30,474.83
residential	471.58
Total:	30,946.41

Notes:

1. According to 11 BOCs and 15 LURCs, the building ownership rights of 11 items of the properties with a total gross floor area of approximately 30,885.91 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 11 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. For the remaining one item of the properties with a gross floor area of approximately 60.5 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of this property.

3. In the course of our valuation, we have attributed no commercial value to the property mentioned in note 2 as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of it as at the date of valuation would be RMB138,000 assuming that the relevant title certificates had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
11.	6 properties located in Heilongjiang Province in the PRC	The properties comprise 5 office and commercial buildings or units, a residential unit, completed in various stages between 1994 and 2004. The properties have a total gross floor area of approximately 13,681.14 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	98,250,000 Interest attributable to the Group: RMB96,574,000

Usage	Gross Floor Area (sq.m.)
office and commercial	13,551.64
residential	129.50
Total:	13,681.14

Notes:

1. According to 4 BOCs and 4 LURCs, the building ownership rights of 4 items of the properties with a total gross floor area of approximately 11,931.86 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 4 items of the properties. The Group is entitled to occupy, use, lease, transfer, mortgage or otherwise dispose of the above properties.

2. According to 4 BOCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 1,749.28 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 2 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

4. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB6,083,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
12.	4 properties located in Henan Province in the PRC	The properties comprise a residential building and 3 office and commercial units, completed in various stages between 2006 and 2009. The properties have a total gross floor area of approximately 18,123.08 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	54,753,000 Interest attributable to the Group: RMB53,820,000

Usage	Gross Floor Area (sq.m.)
office and commercial	12,097.22
residential	6,025.86
Total:	18,123.08

Notes:

1. According to 14 BOCs and 11 LURCs, the building ownership rights of 3 items of the properties with a total gross floor area of approximately 12,690.16 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 3 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 21 BOCs, the building ownership rights of one item of the properties with a gross floor area of approximately 5,432.29 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the one item of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the property. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of the property.

3. In the course of our valuation, we have attributed no commercial value to the property mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of it as at the date of valuation would be RMB38,738,000 assuming that the relevant title certificates had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
13.	26 properties located in Hubei Province in the PRC	The properties comprise 22 office and commercial buildings or units 3 residential buildings or units and an ancillary building, completed in various stages between 1995 and 2000. The properties have a total gross floor area of approximately 23,518.84 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	115,506,000 Interest attributable to the Group: RMB113,537,000

Usage	Gross Floor Area (sq.m.)
office and commercial	21,773.59
residential	1,303.67
ancillary	441.58
Total:	23,518.84

Notes:

1. According to 23 BOCs and 21 LURCs, the building ownership rights of 22 items of the properties with a total gross floor area of approximately 22,425.05 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 22 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 7 BOCs and 7 LURCs, the building ownership rights of 4 items of the properties with a total gross floor area of approximately 1,093.79 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties before obtaining LURCs by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of these properties, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB7,301,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
14.	4 properties located in Hunan Province in the PRC	The properties comprise 2 office and commercial units and 2 residential units, completed in various stages between 1995 and 1998. The properties have a total gross floor area of approximately 9,173.71 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	38,641,000 Interest attributable to the Group: RMB37,982,000

Usage	Gross Floor Area (sq.m.)
office and commercial	6,570.17
residential	2,603.54
Total:	9,173.71

Notes:

1. According to 2 BOCs and 2 LURCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 6,570.17 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 2 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 2 BOCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 2,603.54 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 2 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of the properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB8,425,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
15.	55 properties located in Jiangsu Province in the PRC	The properties comprise 48 office and commercial buildings or units and 7 residential buildings or units, completed in various stages between 1990 and 2006. The properties have a total gross floor area of approximately 106,109.99 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** — **Gross FloorArea (sq.m.)** office and commercial — 105,574.38 residential — 535.61 Total: — 106,109.99	The properties are currently occupied by the Group for commercial, office and residential uses.	673,913,000 Interest attributable to the Group: RMB662,428,000

Notes:

1. According to 55 BOCs and 49 LURCs, the building ownership rights of 46 items of the properties with a total gross floor area of approximately 103,670.17 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 46 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 2 BOCs and 2 LURCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 167.07 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the properties before obtaining LURCs by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of these properties, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. According to a LURC, the corresponding land use rights of one item of the properties with a gross floor area of approximately 620 sq.m. have been obtained by the Group. However, the Group has not obtained the BOC for the one item of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use this property. However, the Group is not entitled to freely transfer, mortgage or otherwise dispose of the property in the absence of BOC. The Group is in the process of applying for BOC.

4. According to 4 BOCs, the building ownership rights of 4 items of the properties with a total gross floor area of approximately 1,105.87 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 4 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

5. For the remaining 2 items of the properties with a total gross floor area of approximately 546.88 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of the properties.

6. In the course of our valuation, we have attributed no commercial value to the properties mentioned in notes 2 to 5 as proper LURCs and/or BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB19,215,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
16.	10 properties located in Jiangxi Province in the PRC	The properties comprise 8 office and commercial buildings or units and 2 residential units, completed in various stages between 1997 and 2008. The properties have a total gross floor area of approximately 18,080.92 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** — **Gross Floor Area (sq.m.)** office and commercial — 17,947.24 residential — 133.68 Total: — 18,080.92	The properties are currently occupied by the Group for commercial, office and residential uses.	81,837,000 Interest attributable to the Group: RMB80,442,000

Notes:

1. According to 10 BOCs and 10 LURCs, the building ownership rights of 8 items of the properties with a total gross floor area of approximately 17,947.24 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 8 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to a BOC, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 133.68 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 2 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB177,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
17.	33 properties located in Jilin Province in the PRC	The properties comprise 23 office and commercial buildings or units, 9 residential buildings or unit and an ancillary unit, completed in various stages between 1994 and 2008. The properties have a total gross floor area of approximately 31,714.43 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	156,028,000 Interest attributable to the Group: RMB153,369,000

Usage	Gross Floor Area (sq.m.)
office and commercial	29,728.49
residential	1,473.98
ancillary	511.96
Total:	31,714.43

Notes:

1. According to 40 BOCs and 35 LURCs, the building ownership rights of 22 items of the properties with a total gross floor area of approximately 30,421.92 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 22 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 2 BOCs, the building ownership rights of 2 items of the properties with a total gross floor area of approximately 412.78 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 2 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

3. For the remaining 9 items of the properties with a total gross floor area of approximately 879.73 sq.m., we have not been provided with the LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of the relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of these properties.

4. In the course of our valuation, we have attributed no commercial value to the properties mentioned in notes 2 and 3 as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB2,911,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
18.	45 properties located in Liaoning Province in the PRC	The properties comprise 32 office and commercial buildings or units, 9 residential buildings or unit and 4 ancillary buildings or units, completed in various stages between 1958 and 2002. The properties have a total gross floor area of approximately 49,109.62 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** / **Gross Floor Area (sq.m.)** office and commercial: 47,262.05 residential: 1,480.24 ancillary: 367.33 Total: 49,109.62	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	157,049,000 Interest attributable to the Group: RMB154,372,000

Notes:

1. According to 32 BOCs and 29 LURCs, the building ownership rights of 29 items of the properties with a total gross floor area of approximately 36,418.19 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 29 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 4 BOCs and 4 LURCs, the building ownership rights of 4 items of the properties with a total gross floor area of approximately 1,391.93 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties before obtaining LURCs by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of these properties, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. According to 6 BOCs, the building ownership rights of 6 items of the properties with a total gross floor area of approximately 4,416.07 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 6 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

4. For the remaining 6 items of the properties with a total gross floor area of approximately 6,883.43 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of the relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of the properties

5. In the course of our valuation, we have attributed no commercial value to the properties mentioned in notes 2 to 4 as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB75,103,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
19.	5 properties located in Shaanxi Province in the PRC	The properties comprise 5 office and commercial buildings or units, completed in various stages between 1998 and 2000. The properties have a total gross floor area of approximately 4,385.42 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	No commercial value

Notes:

1. According to 5 BOCs, the building ownership rights of 5 items of the properties with a total gross floor area of approximately 4,385.42 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 5 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use the properties. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

2. In the course of our valuation, we have attributed no commercial value to the properties as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB23,607,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
20.	37 properties and 3 parcels of land located in Shandong Province in the PRC	The properties comprise 21 office and commercial buildings or units and 16 residential buildings or units, completed in various stages between 1989 and 2003. The properties have a total gross floor area of approximately 47,004.75 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** — **Gross Floor Area (sq.m.)** office and commercial — 45,578.32 residential — 1,426.43 Total: — 47,004.75 The properties also comprise 3 parcels of land with a total site area of approximately 20,266.05 sq.m.	The properties are currently occupied by the Group for commercial, office and residential uses except for three parcels of land which are currently vacant.	353,323,000 Interest attributable to the Group: RMB347,299,000

Notes:

1. According to 15 BOCs and 19 LURCs, the building ownership rights of 32 items of the properties with a total gross floor area of approximately 46,558.60 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 32 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 8 BOCs, the building ownership rights of 5 items of the properties with a total gross floor area of approximately 446.15 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 5 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties. Before obtaining relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

3. According to 3 LURCs, the land use rights of 3 parcels of land with a total site area of approximately 20,266.05 sq.m. have been granted to the Group for commercial use.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained LURCs for the 3 parcels of land. During the terms stipulated by LURCs, the Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of these land parcels.

4. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB1,581,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
21.	53 properties, 3 parcels of land and 28 buildings erected thereon located in Shanghai in the PRC	The properties comprise 17 office and commercial buildings or units and 36 residential buildings or units completed in various stages between 1954 and 2009. The properties also comprise 3 parcels of land with a total site area of approximately 822,614 sq.m. and 28 educational buildings and various structures erected thereon which were completed in 2005. The properties have a total gross floor area of approximately 352,873.31 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses except for 3 parcels of land and 28 educational buildings and various structures erected thereon which are currently occupied by Fudan-Pacific Institute of Finance (refer to note 3).	3,192,090,000 Interest attributable to the Group: RMB3,177,793,000

Usage	Gross Floor Area (sq.m.)
office and commercial	95,266.06
residential	16,425.25
educational	241,182.00
Total	352,873.31

Notes:

1. According to 23 RETCs, the building ownership rights of 24 items of the properties with a total gross floor area of approximately 109,268.41 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained RETCs for the 24 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to 21 RETCs, the building ownership rights of 21 items of the properties with a total gross floor area of approximately 1,893.87 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use these properties before obtaining proper title certificates by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of these properties, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. According to 3 LURCs, the land use rights of 3 parcels of land with a total site area of approximately 822,614 sq.m. have been granted to the Group for educational use. A portion of the above land with a site area of approximately 133,400 sq.m. is currently vacant. As advised by the Group, there is no definite development plan to this portion.

   28 buildings and various structures with a total gross floor area of approximately 241,182 sq.m. were built upon the above land. These buildings have not obtained RETCs.

Pursuant to an agreement entered into between Fudan University and the Group dated 21 June 2007, the above land and buildings are currently occupied and used by Fudan-Pacific Institute of Finance for educational use.

According to the opinion given by the Company's PRC legal advisers, the Group has obtained LURCs of the 3 parcels of land and Construction Work Completion and Inspection Acceptance Certificates in relation to the 28 buildings. However, the Group is not entitled to freely transfer, mortgage or otherwise dispose of the 28 buildings and the 3 parcels of land in absence of RETCs. The Group is in the process of applying for RETCs and there is no material legal impediment for the Group to obtain RETCs. The Group should not change the educational use stipulated by the LURCs when using, leasing and transferring the 28 buildings and the 3 parcels of land.

4. For the remaining 8 items of the properties with a total gross floor area of approximately 529.03 sq.m., we have not been provided with the RETCs.

   According to the opinion given by the company's PRC legal advisers, due to lack of relevant RETCs, the Company's legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of these properties

5. In the course of our valuation, we have attributed no commercial value to the properties mentioned in notes 2, 4 and the 28 buildings (including various structures) erected on the land mentioned in note 3, as proper RETCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at date of valuation would be in the sum of RMB717,593,000 assuming that relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
22.	4 properties located in Shanxi Province in the PRC	The properties comprise 2 office and commercial units and 2 residential units, completed in various stages between 1997 and 2003. The properties have a total gross floor area of approximately 10,171.43 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office and residential uses.	70,817,000 Interest attributable to the Group: RMB69,609,000

Usage	Gross Floor Area (sq.m.)
office and commercial	9,893.74
residential	277.69
Total:	10,171.43

Notes:

1. According to 3 BOCs and 3 LURCs, the building ownership rights of 3 items of the properties with a total gross floor area of approximately 10,100.58 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 3 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to a BOCs, the building ownership rights of one item of the properties with a gross floor area of approximately 70.85 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the one item of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use this property. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of this property.

3. In the course of our valuation, we have attributed no commercial value to the property mentioned in note 2 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital value of it as at the date of valuation would be RMB252,000 assuming that the relevant title certificates had been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
23.	17 properties located in Sichuan Province in the PRC	The properties comprise 15 office and commercial buildings or units and 2 residential buildings or units, completed in various stages between 1996 and 2009. The properties have a total gross floor area of approximately 14,851.46 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** / **Gross Floor Area (sq.m.)** office and commercial: 14,578.49 residential: 272.97 Total: 14,851.46	The properties are currently occupied by the Group for commercial, office and residential uses.	57,695,000 Interest attributable to the Group: RMB56,711,000

Notes:

1. According to 16 BOCs and 15 LURCs, the building ownership rights of 15 items of the properties with a total gross floor area of approximately 12,177.46 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 15 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. For the remaining 2 items of the properties with a total gross floor area of approximately 2,674 sq.m., we have not been provided with LURCs or BOCs.

   According to the opinion given by the Company's PRC legal advisers, due to lack of relevant LURCs and BOCs, the Company's PRC legal advisers cannot ascertain whether the Group has legally obtained the building ownership rights and land use rights of the 2 properties.

3. In the course of our valuation, we have attributed no commercial value to the properties mentioned in note 2 as proper LURCs and BOCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as the date of valuation would be in the sum of RMB6,025,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
24.	6 properties located in Tianjin in the PRC	The properties comprise 3 office and commercial units and 3 residential units, completed in 1997. The properties have a total gross floor area of approximately 9,642.82 sq.m. and the approximate floor areas of the properties for each use are shown as follows: **Usage** / **Gross Floor Area (sq.m.)** office and commercial: 4,473.24 residential: 5,169.58 Total: 9,642.82	The properties are currently occupied by the Group for commercial, office and residential uses.	100,715,000 Interest attributable to the Group: RMB98,998,000

Notes:

1. According to 6 BOCs and 6 LURCs, the building ownership rights of 6 items of the properties with a total gross floor area of approximately 9,642.82 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 6 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
25.	19 properties located in Xinjiang Uighur Autonomous Region in the PRC	The properties comprise 19 office and commercial buildings or units, completed in various stages between 1994 and 2002. The properties have a total gross floor area of approximately 12,519.53 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	78,238,000 Interest attributable to the Group: RMB76,904,000

Notes:

1. According to 19 BOCs and 14 LURCs, the building ownership rights of 19 items of the properties with a total gross floor area of approximately 12,519.53 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 19 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
26.	7 properties located in Yunnan Province in the PRC	The properties comprise 7 office and commercial units, completed in various stages between 1998 and 2000. The properties have a total gross floor area of approximately 14,083.74 sq.m.	The properties are currently occupied by the Group for commercial and office uses.	73,822,000 Interest attributable to the Group: RMB72,563,000

Notes:

1. According to 7 BOCs and 7 LURCs, the building ownership rights of 7 items of the properties with a total gross floor area of approximately 14,083.74 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 7 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
27.	46 properties located in Zhejiang Province in the PRC	The properties comprise 41 office and commercial buildings or units, 4 residential buildings or units and an ancillary unit, completed in various stages between 1981 and 2008. The properties have a total gross floor area of approximately 74,673.33 sq.m. and the approximate floor areas of the properties for each use are shown as follows:	The properties are currently occupied by the Group for commercial, office, residential and ancillary uses.	688,020,000 Interest attributable to the Group: RMB676,763,000

Usage	Gross Floor Area (sq.m.)
office and commercial	65,942.84
residential	258.29
ancillary	8,472.20
Total:	74,673.33

Notes:

1. According to 78 BOCs and 69 LURCs, the building ownership rights of 40 items of the properties with a total gross floor area of approximately 72,635.79 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the 40 items of the properties. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above properties.

2. According to a BOC and a LURC, the building ownership rights of one item of the properties with a gross floor area of approximately 29.16 sq.m. have been obtained by the Group and the corresponding land use rights have been allocated to the Group.

   According to the opinion given by the Company's PRC legal advisers, there is no material legal impediment for the Group to occupy and use this property before obtaining LURCs by way of grant or lease. However, if the Group intends to transfer, lease, mortgage or otherwise dispose of this property, it should be approved by the relevant administration authorities and the land premium or land yields and other charges should be paid.

3. According to 2 BOCs, the building ownership rights of 5 items of the properties with a total gross floor area of approximately 2,008.38 sq.m. have been obtained by the Group. However, the Group has not obtained the LURCs for the 5 items of the properties.

   According to the opinion given by the Company's PRC legal advisers, there is no legal impediment for the Group to occupy and use these properties. Before obtaining the relevant LURCs, the Group is not entitled to freely transfer, mortgage or otherwise dispose of these properties.

4. In the course of our valuation, we have attributed no commercial value to the properties mentioned in notes 2 and 3 as proper LURCs have not been obtained. However, for reference purpose, we are of the opinion that the capital values of them as at the date of valuation would be in the sum of RMB8,103,000 assuming that the relevant title certificates had been obtained and the properties could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
28.	A property located in Ningxia Hui Autonomous Region in the PRC	The property comprises an office and commercial unit completed in 2008. The property has a gross floor area of approximately 2,657.79 sq.m.	The property is currently occupied by the Group for commercial and office uses.	16,691,000 Interest attributable to the Group: RMB16,406,000

Notes:

1. According to 3 BOCs and 3 LURCs, the building ownership rights of the property with a gross floor area of approximately 2,657.79 sq.m. have been obtained by the Group and the corresponding land use rights have been granted to the Group.

   According to the opinion given by the Company's PRC legal advisers, the Group has obtained both BOCs and LURCs for the property. The Group is entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of the above property.

VALUATION CERTIFICATE

GROUP II — PROPERTY INTERESTS CONTRACTED TO BE ACQUIRED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
29.	17 properties located in the PRC	The property comprises 17 office buildings or units. The properties have a total gross floor area of approximately 152,965.40 sq.m.	The properties are currently vacant.	No commercial value

Notes:

1. According to various Commodity Property Sale and Purchase Agreements (the "Agreements"), the Group has purchased 17 office buildings or units with a total gross floor area of approximately 152,965.40 sq.m. at a total consideration of approximately RMB2,782,314,482. As informed by the Group, a sum of approximately RMB2,340,537,933.43 has been paid by the Group in purchasing the properties up to the date of valuation.

   According to the opinion given by the Company's PRC legal advisers, for 17 items of the properties, proper pre-sale permits, BOCs and LURCs of the properties have been obtained by the relevant real estate developers or the real estate sellers. In addition, the Group has paid part of the consideration according to the relevant Agreements and these Agreements do not violate the relevant laws and regulations. Thus, there is no material legal impediment for the Group in obtaining relevant BOCs and LURCs for these properties.

2. In the course of our valuation, we have attributed no commercial value to the properties as proper LURCs and BOCs have not been obtained by the Group and their ownership rights have not been legally transferred to the Group.

VALUATION CERTIFICATE

GROUP III — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN THE PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
30.	4,118 properties leased by the Group in the PRC	The properties comprise 4,076 office or commercial units, 42 residential buildings or units, completed in various stages between 1950 and 2009. The properties have a total lettable area of approximately 1,690,333.22 sq.m. and the approximate lettable areas of the properties for each use are shown as follows: **Usage** — **Lettable Area (sq.m.)** office and commercial — 1,684,307.26 residential — 6,025.96 Total: — 1,690,333.22 The properties are rented from various independent third parties (the "Lessors") for various terms with the expiry dates between 30 April 2007 and 21 June 2035.	The properties are currently occupied by the Group for office, commercial and residential uses.	No commercial value

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Group and various independent third parties, 4,118 properties with an aggregate lettable area of approximately 1,690,333.22 sq.m. are rented to the Group for various terms with the expiry dates between 30 April 2007 and 21 June 2035 at a total annual rent of RMB674,010,076.01

2. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   i) For 334 out of the 4,118 properties with a total lettable area of approximately 131,279.17 sq.m., the Group has not been provided with the Tenancy Agreements or/and the lease terms have expired, and therefore the legality of their lease relationship is uncertain;

   ii) For the remaining 3,784 properties with a total lettable area of approximately 1,559,054.05 sq.m., they are categorized as follows:

      a) For 880 properties with a total lettable area of approximately 456,037.07 sq.m., the Group has been provided with relevant LURCs, BOCs and/or RETCs. The Tenancy Agreements are legal and valid;

      b) For the remaining 2,904 properties with a total lettable area of approximately 1,103,016.98 sq.m., the Group has not been provided with relevant LURCs, BOCs and/or RETCs, or property owner's consent to sublease. Among them, the lessors of 2,314 properties have provided the Group with confirmation letters which have undertaken to indemnify all the loss of the Group arising from any defects of the property titles. The lessors of 590 properties have not provided the Group with the confirmation letters. According to PRC laws, the lessors have no rights to lease the properties without relevant LURCs, BOCs and/or RETCs or property owner's consent to sublease. It may affect the Group to occupy and use these properties in case of any dissent from any third parties. However, the Group has the rights to claim for any loss from the lessors based on the Tenancy Agreements;

      c) For 135 out of the 3,784 properties with a total lettable area of approximately 68,191.37 sq.m., the Tenancy Agreements have been properly registered with relevant government authorities. While, for the remaining 3,649 properties with a total lettable area of approximately 1,490,862.68 sq.m., the Tenancy Agreements have not been properly registered with relevant government authorities. Non-compliance of such registration requirements will not affect the validity of the Tenancy Agreements.

VALUATION CERTIFICATE

GROUP IV — PROPERTY INTERESTS OWNED BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009 RMB
31.	6 properties located in Hong Kong	The properties comprise an office unit and 5 residential units, completed in 1983 and 1994 respectively. The properties have a total gross floor area of approximately 385.8 sq.m and the approximate floor areas of the properties for each use are shown as follows: **Usage** / **Gross Floor Area (sq.m.)** office 76.5 residential 309.3 Total: 385.8	The properties are currently occupied by the Group for office and residential uses, except for an office unit and a residential unit which are subject to two tenancy agreements as stated in note 2.	21,498,000 Interest attributable to the Group: RMB21,498,000

Notes:

1. The registered owner of the properties is China Pacific Insurance (H.K.) Co., Limited.
2. According to 2 Tenancy Agreements, two items of the properties with a total gross floor area of approximately 130.8 sq.m. are leased to two independent third parties for various terms at a total monthly rent of HK$21,000 with the respective expiry date on 14 May 2010 and 13 February 2011.

VALUATION CERTIFICATE

GROUP V — PROPERTY INTERESTS RENTED AND OCCUPIED BY THE GROUP IN HONG KONG

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2009
				RMB
32.	2 properties located in Hong Kong	The properties comprise 2 office units on the 2nd floor of a 24-storey commercial building completed in about 1976. The properties have a total lettable area of approximately 565 sq.m. The properties are rented by the Group from Bank of Communications Co., Ltd. for a term with the expiry date on 27 September 2010 at a total monthly rental of HK$78,500, exclusive of rates and management fee.	The properties are currently occupied by the Group for office use.	No commercial value

Notes:

1. The registered owner of the 2 properties is Bank of Communications Co., Ltd.
2. The tenancy agreement of the 2 properties has been duly stamped with the Stamp Duty Office.

The following is the text of a report prepared by Towers Perrin for the purpose of incorporation in this prospectus, in connection with the components of the group embedded value of CPIC Group as at 30 June 2009.

TOWERS PERRIN

10 December 2009

The Directors
China Pacific Insurance (Group) Co., Ltd.
190 Yin Cheng Zhong Road
Shanghai 200120

Dear Sirs

ACTUARIAL CONSULTANTS' REPORT

1. Introduction

Towers, Perrin, Forster & Crosby, Inc., trading as Towers Perrin ("Towers Perrin", "we", "us") has been engaged by China Pacific Insurance (Group) Co., Ltd. ("CPIC Group" or the "Company") to provide certain actuarial advice and opinions on matters relating to the life insurance business of CPIC Group. As part of this engagement, we have been asked to provide a report on the value of in force business and the value of one year's sales of China Pacific Life Insurance Company Limited ("CPIC Life") for inclusion in a prospectus in connection with the proposed offering of shares on the Hong Kong Stock Exchange ("H Share") by CPIC Group.

This report sets out the scope of work that we have undertaken and summarises the results of our review.

2. Scope of Work

The scope of our work was to review and report on the following aspects of the economic value of CPIC Group:

- Value of in force business of CPIC Life, being a component of the Group Embedded Value, as at 30 June 2009;
- Value of one year's sales of CPIC Life in respect of business issued during the 12 months to 30 June 2009; and
- The sensitivity results of the value of in force business and value of one year's sales of CPIC Life using a range of alternative assumptions.

In performing our review we have considered the reasonableness of the methodology and the assumptions used by the Company to determine the value of in force business and the value of one year's sales of CPIC Life, taking into account recent operating experience of life insurance business of the Company and our knowledge of the life insurance industry in China.

A review of the Group Adjusted Net Worth component of the Group Embedded Value, was outside the scope of our engagement.

The scope of our engagement did not include consideration of the financial implications for CPIC Life of any operational agreements between CPIC Life and CPIC Group, and between CPIC Life and Pacific Asset Management Company Limited ("CPIC Asset Management").

3. Group Embedded Value and Basis of Preparation

This section shows the Group Embedded Value as at 30 June 2009 and the value of one year's sales issued during the 12 months to 30 June 2009 which have been prepared by the Company and which are the subject of our review.

The basis for preparation of the values shown and a summary of the assumptions selected by the Company are also shown.

(i) Definition of Group Embedded Value

The "Group Embedded Value" is defined as the sum of the "Group Adjusted Net Worth" and the value of in force business attributable to the shareholders of CPIC Group, allowing for the cost of solvency margin held, of CPIC Life only.

Since the listing entity is CPIC Group, and CPIC Group does not hold 100% of all companies within the group (e.g. CPIC Group held 98.29% of CPIC Life as at 30 June 2009), the Group Adjusted Net Worth shown in Table 1 therefore excludes minority interests.

For consistency, the Group Embedded Value also excludes the value of in force business of CPIC Life attributable to minority interests of CPIC Group. Therefore, and because of the various entities included in the Group Adjusted Net Worth, the embedded value shown in this report is not that of CPIC Life.

Group Adjusted Net Worth at the valuation date is defined as the sum of:

- Audited net assets of CPIC Group on a consolidated basis, defined as assets less policy reserves and other liabilities, all measured on the PRC statutory basis. This incorporates the shareholders' net equity of CPIC Group, including that of CPIC Life, China Pacific Property Insurance Company Limited ("CPIC Property"), CPIC Asset Management and other businesses of CPIC Group; and
- Net of tax adjustments for relevant differences between the market value of assets and the value determined on the PRC statutory basis, together with relevant adjustment to liabilities. The adjustments to market value are for assets classified as held-to-maturity.

The value of in force business as well as the value of one year's sales are of CPIC Life only, and do not include the value of in force business and the value of one year's sales of any other businesses of CPIC Group.

(ii) Valuation Methodology

The value of in force business as at 30 June 2009 and the value of one year's sales in the 12 months to 30 June 2009 of CPIC Life shown in Table 1 have been calculated as the value of the projected stream of future after-tax distributable profits for existing business in force discounted to the valuation date and for one year's sales discounted to the start of the 12 month period, using a deterministic cash flow discount methodology.

Distributable profits are those profits arising after allowance for policy reserves on the required PRC statutory reserving basis and after allowance for solvency margins at the required regulatory minimum level. The basis of calculation of the minimum solvency margin is described in the "Regulations" section of the prospectus.

The value of in force business and the value of one year's sales in Table 1 are shown before and after the cost of maintaining a solvency margin at 100% of the required regulatory minimum level. This is to facilitate readers to assess the impact on value of holding alternative levels of solvency margin in excess of the required regulatory minimum capital.

In determining the value of in force business and the value of one year's sales of CPIC Life, the policy databases underlying the summary of long term business policies of CPIC Life at 30 June 2009 have been used.

New business premium volumes in respect of short term health and accident business of CPIC Life have been based on premiums received in the 12 months to 30 June 2009.

(iii) Summary of Valuation Results

Table 1 shows the Group Embedded Value of CPIC Group as at 30 June 2009, and the Value of One Year's Sales of CPIC Life in the 12 months to 30 June 2009 using the assumptions referred to in this section as Scenario 1.

In Table 1, the value of in force business is shown separately for business written prior to June 1999 and for business written since June 1999 as business written prior to June 1999 was priced at higher interest rates than business written since June 1999. The reader is referred to the "Risk Factors", "Business", and "Financial Information" sections of the prospectus for further details regarding these legacy high guaranteed return products.

TABLE 1

Group Embedded Value as at 30 June 2009 and Value of One Year's Sales in the 12 months to 30 June 2009 (RMB Million)

Risk Discount Rate	11.0%	11.5%	12.0%
Group Adjusted Net Worth	52,751	52,751	52,751
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(2,613)	(2,494)	(2,385)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	33,046	31,953	30,927
Cost of Solvency Margin Held for CPIC Life	(6,726)	(6,937)	(7,133)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	23,707	22,522	21,409
CPIC Group's Equity Interest in CPIC Life	98.29%	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	23,302	22,137	21,043
Group Embedded Value	76,053	74,889	73,794
Group Embedded Value Per Share (RMB)[2]	9.88	9.73	9.58
Value of One Year's Sales of CPIC Life Before Cost of Solvency Margin Held	6,018	5,768	5,535
Cost of Solvency Margin	(1,082)	(1,112)	(1,139)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	4,935	4,656	4,396

(1) Note that figures may not be additive due to rounding.

(2) Based on total number of outstanding shares of CPIC Group as at 30 June 2009 of 7,700,000,000.

In deriving the Group Adjusted Net Worth, the audited net assets of the CPIC Group as at 30 June 2009 are RMB51,756 million, based on the PRC statutory basis. The adjustment for market value of assets (net of tax) amounted to an increase of RMB996 million. The Group Adjusted Net Worth as at 30 June 2009 was RMB52,751 million.

Table 3 and Table 4 in the Appendix to this report show sensitivity results of CPIC Life's values of in force business and values of one year's sales as at 30 June 2009 to a range of alternative assumptions to assist readers in forming a view on the value of this business.

The values in Table 3 and Table 4 have been shown under alternative assumptions given the particular uncertainties associated with the future investment environment in China and other future operational matters in relation to CPIC Life's portfolio. These uncertainties are described more fully in the "Risk Factors" section of the prospectus. The reader should consider all of the risk factors set out in the prospectus in assessing and interpreting the results shown in these tables.

(iv) Summary of Valuation Assumptions

Discount Rates

Values are illustrated using risk discount rates of 11.0%, 11.5% and 12.0%.

The selection of a discount rate depends on myriad factors and the range illustrated is provided in order to assist readers assess the sensitivity of value to changes in the discount rate applied. The range given should not be interpreted to imply an upper or lower bound. In particular, the discount rate appropriate to an investor will depend on objective and subjective considerations including their own requirements, tax position and perception of risks associated with the realisation of future profits.

In calculating values at alternative discount rates, all other assumptions, including those relating to investment returns, have been left unchanged.

There are various approaches adopted by practitioners for discounting cash flows from "negative interest rate spread business" which, in the case of CPIC Life, is from legacy high guaranteed return products. One alternative discounting approach uses either the assumed investment return or the specified risk discount rate, applied annually across all the business. Which option is taken for any future year depends on which of these rates give the lower value of in force business as at the start of that year. The impact of using this alternative discounting approach has been tested and the results are not materially different from the traditional discounting approach described above.

Investment Returns

Under Scenario 1, future returns are based on estimates of long term forward rates derived from yields available on Chinese Government Bonds. The forward rates are such that investment returns used in the valuation are projected to increase. The investment return assumptions have been set to be consistent with the basis of valuation of the assets backing the policy liabilities. Projected returns have been set on a market yield basis. The returns have been derived by considering current and expected future asset mix and associated investment returns for a range of major investment asset classes.

The resulting investment returns assumed are shown in Table 2.

TABLE 2

Investment Return Assumption for Value of In Force Business and Value of One Year's Sales

Calendar Year	Investment Return Assumption p.a.
2009	4.65%
2010	4.75%
2011	4.85%
2012	4.97%
2013	5.10%
2014+	5.20%

Values using the following alternative investment scenarios are also shown:

- Investment returns 25 basis points higher than Scenario 1; and
- Investment returns 25 basis points lower than Scenario 1.

Mortality

Assumptions have been developed based on CPIC Life's past mortality experience and expectations of current and future experience, and overall knowledge of the Chinese insurance market. Mortality assumptions have been expressed as a percentage of the standard industry mortality tables: "China Life Tables (2000 to 2003)". Scenario 1 assumes ultimate mortality rates of:

- Life products: 80% of China Life Table (2000 to 2003) for non-annuitants.
- Deferred annuity products: 90% of China Life Table (2000 to 2003) for annuitants, together with an allowance for future mortality improvements.

For life products, selection factors were applied of 50% in policy year 1 and 25% in policy year 2, with ultimate rates applicable thereafter.

Values using the following alternative scenarios are also shown:

- Ultimate mortality rates 10% higher (i.e. 88% and 99% of the relevant mortality tables for life and deferred annuity products respectively); and
- Ultimate mortality rates 10% lower (i.e. 72% and 81% of the relevant mortality tables for life and deferred annuity products respectively).

Morbidity

Assumptions have been developed based on CPIC Life's past morbidity experience and expectations of current and future experience, overall knowledge of the Chinese insurance market and typical terms available from reinsurers for such risks. Scenario 1 assumes claims equal to, depending on product, 100% or 90% of the claims rates assumed in the product pricing basis.

Values using the following alternative scenarios are also shown:

- 10% higher (i.e. 110% or 99% of pricing basis); and
- 10% lower (i.e. 90% or 81% of pricing basis).

Lapse and Surrender Rates

Assumptions have been developed based on CPIC Life's past lapse and surrender experience, expectations of current and future experience, and overall knowledge of the Chinese insurance market, and assumptions vary by product type and policy duration.

The value of in force business and the value of one year's sales are highly sensitive to the assumed future lapse and surrender rates.

Values using the following alternative scenarios are also shown:

- Lapse and surrender rates 10% higher; (i.e. scenario 1 assumptions multiplied by 1.1) and
- Lapse and surrender rates 10% lower (i.e. scenario 1 assumptions multiplied by 0.9).

A change in lapse and surrender rate assumptions might have a different directional impact on the values of products priced at different interest rates. Consequently results for the alternative scenarios are shown separately for business written prior to June 1999 and for business written since June 1999 as business written prior to June 1999 was priced at higher interest rates than business written since June 1999.

Expenses

Unit cost assumptions have been developed based on CPIC Life's most recent experience. Scenario 1 also assumes future inflation of 2.5% pa in respect of per policy expenses.

Values using the following alternative scenarios are also shown:

- Expenses 10% higher (i.e. scenario 1 assumptions multiplied by 1.1); and
- Expenses 10% lower (i.e. scenario 1 assumptions multiplied by 0.9).

Commission and Handling Fees

The assumed level of commission has been based on the levels currently being paid for individual business. For group business and for products sold via banks, allowance has been made for handling fee, as a percentage of new premiums, based on CPIC Life's actual experience.

Policyholder Dividends

Policyholder dividends have been derived in accordance with CPIC Life's current product specific formulae:

- 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

Values assuming 5 percentage points higher (i.e. 75% for individual and bancassurance participating business and 85% for group participating business) are also shown as an alternative scenario.

Tax

Tax has been assumed to be payable at 25% of profits with exemption for certain investment income, including income from Chinese government bonds, and dividend income from equities and equity investment funds.

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

Short Term Business

Short term business covers accident business and health business. This business has a term of one year or less, and all renewals are incorporated as new business. As such, the value of in force business reflects the run off of business in force as at the valuation date, while the value of one year's sales represents the value of one year's after tax distributable profits from the business written or renewed in the 12 months to the valuation date.

Claim and expense ratio assumptions have been developed based on CPIC Life's historical and expected future experience. In Scenario 1, claim ratios as a percentage of premium income are assumed to be in the region of 20% to 75% for accident and health business.

Values using alternative scenarios based on claim ratios 10% higher (i.e. in the region of 22% to 82.5%) or 10% lower (i.e. in the region of 18% to 67.5%) are shown. Values using additional alternative scenarios can be determined by simple interpolation and extrapolation.

Other Assumptions

Allowance has been made for the cost of solvency margin as prescribed by the CIRC. The current basis for calculating the required statutory minimum solvency margin has been assumed to be unaltered. Values showing an alternative scenario of holding 150% of the statutory minimum solvency margin are also shown.

The current methods for calculating CPIC Life's policy reserves on the PRC statutory basis and surrender values have been assumed to be unaltered.

CPIC Life's current reinsurance arrangements have been assumed to continue unaltered.

4. Form of Review and Basis of Opinion

In the following section, we describe the basis and approach by which we have performed our review.

(i) Valuation Methodology

The value of in force business and value of one year's sales shown in Section 3 have been prepared by the Company using a deterministic discounted cash flow methodology. The methodology is consistent with the embedded value guidelines issued by the CIRC and is a common methodology used by life insurance companies in China at the current time. Allowance for risk has been made through the use of a risk-adjusted discount rate and an explicit assumption for the level and cost of holding solvency capital.

Alternative valuation methodologies to the valuation of life insurance business have emerged in recent years which utilise capital markets valuations of risks associated with the business (so called "market-consistent" methods). In preparing this report, no consideration has been made of the effect of using measures of value that may be obtained from applying such an alternative method.

It should be noted that, in assessing the total value of a life insurance company, the value attributable to future sales may be determined as the product of the value of sales issued in one year and a multiplier which reflects an allowance for future sales growth and the risks associated with achieving future sales at the assumed profit margin. Our scope did not include providing an opinion on those matters by which to assess the total value of CPIC Life.

(ii) Valuation Assumptions

The operating assumptions utilised to calculate the value of in force business and value of one year's sales shown in Section 3 have been selected by the Company having regard to past, current and expected operating experience of the Company. The economic assumptions utilised to calculate the value of in force business and value of one year's sales shown in Section 3 have been set by the Company with regard to economic conditions as at the valuation date.

In our assessment, the situation of CPIC Life is markedly different in nature from that of companies in mature markets and stable environments. The environment in which CPIC Life, and more generally Chinese life insurance companies, is operating is extremely dynamic: CPIC Life is a rapidly growing company, facing a range of challenges and competition from more established as well as greenfield competitors in a rapidly evolving market undergoing regulatory reform. In these circumstances, past operational experience is less reliable as an indicator of likely future experience than the past experience of a mature company operating in a mature market.

Consequently, the assumptions adopted by the Company in developing the value of in force business and value of one year's sales should be regarded only as being illustrative of possible future experience, and actual future experience could therefore be materially different to that assumed in this report. Furthermore, it must be emphasised that assumptions are forward looking and should not be mechanically aligned to past experience. We strongly recommend that the readers of this report consider the significance of each assumption by referring to the various values given in order to gain an understanding of the impact on value that result from the use of alternative assumptions.

(iii) Review of Results

We have performed checks on the projection models and on the results of the Company's calculations covering the 30 June 2009 value of in force business and value of one year's sales in Table 1, and the sensitivities shown in Table 3 and Table 4 of the Appendix sufficient to support our opinion.

5. Opinion

Based on our scope of work and the basis for review set out above, and subject to the reliances and limitations set out in Section 6, in our opinion:

- the methodology adopted by the Company to determine the Group Embedded Value and the value of one year's sales of CPIC Life is reasonable, consistent with the embedded value guidelines issued by the CIRC and is a common methodology used to determine embedded values of life insurance companies in China at the current time;
- the assumptions adopted by the Company to determine the value of in force business and the value of one year's sales of CPIC Life are reasonable and consistent with the embedded value guidelines issued by the CIRC; and
- the Group Embedded Value , the value of one year's sales of CPIC Life and the sensitivities shown have been determined by the Company in a manner consistent with the methodology and assumptions described in this report and the aggregate results are reasonable in that context.

6. Reliances and Limitations

In performing our work, we have relied on audited and unaudited information supplied to us by, or on behalf of, the Company for periods up to 30 June 2009 and on information from a range of other sources.

In particular, we have relied on:

- The policy databases of CPIC Life's long term insurance policies, including the numbers of and types of policies issued and in force (including policy details), levels of in force premiums and volumes of new business written;
- Data regarding CPIC Life's short term insurance business;
- Historical financial information in relation to CPIC Group and CPIC Life as at 30 June 2009 and prior dates;
- Information regarding the audited net assets of CPIC Group, including the Group Adjusted Net Worth, all determined on the PRC statutory basis;

- Information regarding the net of tax difference between the market value of assets and the value as determined on the PRC statutory basis;
- Information regarding the exemption of certain investment income for the purpose of determining taxable profits; and
- Information regarding the total number of shares of CPIC Group outstanding as at the valuation date.

Reliance was also placed on, but not limited to, the accuracy and completeness of information regarding historical operating experience, commission and override payments to agents and distributors, regulatory returns, details of policy terms and conditions and the terms of reinsurance arrangements.

In determining the results shown in this report, it is noted that the Company has considered only those claims made by life insurance policyholders in the normal course of business under the terms of the policies.

It should be noted that the scope of our work did not include an independent verification, or audit, of the accuracy or completeness of the policy data and other information supplied to us. Similarly, the scope of our work did not include a review of the value or quality of the asset portfolio of CPIC Group or CPIC Life, nor have we reviewed the adequacy of balance sheet provisions.

The values attributed to the components of life insurance business are highly dependent on the results of financial projections. In developing the projections, numerous assumptions have been made with respect to economic conditions and other factors, many of which are beyond CPIC Life's control. Changes in the internal or external environment will affect the suitability of the parameters used in the projections and could alter the projected results substantially. In addition, deviations from most probable experience are normal and are to be expected. Even without changes in the perceived environments, and in parameters used to reflect them, actual results will vary from those projected due to normal random fluctuations.

7. Disclosures and Consents

Towers Perrin has previously been engaged by CPIC Group and CPIC Life to provide advice and assistance on various actuarial matters in connection with the business of CPIC Group and CPIC Life, and the offer of shares in CPIC Group. Towers Perrin has given, and not withdrawn, its written consent to the inclusion of this report and its name within the prospectus in the form and context in which they are included. Towers Perrin does not authorise or cause the issue of this prospectus and takes no responsibility for its contents other than this report.

For and on behalf of Towers, Perrin, Forster & Crosby, Inc.

Mark Saunders	Adrian Liu
Managing Principal, Asia	General Manager, China

Appendix

Sensitivity Results

Table 3 and Table 4 in this Appendix show the sensitivity results of the value of in force business and value of one year's sales.

TABLE 3

Value of In Force Business of CPIC Life as at 30 June 2009, with variation in assumptions under alternative scenarios (RMB Million)

	11.0%			11.5%			12.0%		
Risk Discount Rate	Value of In Force Business Before Cost of Solvency Margin Held	Cost of Solvency Margin Held	Value of In Force Business After Cost of Solvency Margin Held	Value of In Force Business Before Cost of Solvency Margin Held	Cost of Solvency Margin Held	Value of In Force Business After Cost of Solvency Margin Held	Value of In Force Business Before Cost of Solvency Margin Held	Cost of Solvency Margin Held	Value of In Force Business After Cost of Solvency Margin Held
Scenario 1	30,433	(6,726)	23,707	29,459	(6,937)	22,522	28,542	(7,133)	21,409
Investment Return Scenario 2 "+25 basis points"	33,217	(6,562)	26,655	32,132	(6,780)	25,352	31,111	(6,982)	24,129
Investment Return Scenario 3 "-25 basis points"	27,649	(6,890)	20,759	26,787	(7,096)	19,692	25,973	(7,286)	18,688
Mortality Scenario 2 "+10%"	30,300	(6,714)	23,586	29,331	(6,926)	22,405	28,417	(7,122)	21,295
Mortality Scenario 3 "-10%"	30,561	(6,738)	23,823	29,584	(6,949)	22,635	28,663	(7,145)	21,518
Morbidity Scenario 2 "+10%"	30,278	(6,725)	23,553	29,310	(6,936)	22,374	28,398	(7,132)	21,266
Morbidity Scenario 3 "-10%"	30,588	(6,727)	23,862	29,609	(6,938)	22,671	28,687	(7,134)	21,552
Lapse and Surrender Scenario 2 "+10%"									
Business sold prior to June 1999	(2,459)	(1,425)	(3,883)	(2,346)	(1,459)	(3,805)	(2,243)	(1,490)	(3,733)
Business sold since June 1999	32,558	(5,110)	27,447	31,507	(5,286)	26,221	30,520	(5,450)	25,070
Total	30,099	(6,535)	23,564	29,162	(6,745)	22,417	28,277	(6,940)	21,337
Lapse and Surrender Scenario 3 "-10%"									
Business sold prior to June 1999	(2,776)	(1,463)	(4,239)	(2,649)	(1,497)	(4,146)	(2,534)	(1,527)	(4,062)
Business sold since June 1999	33,569	(5,467)	28,103	32,430	(5,645)	26,785	31,362	(5,811)	25,551
Total	30,793	(6,929)	23,864	29,780	(7,142)	22,638	28,828	(7,339)	21,489
Expense Scenario 2 "+10%"	29,845	(6,726)	23,119	28,890	(6,937)	21,952	27,990	(7,133)	20,856
Expense Scenario 3 "-10%"	31,021	(6,726)	24,295	30,029	(6,937)	23,091	29,094	(7,133)	21,961
Participating Scenario 2 "+5% Distribution"	29,782	(6,731)	23,051	28,828	(6,942)	21,885	27,928	(7,138)	20,790
Short Term Loss Ratio Scenario 2 "+10%"	30,386	(6,726)	23,660	29,413	(6,937)	22,475	28,496	(7,133)	21,362
Short Term Loss Ratio Scenario 3 "-10%"	30,479	(6,726)	23,754	29,506	(6,937)	22,568	28,589	(7,133)	21,455
150% Solvency Margin	30,433	(10,089)	20,344	29,459	(10,406)	19,053	28,542	(10,700)	17,842

(1) Note that figures may not be additive due to rounding.

(2) Values of in force business shown above are at the 100% CPIC Life entity level.

TABLE 4

Value of One Year's Sales in the 12 months to 30 June 2009 of CPIC Life, with variation in assumptions under alternative scenarios (RMB Million)

	11.0%		11.5%		12.0%	
Risk Discount Rate	Value of One Year's Sales Before Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held	Value of One Year's Sales Before Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held	Value of One Year's Sales Before Cost of Solvency Margin Held	Value of One Year's Sales After Cost of Solvency Margin Held
Scenario 1	6,018	4,935	5,768	4,656	5,535	4,396
Investment Return Scenario 2 "+25 basis points"	6,280	5,227	6,021	4,936	5,779	4,666
Investment Return Scenario 3 "-25 basis points"	5,750	4,639	5,510	4,371	5,287	4,121
Mortality Scenario 2 "+10%"	6,004	4,924	5,755	4,646	5,523	4,387
Mortality Scenario 3 "-10%"	6,030	4,945	5,779	4,664	5,544	4,403
Morbidity Scenario 2 "+10%"	5,979	4,896	5,730	4,619	5,499	4,360
Morbidity Scenario 3 "-10%"	6,057	4,975	5,806	4,694	5,571	4,432
Lapse and Surrender Scenario 2 "+10%"	5,921	4,881	5,679	4,610	5,454	4,357
Lapse and Surrender Scenario 3 "-10%"	6,112	4,985	5,854	4,697	5,613	4,429
Expense Scenario 2 "+10%"	5,652	4,570	5,406	4,294	5,176	4,037
Expense Scenario 3 "-10%"	6,383	5,301	6,130	5,018	5,894	4,755
Participating Scenario 2 "+5% Distribution"	5,729	4,643	5,489	4,374	5,265	4,123
Short Term Loss Ratio Scenario 2 "+10%"	5,939	4,857	5,689	4,577	5,456	4,317
Short Term Loss Ratio Scenario 3 "-10%"	6,097	5,014	5,847	4,735	5,614	4,475
150% Solvency Margin	6,018	4,394	5,768	4,100	5,535	3,827

(1) Values of one year's sales shown above are at the 100% CPIC Life entity level.

Taxation

The taxation of income and capital gains of holders of H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

The PRC

The following is a summary of certain PRC tax provisions relating to the ownership and disposition of H shares purchased in connection with the Global Offering. This summary does not purport to address all material tax consequences of the ownership and disposition of H shares, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws of the PRC as in effect on the date of this prospectus, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspect of PRC taxation other than income taxation, capital gains taxation, stamp taxation and estate taxation. Prospective investors are urged to consult their tax advisors regarding the PRC tax consequences of owning and disposing of H shares.

Taxation of dividends

Individual investors. According to the Individual Income Tax Law of the PRC, as amended, and its implementing rules, an individual is generally subject to a 20% individual income tax on PRC-sourced income, such as dividends received from a PRC-resident enterprise.

However, the PRC State Administration of Taxation, or the SAT, issued, on 21 July 1993, the Notice Concerning the Taxation of Gains on Transfer of Shares (Equities) and Dividends Received by Foreign Investment Enterprises, Foreign Enterprises and Foreign Nationals, or the Tax Notice, which states that dividends received by foreign Nationals from a PRC company with respect to shares offered and listed overseas, or overseas shares, such as H shares, are temporarily exempt from individual income tax. In the event that this temporary exemption is withdrawn or ceases to be effective, a 20% tax may be payable on dividends received by individual holders of our H shares who are foreign nationals in accordance with the Individual Income Tax Law. The tax may be reduced or exempted under an applicable treaty for the avoidance of double taxation. To date, the relevant tax authorities have not collected withholding tax on dividend payments to foreign nationals with respect to overseas shares.

Enterprises. According to the Enterprise Income Tax Law of the PRC, or the Enterprise Income Tax Law, and its implementing rules, both effective on 1 January 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC. The Notice on Several Issues Relating to the Withholding of Enterprise Income Tax by PRC-Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise H Share Shareholders (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知), issued by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise shall withhold enterprise income tax at the rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the year 2008 and subsequent years. Such withholding tax may be reduced pursuant to an applicable tax treaty.

Tax treaties. Investors who do not reside in the PRC but reside in countries that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of other countries, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Mainland China also has an arrangement for the avoidance of double taxation with Hong Kong.

Taxation of capital gains

Individual investors. According to the PRC Individual Income Tax Law, as amended, and its implementing rules, an individual is generally subject to a 20% PRC individual income tax on PRC-sourced income, including gains derived from dispositions of securities and equity interests in PRC companies. The procedures for the collection of individual income tax on gains from transfer of shares shall be formulated by the Ministry of Finance and implemented after approval by the State Council. However, the Tax Notice provides that gains realized from transfer of overseas shares issued by companies within the territory of the PRC held by foreign nationals would temporarily be exempt from income taxes. In the event this temporary exemption is withdrawn or ceases to be effective, individual holders of our H shares who are foreign nationals may be subject to individual income tax on gains from transfer of our H shares at the rate of 20% unless such tax is reduced or exempted by an applicable tax treaty.

Enterprises. Under the Enterprise Income Tax Law and its implementing rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposition of equity interests in a PRC company, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC.

Additional PRC tax considerations

PRC stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty and its implementing rules, both effective on 1 October 1988, PRC stamp duty should not apply to acquisitions or dispositions of our H shares outside of the PRC, as PRC stamp duty is imposed on documents executed or received within the PRC that are legally binding in the PRC and protected under PRC law.

Estate tax. No liability for estate tax under PRC law will arise from non-PRC nationals holding H shares.

Hong Kong

Tax on dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from the trade, profession or business, will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses.

Trading gains from sales of the H shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the H shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H shares, will be payable by the purchaser on every purchase and by the seller on every sale of H shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H shares. Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and payable by the transferee.

Estate duty

There is no longer taxation in the nature of estate duty in Hong Kong.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of Renminbi in current account items was implemented and the official Renminbi exchange rate and the market rate for Renminbi was unified. On 29 January 1996, the State Council promulgated new Regulations of the People's Republic of China for the Control of Foreign Exchange (**"Control of Foreign Exchange Regulations"**) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Control of Foreign Exchange Regulations were subsequently amended on 14 January 1997, to affirmatively state that the State shall not restrict international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the **"Settlement Regulations"**') which became effective on 1 July 1996. The Settlement Regulations abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Since 1 January 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC set and published daily the Renminbi-US dollar base exchange rate. This exchange rate was determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. The PBOC also, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major currencies. In foreign exchange transactions, designated foreign exchange banks could, within a specified range, freely determine the applicable exchange rate in accordance with the exchange rate announced by the PBOC.

On 21 July 2005, the PBOC announced that effective on the same date, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, setting the central parity for trading of the Renminbi on the following working day.

On 5 August 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange, or the Revised Foreign Exchange Control

Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like us), may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, such as direct investments and capital contributions, is still subject to restriction.

Dividends to holders of H shares are declared in Renminbi but must be paid in Hong Kong dollars.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and Hong Kong Companies Ordinance and additional regulatory provisions introduced by the Hong Kong Stock Exchange in relation to PRC joint stock limited companies. The principal objective is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing insurance-related activities, see the section headed "Supervision and Regulation".

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend all laws except for the laws that are required to be interpreted, enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, economic and administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted in 1991 and amended in 2007, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the people's court to request enforcement of the judgment, order or award. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

As a joint stock limited liability company incorporated in the PRC, and seeking a listing on the Hong Kong Stock Exchange, we are subject to the following three laws and regulations in China:

- The PRC Company Law, which was promulgated by the Standing Committee of the NPC on 29 December 1993, took effect on 1 July 1994 and was revised as of 25 December 1999, 28 August 2004 and 27 December 2005 respectively;
- The Special Regulations, which were passed by the State Council on 4 August 1994 pursuant to Articles 85 and 155 of the PRC Company Law; and
- The Mandatory Provisions, which were jointly promulgated by the Securities Committee and the State Restructuring Commission on 27 August 1994, and which we, as a joint stock limited liability company seeking an overseas listing, must incorporate into our Articles of Association.

Set out below is a summary of the provisions of the PRC Company Law, the Overseas Listing Special Regulations and the Mandatory Provisions applicable to us.

Incorporation

A company limited by shares may be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half of the promoters must have residences within the PRC. We are incorporated under the PRC Company Law as a joint stock limited liability company. This means that we are a legal entity and that our registered capital is divided into Shares of equal par value. The liability of our shareholders is limited to the amount of Shares held by them and we are liable to our creditors for an amount equal to the total value of our assets.

Under the PRC Company Law, we may invest in other enterprises, provided that we may not be a contributor that undertakes joint and several liabilities for the debts of the enterprises we invest in, unless otherwise provided for by law.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the voting rights in the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant administration for industry and commerce. Companies established by the public subscription method shall file an approval on the offer of shares issued by the securities administration department of the State Council with the company registration authority for record.

A company's promoters shall be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issuance and Trading of Shares promulgated by the State Council on 22 April 1993 (which is only applicable to issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to assume joint and several responsibility for the accuracy of the contents of the company's prospectus and to ensure that the prospectus does not contain any misleading statement or omit any material information.

Establishment Procedures

After receiving approval from the PBOC, our Board submitted an application, which included the approval certificate, our Articles of Association and a capital verification report, to the State Administration of Industry and Commerce. The State Administration of Industry and Commerce issued our business license on 13 May 1991.

Registered Capital

Our registered capital is equal to the amount of our paid-in capital as recorded at the State Administration of Industry and Commerce. The minimum registered capital of a joint stock limited liability company is RMB5,000,000.

Allotment and Issue of Shares

All of our Share issues are based on the principles of transparency, equality and fairness. The same class of shares must carry equal rights. For each Share issue, the terms of allotment for individual shares, including the subscription price, must be identical to other Shares of the same class. We may issue Shares at par value or at a premium, but we may not issue Shares below the par value.

We must obtain the approval of the CSRC to offer our Shares to the overseas public. Under the Special Regulations, upon approval of the Securities Commission, a company may agree, in the underwriting agreement with respect to an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

Registered or Bearer Shares

The promoters may make capital contributions in cash, in kind or by way of injection of assets, industrial property rights, or other transferable non-cash property, land use rights based on their appraised value. The amount of investment made in cash may not less 30% of the registered capital of the company. Shares that we issue to foreign investors and Shares that are listed overseas must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Shares that are purchased by investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are known as "overseas listed foreign shares". Within the PRC, all Shares that we issue to a promoter, State-designated investment institution or legal person must be in registered form. Shares that we issue to the public in China, however, may be in either registered or bearer form.

We are required to maintain a register of shareholders for all Shares issued in registered form. Information such as our shareholders' particulars, number of Shares held by each shareholder and the dates on which the shareholders became holders of the relevant Shares are required to be entered into the register.

We are also required to record the amount of bearer shares issued, the number designated to each bearer share and the date of issue of each bearer share.

Increase of Share Capital

We may increase our Share capital by issuing new Shares according to our general shareholders meeting's approval in terms of the following items:

- the entire amount of and classes of new shares to be issued;
- the offering price;
- the date of commencement and close of the issuance of new shares, and
- the amount of and class of new shares to be issued to existing shareholders.

If we issue Shares by way of a public offering, we must also obtain the approval of the relevant securities administration authority, and must print the prospectus and financial statement, and must make subscription books. After we complete a subscription of new Shares, we must register the increase in registered capital with the State Administration of Industry and Commerce and issue a public notice.

Reduction of Share Capital

Subject to minimum registered capital requirements, we may reduce our registered capital in accordance with the following procedures:

- we must prepare a current balance sheet and inventory of assets;
- our shareholders must approve the reduction of registered capital in a general meeting;
- once the resolution approving the reduction has been passed, we must inform our creditors of the reduction in capital within 10 days and publish the announcements of the reduction in a newspaper within 30 days;
- our creditors may, within the statutory prescribed time limit, require us to pay our debts or provide guarantees covering such debts;
- we must register the reduction in registered capital with the State Administration of Industry and Commerce; and
- we must obtain necessary approvals from all relevant supervisory authorities.

Repurchase of Shares

We may only repurchase our Shares to (i) reduce our registered share capital, (ii) to merge with another company that holds our Shares, (iii) to grant our shares to employees as an encouragement or (iv) shareholders require us to do so, if vote against a resolution approving our merger or division. The Mandatory Provisions stipulate that we must act in accordance with our Articles of Association and that we must obtain necessary approvals from any relevant supervisory authorities. We may repurchase our Shares by making a general offer to our shareholders, by purchasing our Shares on a stock exchange or by purchasing our Shares through an off-market contract.

If the repurchase of our Shares is carried out as a result of (i) above, we are required to cancel the portion of our Shares that have been repurchased within ten days; if the repurchase is caused by reason of (ii) or (iv) above, we are required to transfer or cancel the portion of our Shares within six months. When we repurchase our shares for the reason of (iii) above, the Shares bought back by us shall not exceed 5% of our total issued Shares and shall be transferred to employees within one year.

Transfer of Shares

Our Shares may be transferred in accordance with any applicable laws and regulations, such as the PRC Company Law, the PRC Securities Laws and the Special Regulations.

Our Directors, Supervisors and senior officers must declare to us the Shares held by them and the changes thereof. During the term office, the shares transferred by any of them each year shall not exceed 25% of total shares they hold. Any Shares that are held by the aforesaid persons shall not be transferred within one year from the day when the Shares are listed and traded on a stock exchange. Within half year after any of the aforesaid persons is removed from his or her post, he or she shall not transfer the Shares.

The PRC Company Law does not limit the shareholding percentage of an individual shareholder.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, our shareholders are entitled to the following rights:

- to attend and vote in person or to appoint a proxy to attend and vote on his or her behalf at a general meeting;
- to receive dividends and distributable benefits in other forms in proportion to his or her shareholding;
- to inspect our Articles of Association, minutes of shareholders' meetings and financial reports and to put forward proposals and to ask questions relating to our operations;
- to receive surplus assets of the company upon its termination in proportion to his or her shareholding; and
- any other shareholders' rights specified in the company's articles of association.

The obligations of a general shareholder include (i) the obligation to abide by the company's articles of association, (ii) to pay the subscription monies in respect of the shares subscribed for, (iii) to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by such shareholder and (iv) any of the shareholders' obligations specified in the company's articles of association.

Our shareholder's liability is limited to the amount of Shares each shareholder holds.

Shareholders' General Meetings

Our shareholders may exercise the following powers in a general meeting:

- determine our business policies and investment plans;
- elect or remove our Directors (other than Directors who are employee representatives) and fix the remuneration of our Directors;
- elect or remove our Supervisors who are representatives of the shareholders and fix the remuneration of our Supervisors;
- consider and approve the reports of our Board and our Board of Supervisors;
- consider and approve our annual financial budget and accounting plans;

- consider and approve our profit distribution plan and plans for recovery of losses;
- approve an increase or reduction in our registered capital;
- approve an issue of bonds;
- approve a merger, division, dissolution, liquidation or change of our corporate form in accordance with the provisions of our Articles of Association;
- approve the appointment and removal of our auditors;
- consider and approve proposals submitted by shareholders holding 3% or more of our voting rights;
- approve amendments to our Articles of Association; and
- any other rights specified in our Articles of Association.

Shareholders' general meetings are divided into annual general meetings and extraordinary shareholders' general meetings. An annual general meeting must be held once every year. Our Board is required to convene an extraordinary shareholders' general meeting within two months after the occurrence of any of the following circumstances:

- the number of Directors on our Board is less than two-thirds of the number required under the PRC Company Law or our Articles of Association;
- our accumulated losses amount to one-third of our total paid-in share capital;
- upon a request by holders of not less than 10% of our Shares individually or in the aggregate;
- the Board or the Board of Supervisors considers such a meeting necessary; or
- any other circumstance prescribed by our Articles of Association.

A shareholders' general meeting is convened by the Board and presided over by the chairman of the Board. Under the Special Regulations and the Mandatory Provisions, we are required to give 45 days' notice of a shareholders' general meeting and this notice must specify the matters to be considered and the date and place of the meeting. If we have bearer Shares in issue, we must make a public announcement of the shareholders' general meeting at least 45 days prior to the meeting being held. Under the Special Regulations and the Mandatory Provisions, shareholders who plan to attend a shareholders' general meeting are required to provide us with a written confirmation of their intentions 20 days prior to the meeting. Shareholders holding 3% or more of our voting rights are entitled to submit written resolutions to be considered at an annual general meeting. Any proposed resolutions that can be decided at a shareholders' general meeting must be included in the agenda of that meeting.

The Special Regulations and the Mandatory Provisions provide that a general meeting of our shareholders may be held if shareholders holding 50% or more of our voting rights have confirmed in writing 20 days prior to the proposed date of the meeting that they intend to attend the meeting. If this 50% minimum is not attained, a shareholders' general meeting may only be held if, within five days after the deadline for confirming attendance, we notify the shareholders by public announcement of the matters to be considered and the date and place of the meeting.

Each shareholder present at a shareholders' general meeting is entitled to one vote for each Share held. A shareholder may appoint a proxy to attend and vote on his behalf at a shareholders' general meeting. Ordinary resolutions proposed at a shareholders' general meeting generally must be passed by no less than half of the votes cast by shareholders present in person or by proxy. However, special resolutions and the following actions must be approved by no less than two-thirds of the votes cast by shareholders present in person or by proxy: (i) amendments to our Articles of

Association; (ii) a merger, division, dissolution, liquidation or change of corporate form; (iii) an increase or reduction of capital or the issue of any class of Shares, bonds and securities; and (iv) other matters which the shareholders' general meeting has resolved by way of ordinary resolution as having a potential material effect on us as a company and should be approved by special resolution.

In the event of a variation or abrogation of the rights of a particular class of shareholders, the Mandatory Provisions require us to hold a special class meeting. Holders of our A Shares and holders of our H Shares are deemed to be different classes of shareholders.

Board

A company shall have a board of directors, which shall consist of five to 19 members. Under the PRC Company Law, the term of office of a director shall not exceed three years. Our Directors are allowed to serve consecutive terms if re-elected. Our Board of Directors may exercise the following powers:

- convene shareholders' meetings and report to the shareholders;
- implement resolutions passed by shareholders in general meetings;
- decide on our business plans and investment plans;
- formulate annual budgets and final accounts;
- formulate profit distribution plans and plans for recovery of losses;
- formulate plans for a merger, division or dissolution;
- formulate plans for the increase or decrease in our registered capital or plans for the issue of bonds;
- decide on our internal management structure;
- appoint or dismiss our managers, and at the recommendation of a manager, employ or dismiss deputy managers and financial controllers and to fix their remuneration; and
- decide on a management control system.

In addition, the Mandatory Provisions provide that our Board is also responsible for formulating proposals for amending our Articles of Association.

Board Meetings

Our Board holds regular meetings at least twice every year. Notice of the regular board meetings is given at least 10 days before the date of the meeting. Our Board may determine the notice period and manner for extraordinary Board meetings.

The Mandatory Provisions require that more than half of our Directors must be present to convene a meeting. A Director may attend a Board meeting personally or may appoint another Director to attend on his behalf. All Board resolutions must be passed by the affirmative votes of no less than half of the Directors. All resolutions passed at a board meeting must be recorded in the minutes of the relevant meeting and the minutes must be signed by the Directors in attendance at the meeting and the person who recorded the minutes. If a Board resolution contravenes any applicable laws or regulations, our Articles of Association or the resolution of shareholders' general meeting and results in substantial damages to us as a company, the Directors who participated in passing the resolution (except those who voted against the resolution and whose dissenting vote was recorded in the relevant minutes) are personally liable to us.

Chairman of our Board

Our chairman is elected by a vote of our Board and must be approved by more than half of the Directors. The chairman is our legal representative and may exercise the following powers:

- presides over shareholders' general meetings and convenes and presides over meetings of the Board;
- examines the implementation of resolutions of the Board; and
- signs Share certificates and bonds issued by us.

Non-Executive Directors and Independent Directors

No less than half of our Directors must be non-executive Directors and the independent Directors shall constitute no less than one third of our Board.

- We are required to provide non-executive Directors with the necessary information and documentation for them to fulfill their responsibilities. The opinions expressed by any independent Director will be recorded in the Board minutes.
- Connected transactions will be endorsed by an independent director before they can become effective. Two or more independent directors may propose the convening of an interim general shareholders' meeting.
- Independent Directors may directly report unusual circumstances to the general shareholders' meeting, the CSRC and other relevant regulatory authorities.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as one of our Directors:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence relating to bribery, corruption, appropriation of property, or the destruction of social economic order, where less than five years have elapsed since the date of completion of the sentence;
- a person who has been deprived of his political rights, where less than five years have elapsed since the completion of such deprivation;
- a person who is a Director, factory manager or manager of a company or enterprise that has become bankrupt and has been liquidated due to mismanagement, and who is personally liable for the bankruptcy or liquidation of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of the company or enterprise;
- a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and the person is personally responsible for such revocation, where less than three years has elapsed since the date of such revocation;
- a person who is liable for a relatively large amount of debt which has not been repaid when due; or

Other circumstances under which a person is disqualified from acting as a Director are set out in our Articles of Association and the Mandatory Provisions.

Board of Supervisors

We are required to establish a Board of Supervisors comprised of at least three members. The Board of Supervisors is responsible for the following matters:

- examining our financial affairs;
- supervising our Directors and managers and other senior officers to ensure that they carry out their duties in compliance with the relevant laws and regulations and our Articles of Association;
- requiring our Directors and managers and other senior officers to rectify any action which adversely affects our interests;
- proposing the convening of extraordinary shareholders' general meetings;
- verify financial materials such as financial report, operation report and profit appropriation plan, which our Board plans to submit to the Shareholders' General Meetings, and may in our name engage certified accountants or auditors to verify when in doubt;
- represent us in dealing with our Directors or initiating legal proceedings against our Directors; and
- carrying out other duties as specified in our Articles of Association.

Our Supervisors are required to attend our board meetings. Members of the Board of Supervisors include representatives elected by our employees and representatives elected by our shareholders in a general meeting. Our Directors and management personnel may not serve as a Supervisor. The term of office for our Supervisors is three years and a Supervisor may serve consecutive terms if re-elected. The circumstances under which a person is disqualified from acting as a Director under the PRC Company Law and the Mandatory Provisions also apply to a Supervisor.

Manager and Officers

We are required to have a manager who is appointed, and may be removed, by the Board. Our manager is accountable to the Board and may exercise the following powers:

- organize the implementation of resolutions of our Board;
- take charge of our operation and management and organize the implementation of our annual business and investment plans;
- formulate plans for the establishment of our internal management structure;
- formulate our basic administration system;
- formulate our internal rules;
- recommend the appointment and dismissal of deputy managers and the financial controller and appoint or dismiss other administrative officers (other than those required to be appointed or dismissed by our Board);
- attend board meetings (non-director manager not entitled to vote in board meetings); and
- other powers conferred by our Board or our Articles of Association.

The Special Regulations require us to employ other corporate officers, including a financial controller and secretary of the Board of Directors.

The circumstances under which a person is disqualified from acting as a Director under the PRC Company Law and the Mandatory Provisions also apply to our manager and other senior officers.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other executives of the company. Such persons shall be entitled to claim their rights regarding a company according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix IX).

Duties of Directors, Supervisors, Managers and Officers

Our Directors, Supervisors, manager and officers are required under the PRC Company Law to comply with the relevant laws and regulations, to comply with our Articles of Association, to carry out their duties honestly and to protect our interests. The Special Regulations and the Mandatory Provisions provide that our Directors, Supervisors, manager and officers owe a fiduciary duty to us, and require them to perform their duties faithfully, protect our corporate interests and not abuse their positions for personal gain. Our Directors, Supervisors, manager and officers are also under a duty of confidentiality and are prohibited from divulging certain information unless required by applicable laws or regulations or by our shareholders.

If a Director, Supervisor, manager or officer contravenes any law, regulation or our Articles of Association in the performance of his duties and such contravention results in a loss to us, the respective individual will be held personally liable to us for such loss.

Finance and Accounting

We are required to establish a financial and accounting system which must comply with relevant laws and regulations as well as rules stipulated by the Ministry of Finance and the State Council.

We are also required to prepare financial statements at the end of each financial year. These financial statements include our balance sheet, profit and loss account, a cash flow statement and statement of changes in shareholders' equity. We are required to make our financial statements available for inspection by our shareholders at least 20 days prior to our annual general meeting. We must also publish our financial statements by way of public announcement.

We are required by PRC law to make the following transfers from our after-tax profit before we distribute any profits to our shareholders:

- 10% of our after-tax profit must be transferred to our statutory common reserve fund, provided that no transfer is required if our accumulated statutory common reserve fund exceeds 50% of our registered capital;
- subject to our shareholders' approval in a general meeting and after transfer of the requisite amount to the statutory common reserve fund, a discretionary amount from our after-tax profit may be transferred to the discretionary common reserve.

Any balance of the after-tax profit after making-up losses and transfers to the common reserve may be distributed to our shareholders in proportion to their respective shareholdings.

If the amount in our statutory common reserve fund is insufficient to make up for losses from the previous year, our profits in the current year must be applied to make up for such losses before we make allocations to the statutory common reserve fund.

Our common reserve consists of the statutory common reserve fund, discretionary common reserve fund and the capital common reserve fund. Our capital common reserve fund is made up of the premium over the nominal value of our Shares. Other amounts required by the relevant governmental financial authority are to be treated as the capital common reserve fund.

Our common reserve must be applied for the following purposes:

- to make up for any losses;
- to expand our business operations; and

- to pay up our registered share capital by new Share issues to shareholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by the shareholders, provided that if the statutory common reserve is converted into registered capital, the balance of the statutory common reserve after such conversion may not be less than 25% of our registered capital immediately preceding such conversion. Our capital common reserve may not be used to make up for any losses.

Appointment and Retirement of Auditors

The Special Regulations require us to employ an independent PRC qualified firm of accountants to audit our annual financial statements and verify certain other financial reports.

The auditors are to be appointed for a term commencing from their appointment at an annual general meeting to the close of the next annual general meeting.

If we remove or fail to renew the appointment of our existing auditors, we are required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before our shareholders in a general meeting. If our auditors resign, they are obligated to make a statement to the shareholders stating whether or not we have undertaken any inappropriate transactions. The appointment, removal or nonrenewal of appointment of auditors is decided by our shareholders' meeting and must be recorded with the CSRC.

Distribution of Profits

The Special Regulations provide that dividends and other distributions payable to holders of our H Shares must be declared and calculated in Renminbi and paid in a foreign currency. Under the Mandatory Provisions, the payment of dividends and other distributions in foreign currency to these shareholders must be made through a receiving agent appointed by us for holders of H shares.

Amendments to Articles of Association

Our Articles of Association may only be amended by an affirmative vote of more than two-thirds of the voting right represented by the shareholders presented at a general meeting. An amendment to our Articles of Association will only take effect after we have obtained any necessary approvals from relevant regulatory and administrative agencies. If an amendment to our Articles of Association affects the information in our business registration, we must apply to the related government department to change the relevant details in the license.

Merger and Division

Our shareholders must approve all mergers and divisions. We may also need to seek government approval for a merger or division. In the PRC, a merger may be effected either by way of absorption followed by the dissolution of the company being absorbed or by the establishment of a new entity followed by the dissolution of the original entities.

If our shareholders approve a proposed merger, we are required to sign a merger agreement and to prepare our balance sheet and an inventory of assets. We must notify our creditors of the merger within 10 days and publicly announce the merger in the newspapers within 30 days after the resolution approving the merger has been passed. Our creditors are allowed, within a certain time period, to request us to repay any outstanding indebtedness or provide guarantees covering such indebtedness. If we are unable to repay our debts or provide such guarantees, we may be prohibited from proceeding with the merger.

In the case of a division, we are likewise required to prepare our balance sheet and an inventory of assets and to notify our creditors. Our creditors are again entitled to ask us to repay or guarantee any outstanding indebtedness and our inability to do so may prevent the consummation of the division.

Dissolution and Liquidation

Under the PRC Company Law and Mandatory Provisions, we will be dissolved and liquidated if any of the following events occur:

(i) our term of operations as stipulated in our Articles of Association has expired;

(ii) the occurrence of any event in our Articles of Association which specifically triggers our dissolution;

(iii) our shareholders in a general meeting agree to our dissolution by special resolution;

(iv) a merger or division that requires our dissolution;

(v) the declaration of our insolvency as a result of our inability to pay our debts when they become due and payable;

(vi) we have been ordered to close down as a result of a violation of the law or administrative regulations; or

(vii) the company suffers significant hardship in its operation or management such that the interests of the shareholders would be subject to significant loss if the company continued to exist, which situation cannot be remedied by any other means, and the shareholders holding ten percent or more of the voting rights of the company petition the people's court to dissolve the company.

If we are dissolved in the circumstances referred to in (i), (ii), (iii), (vi) and (vii) above, in a general meeting our shareholders must, within 15 days of the occurrence of the event, appoint the members of a liquidation committee. If the liquidation committee is not established within the specified time, our creditors may apply to the people's court to appoint the members of the liquidation committee.

The people's court will then organize a liquidation committee to conduct the liquidation.

A liquidation committee is required to notify our creditors of our dissolution within 10 days after its establishment and issue a public announcement of our dissolution on a newspaper within 60 days after its establishment. A creditor is required to lodge its claim with the liquidation committee within the statutory time limit.

The liquidation committee shall exercise the following powers during the liquidation period:

- sort out the company's assets and to prepare a balance sheet and an inventory of the assets;
- notify creditors or issue public notices;
- dispose of and liquidate any unfinished businesses of the company;
- pay all outstanding taxes;
- settle the company's financial claims and liabilities;
- deal with the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

In the event of a dissolution, our assets will be applied to pay all expenses incurred in connection with the liquidation, employee wages, employees' insurance and statutory compensation, tax overdue and our general indebtedness. Any surplus assets will be distributed to our shareholders in proportion to their respective shareholdings. If our assets are insufficient to repay or discharge our indebtedness, the liquidation committee will apply to the people's court for a declaration of insolvency and will transfer the liquidation proceedings to the people's court.

If we are involved in liquidation proceedings, we will not be allowed to engage in any business operations irrelevant to liquidation.

Upon completion of the liquidation process, the liquidation committee is required to submit a liquidation report to our shareholders' general meeting or to the people's court for confirmation.

The liquidation committee is also required to apply to the Administration of Industry and Commerce for the cancellation of our registration and to make a public announcement of our dissolution following such cancellation.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with laws. A member of the liquidation committee is liable to us and our creditors in respect of any loss arising from his willful or material default.

Overseas Listing

We must obtain the approval of the CSRC to list our Shares overseas. An overseas listing of our Shares must comply with the Special Regulations.

According to the Special Regulations, a company's plan to issue H Shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a share certificate in registered form of our A Shares is either lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After obtaining the declaration, the shareholder may apply to us for a replacement certificate.

A separate procedure regarding the loss of H Share certificates is provided for in the Mandatory Provisions, which has been incorporated into our Articles of Association, a summary of which is set out in Appendix IX to this prospectus.

Suspension and Termination of Listing

We may have our listing on the Shanghai Stock Exchange suspended by the Shanghai Stock Exchange if any of the following events occur:

(i) our registered capital or the distribution of our Shares no longer complies with the relevant listing requirements;

(ii) we have failed to disclose our financial position in accordance with the relevant law and regulations or our financial report contains false information;

(iii) we have committed a material breach of the law; or

(iv) we have incurred losses for three consecutive years.

If the circumstances referred to in (i), (ii) or (iv) above have occurred and the situation has not been rectified within the time stipulated, the Shanghai Stock Exchange may decide to terminate the listing of our Shares.

The Shanghai Stock Exchange may also terminate the listing of our Shares if we have resolved to be wound up or are ordered by the relevant governmental authority to be dissolved, or if we are declared insolvent.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of our Shares and disclosure of information by us. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On 22 April 1993, the State Council promulgated the Provisional Regulations Concerning the Issuance and Trading Management Provisional Regulations, or Securities Provisional Regulations. These regulations deal with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settlement, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation and penalties and dispute settlement. According to these regulations, we must obtain the approval of the Securities Committee to offer our Shares outside the PRC. In addition, if we propose to issue Renminbi denominated ordinary shares as well as special Renminbi-denominated shares, we must comply with the Securities Provisional Regulations.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

The PRC Securities Law took effect on 1 July 1999 and was revised as of 28 August 2004 and 27 October 2005, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that we must obtain prior approval from the State Council's regulatory authorities to list our Shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H Shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (the "Arbitration Law") was passed by the Standing Committee of the NPC on 31 August 1994 and became effective on 1 September 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in our Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of our Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of our H Shares and us; holders of our H Shares and our Directors, Supervisors, manager or other senior officers; or holders of our H Shares and holders of our A Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall comply with the arbitration. Disputes in respect of the definition of shareholders and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on 10 June 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On 18 June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on 1 February 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

FOREIGN EXCHANGE CONTROL

The foreign exchange control system in the PRC is principally regulated by three sets of regulations. On 28 December 1993, the PBOC issued the Notice to Further Reform the Foreign Exchange Control System, which became effective on 1 January 1994. Other principal regulations and implementation measures include (i) the PRC Foreign Exchange Control Regulations, which were promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and were subsequently amended on 14 January 1997 and 5 August 2008, and (ii) the Regulations on Foreign Exchange Settlement, Sale and Payments, which were promulgated by the PBOC on 20 June 1996 and became effective on 1 July 1996.

Foreign exchange revenue under the current account may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by the State.

There has been a relaxation of the PRC government's control over foreign exchange. Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Despite the relaxation of foreign exchange control over current account transactions, certain limits are still imposed on capital account transactions. For example, the approval of foreign exchange administrative authorities is required before an enterprise can provide a foreign exchange guarantee.

When conducting foreign exchange transactions, the designated banks may, based on the exchange rate published by the PBOC and subject to certain limits, freely determine the applicable exchange rate.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited liability company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our A Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, our promoter is not allowed to transfer the Shares they hold for a period of one year after the date of our establishment. Similarly, our Directors, Supervisors and the senior management cannot transfer their Shares within one year from the day when the Shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix IX.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the Company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We (as required by the Hong Kong Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, except where (i) the Company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued overseas listed foreign invested shares and the issued domestic invested shares existing as at the date of the shareholders' special resolution; (ii) the plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; or (iii) upon the transfer of our domestic shares by the holders of our domestic shares to overseas investors and the listing and trading of such transferred shares on an overseas stock exchange, provided that the transfer and trading of such transferred shares shall have obtained the approval of the authorized securities approval authorities of the State Council, including the CSRC. The Mandatory Provisions contain detailed provisions relating to circumstances which are deemed to constitute a variation of class rights.

Directors, Officers and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix IX.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives our shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This allows minority shareholders to act against our Directors and Supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. There is no specific provision in the PRC Company Law to guard against oppression by the majority shareholders of minority shareholders' but the Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of our shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all our shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with one member, one member shall constitute a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may only be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders again by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of our shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of our shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

We are required under the PRC Company Law to make available at our office for inspection by shareholders our annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexes 20 days before our shareholders' annual general meeting. In addition, we must publish our financial statements and our annual balance sheet must be verified by registered accountants. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. The Mandatory Provisions require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Hong Kong Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Hong Kong Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre ("HKIAC") or the China International Economic and Trade Arbitration Commission ("CIETAC"), at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory common reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Hong Kong Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules, remedies of the Company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

The Articles of Association empower the Company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers, and managers owe a fiduciary duty towards their company and are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

We are required to appoint a compliance officer acceptable to the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of our financial results for the first full financial year commencing after the Listing Date, to provide us with professional advice on continuous compliance with the Hong Kong Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require us to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the Company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or International Financial Reporting Standards.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time we issue securities other than the H Shares which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that all of our H Shares must be held by the public. The H Shares must represent not less than 10.15% of our issued share capital and the aggregate number of our H Shares and other securities held by the public must constitute not less than 25% of our issued share capital. Please refer to the section headed "Share Capital — Public Float" in this prospectus.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Purchase of our Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of our A Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which Directors are aware, if any. Any general mandate given to Directors to repurchase H Shares must not exceed 10% of the total number of our issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of our A Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required to the extent that our existing shareholders have by special resolution in general meeting given a mandate to Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued A Shares and H Shares as at the date of the passing of the relevant special resolution, or such Shares are issued as part of our plan at the time of our establishment to issue A Shares and H Shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by our shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between A Shares and H Shares);
- copy of the latest annual return filed with the PRC State Administration for Industry and Commerce or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those Shares bearing statements to the following effect, that the acquirer of Shares:

- agrees with us and each shareholder, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- agrees with us, each shareholder, Director, Supervisor, manager and other officer and we acting both for the company and for each Director, Supervisor, manager and other officer, agree with each shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with us and each shareholder that Shares are freely transferable by the holder thereof; and
- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

We are required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between Us and Directors, Officers and Supervisors

We are required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to us to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Hong Kong Takeovers Code and an agreement that we shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to us acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the Articles of Association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and our Directors or officers and between a holder of H Shares and a Director or officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

We are also required to enter into a contract in writing with every Supervisor containing terms substantially similar to those for Directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

We must not apply for the listing of our H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of our H Shares subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Hong Kong Stock Exchange, the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to us.

SECURITIES ARBITRATION RULES

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC LEGAL MATTERS

King & Wood PRC Lawyers, our legal adviser on PRC law, has sent to us a legal opinion dated 10 December 2009 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix XI.

Any person wishing to have detailed advice on PRC law and the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph headed "Documents Available for Inspection" in Appendix XI, a copy of the Articles of Association, together with an English translation, is available for inspection.

Our Articles of Associations were adopted by our shareholders in the shareholders' general meeting held on 26 May 2009 and were approved by the CIRC on 13 August 2009.

Directors and Other Senior Officers

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of our Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

Power to Dispose of the Assets of our Company or any Subsidiary

The Board is accountable to the shareholders' general meeting.

The Board shall not, without the prior approval of or consent shareholders in a general meeting, dispose or agree to dispose of, any fixed assets of our Company where the aggregate sum of the amount or value of the consideration, for the proposed disposition, and the amount or value of the consideration for any such disposition of any fixed assets of our Company that has been completed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of our Company's fixed assets as shown in the last balance sheet placed before the shareholders in general meeting.

The validity of a disposition by our Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of fixed assets by way of security.

The Board shall carry its duties in compliance with the laws, regulations, the Articles of Association and resolutions passed by the shareholders in general meetings.

Compensation or Payments for Loss of Office

In the contract for emoluments entered into by the Company with a Director or Supervisor, it shall be provided that such Director or Supervisor has the right to receive, in connection with the takeover of the Company and subject to the approval of the shareholders in a general meeting, to receive compensation or other payments for loss of office or retirement from office. A takeover of the Company means either of the following circumstances:

(i) an offer is made to all shareholders of the Company; or

(ii) an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above requirements, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

Loans to Directors, Supervisors and Other Officers

Our Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to, our Director, Supervisor, President, Vice-President or other senior executive officer or those of our holding company or any of their respective associates. However, the following transactions are not subject to such prohibition:

- the provision by our Company of a loan or a guarantee of a loan to a company which is a subsidiary of our Company;
- the provision by our Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its Directors, Supervisors, President, Vice-President and other senior executive officers to meet expenditure incurred by him for the purposes of our Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the shareholders in general meeting; and
- Our Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant Directors, Supervisors, President, Vice-President and other senior executive officers or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of our Company includes the lending of money or the giving of guarantees.

A loan made by our Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by our Company in breach of the above prohibition shall be unenforceable against our Company, unless:

(1) the guarantee was provided in connection with a loan to an associate of any of the Directors, Supervisors, President, Vice-President and other senior executive officers of our Company or of our Company's holding company and at the time the loan was advanced the lender did not know the relevant circumstances; or

(2) the collateral provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser.

For these purposes:

(a) a guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor; and

(b) a definition of an associate as referred to in subsection Duties below applies, mutatis mutandis, to this provision.

Financial Assistance for the Acquisition of Shares in our Company or any Subsidiary

Subject to the exceptions in the Articles of Association, our Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of our Company. The said acquirer of shares of our Company includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of shares. Our Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to in the preceding paragraph for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

- the provision of financial assistance by our Company where the financial assistance is given in good faith in the interest of our Company, and the principal purpose in giving the financial assistance is not for the acquisition of Shares, or the giving of the financial assistance is an incidental part of some larger purpose of our Company;
- the lawful distribution of our Company's assets by way of dividend;
- the allotment of bonus shares as dividends;
- a reduction of registered capital, a repurchase of Shares or a reorganization of the share capital structure of our Company effected in accordance with these Articles of Association;
- the lending of money by our Company within its scope of business and in the ordinary course of its business, where the lending of money is part of the scope of business of our Company (provided that the net assets of our Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits);
- the provision of money by our Company for contributions to staff and workers' share schemes (provided that the net assets of our Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(a) "financial assistance" includes (without limitation) the following meanings:

  (1) gift;

  (2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of our Company's own default) or release or waiver of any rights;

  (3) provision of loan or any other agreement under which the obligations of our Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the novation of, or the assignment of rights arising under, such loan or agreement; or

  (4) any other form of financial assistance given by our Company when our Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with our Company or any of its Subsidiaries

Where a Director, Supervisor, President, Vice-President or other senior executive officer of our Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than his contract of service with our Company), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal therefor is otherwise subject to the approval of the Board.

Unless the interested Director, Supervisor, President, Vice-President or other senior executive officer discloses his interests in accordance with the Articles of Association and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, President, Vice-President or other senior administrative officer is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, President, Vice-President or other senior executive officer is materially interested is voidable at the instance of our Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, President, Vice-President or other senior administrative officer.

For these purposes, a Director, Supervisor, President, Vice-President or other senior executive officer of our Company is deemed to be interested in a contract, transaction or arrangement in which an associate of him is interested.

Where a Director, Supervisor, President, Vice-President or other senior executive officer of our Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description which may subsequently be made by our Company, such notice shall be deemed for the purposes of this paragraph to be a sufficient declaration of his interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of our Company.

Remuneration

The remuneration of Directors must be approved by shareholders in general meeting.

Appointment, Removal and Retirement

The term of office of the Chairman and the other Board members shall be 3 years. If the term of appointment of a director expires and he is re-elected, the director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders in general meeting (provided that the shareholders in general meeting complying with the laws and regulations and subject to claims under any contract).

In addition, shareholders, individually or in the aggregate, holding three percent or more of the total number of the Company's voting shares are entitled to make new proposals in writing to the Company and have such proposals included in the meeting agenda of a shareholders' general meeting. As a result, shareholders, individually or in the aggregate, holding three percent or more of the total number of the Company's voting shares have the right to nominate the candidate to be elected as a Director through a written proposal and have such proposal considered at the shareholders' general meeting.

The appointment of a director nominated under the above paragraph shall take effect when the shareholders resolutions effecting such appointment is passed.

The Board shall consist of fifteen Directors, of which no less than one third shall be independent directors and no less than two shall be executive directors. The Board shall have one chairman and one vice-chairmen. The chairman and vice-chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to hold shares of our Company.

A person may not serve as a Director, Supervisor, President, Vice-President or any other senior executive officer of our Company if any of the following circumstances apply:

- a person without legal or with restricted legal capacity;
- a person who has committed an offence of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offence; or who has been deprived of his political rights, in each case where less than five (5) years have elapsed since the date of the completion of implementation of such punishment or deprivation;
- a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where less than three (3) years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;
- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three (3) years has elapsed since the date of the revocation of the business license;
- a person who has a relatively large amount of debts due and outstanding;
- a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;
- a person who is not eligible for enterprise leadership according to laws and administrative regulations;
- a non-natural person; or
- a person convicted of the contravention of provisions of relevant securities regulations by a relevant government authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction.

The validity of an act of a Director, President, Vice-President or other senior executive officer on behalf of our Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

Borrowing Powers

On condition of compliance with the applicable PRC laws and administrative regulations, the Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of the Company's properties and other rights permitted by the PRC laws and administrative regulations, provided that such action does not damage or abrogate the rights of any shareholder.

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may arise, other than: (a) provisions giving the Directors the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions providing that the issuance of debentures must be approved by the Shareholders of the Company in a general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or required by the stock exchanges on which Shares are listed, each of our Company's Directors, Supervisors, President, Vice-President and other senior executive officers owes a duty to each shareholder, in the exercise of the functions and powers of our Company entrusted to him:

- not to cause our Company to exceed the scope of the business stipulated in its business license;
- to act honestly in the best interest of our Company;
- not to expropriate in any guise our Company's property, including (without limitation) usurpation of opportunities advantageous to our Company;
- not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of our Company submitted to shareholders for approval in accordance with the Articles of Association.

Each of our Directors, Supervisors, President, Vice-President and other senior executive officers owes a duty, in the exercise of his powers and discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of our Directors, Supervisors, President, Vice-President and other senior executive officers shall exercise his powers or carry on his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

- to act honestly in the best interests of our Company;
- to exercise powers within the scope of his powers and not to exceed those powers;
- to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders given in general meeting, not to delegate the exercise of his discretion;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles of Association or with the informed consent of shareholders given in general meeting, not to enter into any contract, transaction or arrangement with our Company;
- without the informed consent of shareholders given in general meeting, not to use our Company's property for his own benefit;
- not to exploit his position to accept bribes or other illegal income or expropriate our Company's property by any means, including (without limitation) opportunities advantageous to our Company;
- without the informed consent of shareholders given in general meeting, not to accept commissions in connection with our Company's transactions;
- to abide by the Articles of Association, faithfully execute his official duties and protect our Company's interests, and not to exploit his position and power in our Company to advance his own private interests;
- not to compete with our Company in any form unless with the informed consent of shareholders given in general meeting;

- not to misappropriate our Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of our Company's assets and not to provide a guarantee for debts of a shareholder of our Company or other individual(s) with our Company's assets; and
- unless otherwise permitted by informed shareholders in general meeting, to keep in confidence confidential information acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of our Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
  - (i) disclosure is made under compulsion of law;
  - (ii) the interests of the public require disclosure;
  - (iii) the interests of the relevant Director, Supervisor, President, Vice-President or other senior executive officer require disclosure.

Each Director, Supervisor, President, Vice-President or other senior executive officer of our Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that Director, Supervisor, President, Vice-President or other senior executive officer;

(2) a person acting in the capacity of trustee of that Director, Supervisor, President, Vice-president or other senior executive officer or any person referred to in the preceding paragraph;

(3) a person acting in the capacity of partner of that Director, Supervisor, President, Vice-president or other senior executive officer or any person referred to in paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor, President, Vice-President or other senior executive officer, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) above and other Directors, Supervisors, President, Vice-President and other senior executive officers have a de facto controlling interest; and

(5) the Directors, Supervisors, President, Vice-President and other senior executive officers of the controlled company referred to in the preceding paragraph.

The fiduciary duties of the Directors, Supervisors, President, Vice-President and other senior executive officers of our Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of our Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and our Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, President, Vice-President, or other senior administrative officer of our Company is in breach of his duties to our Company, our Company has a right to:

- claim damages from the Director, Supervisor, President, Vice-President or other senior executive officer in compensation for losses sustained by our Company as a result of such breach;
- rescind any contract or transaction entered into by our Company with the Director, Supervisor, President, Vice-President or other senior executive officer or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, President, Vice-President or other senior executive officer);

- demand a surrender of the profits made by the Director, Supervisor, President, Vice-president or other senior executive officer in breach of his duties;
- recover any funds received by the Director, Supervisor, President, Vice-President or other senior executive officer which should have been received by our Company, including (without limitation) commissions; and
- demand return of the interest earned or which may have been earned by the Director, Supervisor, President, Vice-President or other senior executive officer on the funds that should have been paid to our Company

Subject to the Articles of Association, a Director, Supervisor, President, Vice-President or other senior executive officer of our Company may be relieved of liability for specific breaches of his duty by the informed consent of shareholders given at a general meeting.

Alterations to Constitutional Documents

Our Company may amend its Articles of Association in accordance with the requirements of law, administrative regulation and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of our Company, application shall be made for registration of the changes in accordance with law.

Variation of Rights of Existing Shares or Classes of Shares

Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders in general meeting and by holders of shares of that class at a separate meeting conducted in accordance with the Articles of Association.

Subject to all relevant PRC laws and regulations, shares of the same class of a PRC domestic joint stock limited company shall have the same rights and benefits. Under the PRC Insurance Law, any acquisition of shares that results in the holder, including any H Share holder, that owns, directly or indirectly, 10% or more of our issued and outstanding Shares requires the prior approval of the CIRC. Our Articles of Association provide that, without the prior approval of the CIRC, any shareholder that owns, directly or indirectly, more than 10% or such percentage as specified by the CIRC from time to time, whichever is higher, of our issued and outstanding Shares will not be able to exercise, with respect to the amount of Shares held by such shareholder that is in excess of the applicable ownership limitations, the right to vote at the general or class meeting of our shareholders or to nominate directors and supervisors. If a shareholder has obtained the prior approval of the CIRC and then acquired Shares of our Company that results in the shareholder owning, directly or indirectly, more than 10% of our issued and outstanding Shares, such shareholder will be able to exercise all the rights associated with respect to all of the Shares owned by such shareholder, including the right to vote at the general or class meeting of our shareholders or to nominate directors and supervisors.

The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

(1) to increase or decrease the number of shares of such class, or increase or decrease the number of shares of class having voting or equity rights or privileges equal or superior to those of the shares of such class;

(2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;

(5) to add, remove or reduce conversion privileges, options, voting rights, transfer or preemptive rights, or rights to acquire securities of our Company attached to shares of such class;

(6) to remove or reduce rights to receive payment payable by our Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or equity right or privileges equal or superior to those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add to such restriction;

(9) to allot and issue rights to subscribe for, or convert into, shares in our Company of such class or another class;

(10) to increase the rights or privileges of shares of another class;

(11) to restructure our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring; and

(12) to vary or abrogate provisions in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class of shareholders shall be passed by votes representing two-thirds or more of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given forty-five (45) days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to our Company twenty (20) days before the date of the class meeting.

If the number of shares carrying voting rights at the meeting represented by the shareholders who intend to attend the class meeting reaches one half or more of the voting shares at the class meeting, our Company may hold the class meeting; if not, our Company shall within five (5) days notify the shareholders of the class, again by public notice, of the matters to be considered, the date and the place for the class meeting. Our Company may then hold the class meeting after such publication of such notice.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of general meetings of shareholders. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders. Holders of domestic-invested shares and overseas-listed foreign-invested shares are deemed to be shareholders of different classes.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(1) where our Company issues, upon the approval by a special resolution of its shareholders in general meeting, either separately or concurrently once ever twelve months, not more than 20% of each of its existing issued domestic-invested shares and overseas-listed foreign-invested shares;

(2) where our Company's plan to issue domestic-invested shares and overseas-listed foreign-invested Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the Securities Authority of the State Council; or

(3) where shares of our Company registered on our domestic share register may be transferred to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange, subject to the approval of the Securities Authority of the State Council.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested shareholder(s)" is:

(1) in the case of a repurchase of Shares by offers to all shareholders or public dealing on a stock exchange, a "controlling shareholder" within the meaning of the Articles of Association;

(2) in the case of a repurchase of Shares by an off-market contract, a holder of the Shares to which the proposed contract relates; and

(3) in the case of a restructuring of our Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions — Majority Required

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing two-thirds or more of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

Voting Rights (generally, on a poll and right to demand a poll)

The ordinary shareholders of our Company have the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat. A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

At any general meeting of shareholders a resolution shall be decided on a show of hands unless a poll is required according to the Hong Kong Listing Rules or (before or after any vote by show of hands) demanded:

- by the chairman of the meeting;
- by at least two shareholders entitled to vote present in person or by proxy; or

- by one or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on a show of hands been carried unanimously, or carried by a particular majority, or lost, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

Requirements for Annual General Meetings

The Board shall convene an annual shareholders' meeting once each year and within six (6) months from the close of the preceding financial year.

Accounts and Audit

Our Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

The Board shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by our Company.

Our Company's financial reports shall be made available for shareholders' inspection at our Company twenty (20) days before the date of every shareholders' annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of our Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Financial Reporting Standards, or that of the overseas place where our Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When our Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim results or financial information published or disclosed by our Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either International Financial Reporting Standards or that of the overseas place where our Company's shares are listed.

Our Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

Notice of Meetings and Business to be Conducted Thereat

The shareholders' general meeting is the organ of authority of our Company and shall exercise its functions and powers in accordance with law.

Our Company shall not, without the prior approval of shareholders present at the general meeting with more than two thirds of their voting rights, enter into any contract with any person other than a Director, Supervisor, President, Vice-President or other senior executive officer whereby the management and administration of the whole or any substantial part of the business of our Company is to be handed over to such person.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

- when the number of Directors is less than the number of Directors required by the PRC Company Law or two-thirds of the number of Directors specified in the Articles of Association;
- when the unrecovered losses of our Company amount to one-third of the total amount of its paid-in share capital;
- when the request of the shareholders separately or aggregately holding 10% or more of the company's shares;
- when deemed necessary by the Board or as requested by the board of supervisors; or
- when at least 2 independent Directors request convening of an extraordinary general meeting.

When our Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Company twenty (20) days before the date of the meeting.

When our Company convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors or shareholders, individually or in the aggregate, holding 3% or more of the total voting shares of our Company shall have the right to propose temporary proposals in writing, and Our Company shall place matters in the proposed motions within the scope of functions and powers of the shareholders' general meeting on the agenda.

A shareholders' extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

Our Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting reaches one half or more of our Company's total voting shares, our Company may hold the meeting. If not, then our Company shall within five (5) days notify the shareholders again by public notice of the matters to be considered, the place and the date for the meeting. Our Company then may hold the meeting after such publication of such notice.

A notice of meeting of shareholders shall comply with the following requirements:

- be in writing;
- specify the place, the day and the hour of the meeting;

- list out the share registration date of shareholders who are entitled to attend the meeting;
- state the name and telephone number of the regular contact person of the meeting;
- state the matters to be discussed at the meeting;
- provide such information and explanations as are necessary for the shareholders to exercise an informed judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate our Company with another, to repurchase shares, to reorganize the share capital, or to restructure our Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;
- contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, President, Vice-President, or other senior executive officer in the transaction proposed and the effect of the proposed transaction on them in their capacity as shareholders in so far as it is different from the effect on the interests of the shareholders of the same class;
- contain the full text of any special resolution proposed to be moved at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a shareholder;
- specify the time and place for lodging proxy forms for the relevant meeting; and
- specify the time and procedure of voting when the shareholders' general meeting is held through the Internet or by alternative means.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by delivery or prepaid airmail to their addresses as shown in the register of shareholders. For the holders of our A Shares, notice of the meetings may be issued by way of public notice.

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the interval between forty-five (45) days and fifty (50) days before the date of the meeting. After the publication of such notice, the holders of domestic-invested Shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- work reports of the Board and the board of supervisors;
- plans formulated by the Board for the distribution of profits and for making up losses;
- appointment or removal of the members of the Board and members of the board of supervisors, their remuneration and method of payment;
- annual report, annual preliminary and final budgets;
- engagement, disengagement or non-renewal of engagement of accounting firms by our Company;

- in accordance with the Hong Kong Listing Rules, as amended from time to time, which apply to our Company, every transaction where any of the assets ratio, consideration ratio, profits ratio, revenue ratio or equity capital ratio is 25% or more;
- any single transaction involving external investments or dispositions, the amount of which will be in excess of 50% of the audited net assets of our Company for its latest accounting period (except for transactions between our Company and its subsidiaries);
- any assets write-off, if the initial cost of the assets of a single transaction will be in excess of 2% of the audited net assets of our Company for its latest accounting period, or if the annual aggregate amount will be in excess of 5%, of the audited net assets of our Company for its latest accounting period;
- any external donation, the total amount of which will be in excess of 0.5% of our Company's registered capital; and
- matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- the issue of debentures of our Company;
- the merger, separation, dissolution, liquidation and so forth of our Company;
- amendments to the Articles of Association;
- any purchase or sale of substantial assets or guarantee made by the Company in the most recent year at an amount in excess of 30% of the audited total assets of the Company for its latest accounting period;
- proposals of incentive scheme; and
- any other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be adopted by a special resolution.

Transfer of Shares

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. For H Shares listed on the Hong Kong Stock Exchange, unless the requirements stipulated in the Articles of Association are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

Subject to the approval of the State Council securities regulatory authority, holders of the domestic shares of our Company may transfer their domestic shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange.

Power of our Company to Purchase its Own Shares

In accordance with the provisions of the Articles of Association, our Company may reduce its registered share capital.

Our Company may, with approval according to the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

- cancellation of shares for the reduction of its capital;
- merging with another company that holds shares in our Company;
- Awarding the employees of this company with shares;
- requested by any shareholder to purchase his shares because this shareholder raises objections to the company's resolution on merger or split-up made at a session of the meeting of shareholders; and
- other circumstances permitted by laws and administrative regulations.

Our Company may, with the approval of the relevant State governing authority for repurchasing its shares, conduct the repurchase in one of the following ways:

- making a pro rata general offer of repurchase to all of its shareholders;
- repurchase shares through public dealing on a stock exchange;
- repurchase by an off-market agreement; or
- other ways prescribed by law and administrative regulations and approved by relevant governmental authorities.

Where our Company repurchases its shares by an off-market agreement, the prior sanction of shareholders' general meeting shall be obtained in accordance with the Articles of Association. Our Company may terminate or amend the agreements reached in the aforementioned ways or waive its rights under a contract so entered into by our Company with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of our Company. Rights of our Company under a contract to repurchase its shares are not capable of being assigned.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- where our Company repurchases shares of our Company at par value, payment shall be made out of book surplus distributable profits of our Company or out of proceeds of a fresh issue of shares made for that purpose;
- where our Company repurchases shares of our Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of our Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

  (i) if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company; or

  (ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by our Company on the issue of the shares repurchased nor the current amount of our Company's capital common reserve account (including the premiums on the fresh issue);

- payment by our Company in consideration of the following shall be made out of our Company's distributable profits:
  - (i) acquisition of rights to repurchase shares of our Company;
  - (ii) variation of any contract to repurchase shares of our Company; and
  - (iii) release of any of our Company's obligation under any contract to repurchase shares of our Company; and
- after our Company's registered shares capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of our Company for payment of the par value portion of the shares repurchased shall be transferred to our Company's share premium account.

Power for Any Subsidiary of Our Company to Own Shares in our Company

There are no provisions in the Articles of Association preventing ownership of shares in our Company by a subsidiary.

Dividends and Other Methods of Profit Distribution

Our Company may distribute dividends in the following manner:

- cash; or
- shares.

Our Company shall emphasize on reasonable return on investments of investors in the formulation of profit distribution policies, and shall maintain a consistent and stable profit distribution policy. Our Company may conduct interim profit distribution.

Our Company shall appoint receiving agents on behalf of the H Shares to receive on behalf of such shareholders dividends declared and all other monies owing by our Company in respect of their H Shares. The receiving agents appointed on behalf of holders of the H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Proxies

Any shareholder entitled to attend and vote at a meeting of our Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the meeting;
- have authority to demand or join in demanding a poll; and
- have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have right to vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a legal entity either under seal or under the hand of a director or attorney duly authorized. The instrument appointing a voting proxy and, if such instrument is signed by a person under a power of attorney or other authority on behalf of the appointer, a notary certified copy of that power of attorney or other authority, shall be deposited at the residence of our Company or at such other place as is specified for that purpose in the notice convening the meeting, not less than twenty-four (24) hours before the time for holding the meeting at which the proxy proposes to vote or the time appointed for the passing of the resolution.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of shareholders of our Company as a representative of the appointer.

Any form issued to a shareholder by the Board for use by him for appointing a proxy to attend and vote at a meeting of our Company shall be such as to enable the shareholder, according to his intention, to instruct the proxy to vote in favor of or against each resolution dealing with business to be transacted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by our Company at its residence before the commencement of the meeting at which proxy is used.

Calls on Shares and Forfeiture of Shares

There are no provisions in the Articles of Association relating to the making of calls on shares or for the forfeiture of shares.

Rights of Shareholders (including inspection of register)

The ordinary shareholders of our Company shall enjoy the following rights:

- the right to dividends and other distributions in proportion to the number of shares held;
- the right to request for, convene, preside, attend or appoint a proxy to attend shareholders' general meetings and to vote thereat in accordance with the law;
- the right of supervisory management over our Company's business operations, and the rights to present proposals or to raise enquires;
- the right to transfer, bestow or pledge shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  - (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;
  - (ii) the right to inspect and copy, subject to payment of a reasonable charge:
    - (a) all parts of the register of shareholders;
    - (b) the following personal particulars of each of our Company's Directors, Supervisors, President, Vice-President and other senior executive officers:
      - (1) present name and alias and any former name and alias;
      - (2) principal address (residence);
      - (3) nationality;
      - (4) primary and all other part-time occupations; and
      - (5) identification document and its number;
    - (c) report on the state of our Company's share capital;
    - (d) counterfoil of the corporate bonds;

(e) financial statements;

(f) resolution of shareholders' general meeting;

(g) minutes of shareholders' general meetings, resolutions of the board of directors and board of supervisors;

(h) reports showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of shares repurchased by our Company since the end of the previous accounting year and the total expenses incurred by our Company for this purpose; and

(i) a copy of the latest annual application form filed with the SAIC or other relevant authorities.

- in the event of the termination or liquidation of our Company, to participate in the distribution of remaining assets of our Company in accordance with the number of shares held;
- the right to request our Company to purchase the shares of the shareholder who raises objection to the resolution on merger or division made at the shareholders' general meeting, and
- other rights conferred by laws, administrative regulations and the Articles of Association.

Quorum for Meetings and Separate Class Meetings

Our Company may convene a shareholders' general meeting where the number of voting shares represented by those shareholders from whom our Company has received, twenty (20) days before the meeting, notices of intention to attend the meeting reaches one half or more of our Company's voting shares; or, if not, where our Company has before the meeting publicly announced the particulars of the meeting.

Our Company may convene a class meeting where the number of voting shares represented by those shareholders from whom our Company has received, twenty (20) days before the meeting, notices of intention to attend the meeting reaches one half or more of the total number of voting shares of that class; or, if not, where our Company has before the meeting publicly announced the particulars of the meeting.

Rights of the Minorities in Relation to Fraud or Oppression

In addition to obligations imposed by laws, administrative regulations or required by the stock exchange on which Shares of our Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of our Company:

- to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;
- to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), in any guise, of our Company's assets, including (without limitation) opportunities beneficial to our Company; or
- to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to shareholders for approval in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- he alone, or acting in concert with others, has the power to elect more than half of the Board;
- he holds 50% or more of the total number of the Company's outstanding shares; and
- his voting rights, represented by the shares he holds, have a significant impact on resolutions of the shareholders' general meeting, notwithstanding that he may hold less than 50% of the total number of the Company's outstanding shares, including but not limited to:
  - (i) he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in our Company;
  - (ii) he alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of our Company;
  - (iii) he alone, or acting in concert with others, in any other manner controls our Company in fact.

See also the Section headed "Variation of Rights of Existing Shares or Classes of Shares" above.

Procedures on Liquidation

Our Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- a resolution for dissolution is passed by shareholders at a general meeting;
- dissolution is necessary due to a merger or division of our Company;
- our Company is legally declared bankrupt due to its failure to repay debts due;
- our Company is ordered to close down because of its violation of laws and administrative regulations; or
- where our Company suffers significant hardship in its operation or management so that the interests of the shareholders are subject to significant loss if the Company continues to exist, which situation cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the shareholders of the Company may petition the people's court to dissolve the Company.

The dissolution of our Company has to be approved by the CIRC.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders in general meeting for the liquidation of our Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's receipts and payments, the business of our Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

Other Provisions Material to our Company and our Shareholders

General Provisions

Our Company is a joint stock limited company in perpetual existence.

The Articles of Association take effect from 13 August 2009 after the approval of the CIRC. From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating our Company's organization and activities, and the rights and obligations between our Company and each shareholder and among the shareholders *inter se.*

Our Company may invest in other limited liability companies or joint stock limited companies. Our Company's liabilities to an investee company shall be limited to the amount of its capital contribution to such investee company.

Our Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase of capital.

Our Company may increase its capital in the following ways:

- public offering of shares;
- non-public offering of shares:
- distributing new shares to its existing shareholders by way of dividend issues;
- converting capital common reserve to our share capital; and
- any other way permitted by law and administrative regulations.

Our Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Unless otherwise provided by law or administrative regulation, shares in our Company are freely transferable and are not subject to any lien.

When our Company reduces its registered share capital, it must draw up a balance sheet and an inventory of assets. Our Company shall notify its creditors within ten (10) days of the date of our Company's resolution for reduction of share capital and shall publish a notice in a newspaper at least three times within thirty (30) days of the date of such resolution. A creditor has the right within thirty (30) days of receiving the notice from our Company or, in the case of a creditor who does not receive the notice, within forty-five (45) days of the date of the first public notice, to demand our Company to repay its debts or provide a corresponding guarantee for such debt. Our Company's registered capital after reduction shall not be less than the statutory minimum amount.

The ordinary shareholders of our Company shall assume the following obligations:

- to abide by laws, administrative regulations and the Articles of Association;
- to pay subscription funds according to the number of shares subscribed and the method of subscription;
- unless otherwise stipulated by laws and administrative regulations, not to withdraw their share capital;
- not to abuse the shareholders' right to damage the interest of the Company or that of other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interest of any creditors of the Company; a shareholder of the Company who abuses the shareholders' right and consequently causes any loss to the Company or other shareholders shall bear the liability for compensation

pursuant to law; a shareholder of the Company who abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and seriously damage the interest of the creditors of the Company shall bear joint and several liability for the debts of the Company; and

- other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

Secretary of the Board

The Secretary of the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed by the Board. His primary responsibilities include:

- to ensure that our Company's documents and records are complete;
- to ensure that our Company prepares and submits according to law the documents and reports required by relevant authority;
- to ensure that the register of shareholders is properly maintained, to ensure that persons who are entitled to obtain our Company's records and documents can timely obtained the relevant records and documents; and
- to perform other duties as stipulated under the relevant laws, regulations and the Articles of Association including organizing and preparing for Board meetings and shareholders' general meetings and organizing and coordinating information disclosures.

Board of Supervisors

Our Company shall have a Board of Supervisors. The Directors, managers and other senior executive officers shall not act concurrently as Supervisors. The Board of Supervisors shall be composed of six Supervisors. One of the members of the Board of Supervisors shall act as the chairman. The term of office of Supervisors shall be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the Board of Supervisors shall be determined by two-thirds or more of the members of the Board of Supervisors. The chairman of the Board of Supervisors shall organize and exercise the functions and powers of the Board of Supervisors. The term of office of the chairman shall be three years, renewable upon re-election and re-appointment.

The Board of Supervisors shall comprise of four representatives of shareholders, two representatives of staff and workers of our Company. The representatives of shareholders shall be elected and removed by shareholders' general meeting; the representative of workers and staff of our Company shall be elected and removed by the workers and staff of our Company democratically thereby.

The Board of Supervisors shall be accountable to the shareholders' general meeting and exercise the following powers in accordance with law:

- to examine our Company's financial activities;
- supervising the directors, President, Vice-President and other senior officers in their performance of duties and proposing the removal of directors, President, Vice-President and other senior officers who have contravened any law, administrative regulation, our Articles of Association or resolutions at shareholders' general meeting;

- to demand rectification from a Director, President, Vice-President or any other senior executive officer when the acts of such persons are harmful to our Company's interest;
- to verify the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board to the shareholders' general meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by certified public accountants or practicing auditors;
- to propose to convene a shareholders' extraordinary general meeting and to convene and preside over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting under the Company Law;
- to make new proposals at the shareholders' general meeting;
- to represent us in negotiation with or bringing an action against a Director and senior executive officers;
- to investigate when our Company's operations show abnormal signs and hiring accounting firms, law firms or other professional organizations to assist if necessary with the relevant expenses being paid by our Company;
- to make suggestions on our Company's appointment of certified public accounting firms, appoint another certified public accounting firm on behalf of our Company to independently examine our Company's financial activities when necessary and report directly to the CSRC and other relevant authorities; and
- to exercise other powers specified in the Articles of Association.

Members of the Board of Supervisors shall be present at meetings of the Board.

Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

(1) to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;

(2) to implement the resolutions of the shareholders' general meetings;

(3) to determine the operating plans and investment plans of our Company;

(4) to formulate our proposed annual preliminary and final financial budget;

(5) to formulate our profit distribution plan and plan for recovery of losses;

(6) to formulate proposals for increases or reductions of our registered share capital and the issue of corporate bonds and other securities by our Company or the listing of our Company;

(7) to formulate plans of substantial acquisition by our Company, acquisition of the shares of our Company or merger, separation, dissolution and changes of the form of our Company;

(8) save as otherwise provided in the laws, administrative regulations, rules or the Articles of Association, to decide on matters concerning external investments, acquisitions and sales of assets, asset write-off, asset mortgages, external guarantees, entrustment of assets, related party transactions, external donations, among other things, to set up strict examination and approval procedures, and to clarify limitations on approval authorities;

(9) to decide on the establishment of our internal management structure;

(10) to appoint or remove our president and secretary of the Board and, based on the recommendations of the president, to appoint or remove the vice-President(s), chief actuary, professional directors and other senior officers and to decide on their remuneration;

(11) to formulate our basic management system;

(12) to formulate proposals for any amendment to our Articles of Association;

(13) to manage the affairs regarding the disclosure of our Company;

(14) to propose to the shareholders' general meeting engagement, termination or non-renewal of engagement, or change of an accounting firm acting as the auditor of our Company;

(15) to review the working report from the president and the performance of the president; and

(16) to exercise such other functions and powers as conferred by laws, administrative regulations, departmental rules or these Articles.

In principle, the statutory powers of the Board of Directors shall not be delegated to the Chairman of the Board, any director or any other individual or institution. Where it is necessary to authorize any of the aforesaid person or institution to make a decision on a specific matter, it shall be done by way of resolution of the Board of Directors. The Board of Directors shall follow the principle of "one authorization for one matter" and shall not delegate all its powers or delegate such powers permanently to any other institution or individual.

The passing of a Board resolution requires the affirmative vote of a simple majority of all directors.

Regular meetings of the Board shall be held four times every year and convened by the Chairman of the Board. Notice of a meeting shall be served on all the Directors and Supervisors at least fourteen (14) days before the date of the meeting. In case of any urgent matters, upon request by shareholders representing more than $\frac{1}{10}$ of the voting rights, not less than one-third of the members of the Board, not less than two independent Directors, the Board of Supervisors or the Chairman of the Board, an extraordinary meeting of the Board may be convened. Notice of an extraordinary meeting of the Board shall be served on all the Directors at least three (3) days before the date of the meeting.

Meetings of the Board shall be held only if more than one half of the Directors are present. Each Director shall have one vote.

Accounts and Audit

- Appointment of certified public accounting firm.

Our Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the PRC to audit our Company's annual financial statements and review our Company's other financial reports.

The certified public accounting firm appointed by our Company shall hold office from the conclusion of the annual general meeting of shareholders at which the appointment is made until the conclusion of the next annual meeting of shareholders.

Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the certified public accountants' firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.

The shareholders in general meeting may, by ordinary resolution, remove a certified public accounting firm before the expiration of its office, notwithstanding the stipulations in the contract between our Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of a certified public accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders in general meeting. The remuneration of a certified public accounting firm appointed by the Board shall be determined by the Board.

- Change and removal of certified public accounting firm

Our Company's appointment of, removal of and non-reappointment of a certified public accounting firm shall be resolved by shareholders in general meeting and be filed with the CSRC.

Where it is proposed that any resolution be passed at a shareholders' general meeting concerning the appointment of a certified public accounting firm, which is not an incumbent firm, to fill a casual vacancy in the office of the certified public accounting firm, reappointment of a retiring certified public accounting firm which was appointed by the Board to fill a casual vacancy, or removal of the certified public accounting firm before the expiration of its term of office, the following provisions shall apply:

- A copy of the proposal shall be sent to the firm proposed to be appointed or proposing to leave its post or the firm which has left its post (leaving includes leaving by removal, resignation and retirement) before notice of meeting is given to the shareholders.

- If the firm leaving its post makes representations in writing and requests our Company to notify such representations to the shareholders, our Company shall (unless the representations are received too late):

  (i) in any notice of the resolution given to shareholders, state the fact of the representations having been made; and

  (ii) attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.

- If the firm's representations are not sent in accordance with the preceding paragraph, the relevant firm may require that the representations be read out at the shareholders' general meeting and may lodge further complaints.

- A certified public accounting firm which is leaving its post shall be entitled to attend:

  (i) the shareholders' general meeting at which its term of office would otherwise have expired;

  (ii) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and

  (iii) any shareholders' general meeting convened on its resignation; and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former certified public accountants' firm of our Company.

- Resignation of certified public accounting firm.

Where the certified public accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of our Company.

Any certified public accounting firm may resign its office by depositing at our Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of our Company; or

(2) a statement of any such circumstances.

Where a notice is deposited under the preceding paragraph, our Company shall within fourteen (14) days send a copy of the notice to the relevant governing authority. If the notice contains a statement under subparagraph (2) of the preceding paragraph, a copy of such statement shall be sent by mail, postage prepaid, to every shareholder who has a right to obtain financial reports of our Company at the address as recorded in the register of shareholders.

Where the certified public accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors of our Company, the certified public accounting firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Dispute Resolution

Whenever any disputes or claims arise between holders of the H Shares and our Company, holders of the H Shares and our Company's Directors, Supervisors, President, Deputy President or other senior executive officers, or holders of the H Shares and holders of A Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of our Company, such disputes or claims shall be referred by the relevant parties to arbitration.

A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

If any disputes or claims of rights are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws and administrative regulations.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is our Company or our shareholder, Director, Supervisor, President, Deputy President or other senior executive officer. Disputes in relation to the identification of shareholders and disputes in relation to the share register need not be referred to arbitration.

The award of an arbitration body shall be final and conclusive and binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established on 13 May 1991 under the name of China Pacific Insurance Co., Ltd. and was restructured as a joint stock limited company in the PRC by the Promoters and renamed to China Pacific Insurance (Group) Co., Ltd. on 24 October 2001 in accordance with the PRC Insurance Law and the PRC Company Law. Our A Shares were listed on the Shanghai Stock Exchange on 25 December 2007.

We have established a place of business in Hong Kong at Room 203-208, Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong and have been registered with the Registrar of Companies as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. NGAI Wai Fung of 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong. As our Company was established in the PRC, we are subject to the relevant laws, rules and regulations of the PRC. A summary of certain relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix VIII. A summary of the relevant sections of our Articles of Association is set out in Appendix IX.

B. Changes in registered capital

At the time of its establishment, our Company's initial registered capital was RMB1,000,000,000. On 26 September 1995, our Company increased our registered capital to RMB2,006,390,000. On 24 October 2001, our Company was formed as a joint stock limited company with a registered capital of RMB2,006,390,000, divided into 2,006,390,000 Shares of par value RMB1.00 each, all of which were held and fully paid up or created as fully paid up. The following table sets forth the then shareholding of our Promoters:

Name	Number of Shares held	Approximate percentage of shareholding
1. Shenergy (Group) Co., Ltd.(申能(集團)有限公司)	300,958,500	15.00%
2. Shanghai State-Owned Assets Operation Co., Ltd (上海國有資產經營有限公司)	190,901,250	9.51%
3. Shanghai Jiushi Corporation (上海久事公司)	190,901,250	9.51%
4. Yunan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	145,000,000	7.23%
5. Shanghai Pudong Land Development (Holding) Company (上海市浦東土地發展(控股)公司)	8,000,000	0.40%
Total	835,761,000	41.65%

On 31 December 2002, our Company increased our registered capital from RMB2,006,390,000 to RMB4,300,000,000. On 4 June 2007, our Company further increased our registered capital to RMB6,700,000,000 by a private placement. In this private placement, we issued 1,066,700,000 Shares to some of our then existing shareholders and 1,333,300,000 Shares to the Overseas Investors at a placing price of RMB4.27 per Share. The following table sets forth the relevant information about this private placement:

Subscribing party	Number of subscribed Shares	Consideration (in RMB)
Baosteel Group Corporation (寶鋼集團有限公司)	283,794,295	1,211,801,639.65
Dalian Shide Group Co., Ltd (大連實德集團有限公司)	106,670,000	455,480,900.00
Shenergy (Group) Co., Ltd (申能(集團)有限公司)	676,235,705	2,887,526,460.35
Parallel Investors Holdings Limited and Carlyle Holdings Mauritius Limited	1,333,300,000	5,693,191,000.00

Immediately before the A Share Offering, the registered capital of our Company was RMB6,700,000,000 divided into 6,700,000,000 Shares of par value RMB1.00 each, all of which were held and fully paid up.

Immediately following the completion of the A Share Offering, our registered capital was increased from RMB6,700,000,000 to RMB7,700,000,000, divided into 7,700,000,000 Shares of par value RMB1.00 each.

Immediately before the Global Offering, our registered capital was RMB7,700,000,000.

Immediately following the completion of the Global Offering, our registered capital will be RMB8,483,000,000 (assuming the H Share Over-Allotment Option is not exercised), consisting of 6,298,400,000 A Shares and 2,184,600,000 H Shares, or RMB8,600,000,000 (assuming the H Share Over-Allotment Option is exercised in full), consisting of 6,286,700,000 A Shares and 2,313,300,000 H Shares.

Save as disclosed in this prospectus, there has been no alteration in our registered capital within the two years preceding the date of this prospectus.

C. Resolutions of our Shareholders

Resolutions were passed by our shareholders on 31 August 2009, pursuant to which, among other things, our shareholders:

(a) approved the listing plan of our H Shares, which included, among other things:

   (i) the issue, offering and listing on the Hong Kong Stock Exchange of our H Shares through the Global Offering; and

   (ii) the granting of the H Share Over-Allotment Option; and

(b) authorized the Board to be responsible for implementation of the listing plan of our H Shares approved by the shareholders in all respects.

2. OUR SUBSIDIARIES

A. Investments in subsidiaries

The information pertaining to our subsidiaries are listed in the Accountants' Report set out in Appendix I to this prospectus.

B. Changes in share capital

(a) CPIC Life

CPIC Life was established in the PRC with limited liability on 9 November 2001 with a registered capital of RMB1,000,000,000. On 24 February 2006, CPIC Life increased its registered capital from RMB1,000,000,000 to RMB1,998,000,000. On 7 June 2007, CPIC Life further increased its registered capital from RMB1,998,000,000 to RMB2,300,000,000. After these increases in the registered capital, the shareholders of CPIC Life were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	2,250,000,000	97.83%
2.	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)	12,500,000	0.54%
3.	Shanghai State-Owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	12,500,000	0.54%
4.	Shanghai Tobacco (Group) Corporation (上海煙草(集團)公司)	12,500,000	0.54%
5.	Yunnan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	12,500,000	0.54%
	Total	2,300,000,000	100.00%

On 21 March 2008, our shareholders' meeting resolved to further increase the registered capital of CPIC Life to RMB3,500 million. In this capital increase, all existing shareholders of CPIC Life (including us) may subscribe for, at the same subscription price, such number of shares to be issued by CPIC Life in proportion to their respective holdings in CPIC Life. If any shareholder decides not to subscribe for the shares, the portion such shareholder is entitled to can be subscribed by the remaining shareholders on a pro rata basis.

On 28 March 2008, each existing shareholder of CPIC Life (including us) entered into a share subscription agreement with CPIC Life, respectively, to subscribe for, at the same subscription price, the new shares to be issued by CPIC Life in proportion to their then respective shareholdings in CPIC Life. On 18 June 2008, after Yunnan Hongta Group Co., Ltd. gave up on subscribing for the new shares of CPIC Life, each of Shenergy (Group) Co., Ltd. and us entered into a supplemental share subscription agreement with CPIC Life, respectively, to subscribe for, at the same subscription price, additional number of new shares to be issued by CPIC Life not taken up by Yunnan Hongta Group Co., Ltd. The increase of the registered capital was approved by the CIRC on 30 June 2008 and after such increase, the shareholders of CPIC Life were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	3,430,398,752	98.01%
2.	Shenergy (Group) Co., Ltd (申能(集團)有限公司)	19,057,770	0.54%
3.	Shanghai State-Owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	19,021,739	0.54%
4.	Shanghai Tobacco (Group) Corporation (上海煙草(集團)公司)	19,021,739	0.54%
5.	Yunnan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	12,500,000	0.36%
	Total	3,500,000,000	100.00%

On 31 October 2008, CPIC Life resolved to further increase its registered capital to RMB5,100,000,000. In this capital increase, all existing shareholders of CPIC Life (including us) may subscribe for, at the same subscription price, such number of shares to be issued by CPIC Life in proportion to their then respective shareholdings in CPIC Life. If any shareholder decides not to subscribe for the shares, the portion such shareholder is entitled to can be subscribed for by the remaining shareholders on a pro rata basis.

On 12 November 2008, each of Shenergy (Group) Co., Ltd., Shanghai State-Owned Assets Operation Co., Ltd. and us entered into a share subscription agreement with CPIC Life, respectively, to subscribe for, at the same subscription price, the new shares to be issued by CPIC Life. The increase of the registered capital was approved by the CIRC on 3 December 2008 and as of the Latest Practicable Date, the shareholders of CPIC Life were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	5,012,911,364	98.29%
2.	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)	27,849,506	0.55%
3.	Shanghai State-Owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	27,717,391	0.54%
4.	Shanghai Tobacco (Group) Corporation (上海煙草(集團)公司)	19,021,739	0.37%
5.	Yunnan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	12,500,000	0.25%
	Total	5,100,000,000	100.00%

(b) CPIC Property

CPIC Property was established in the PRC with limited liability on 9 November 2001 with a registered capital of RMB1,000,000,000. On 12 November 2003, CPIC Property increased its registered capital from RMB1,000,000,000 to RMB2,452,000,000. On 30 May 2007, CPIC Property further increased its registered capital from RMB2,452,000,000 to RMB2,688,000,000. After these increases in the registered capital, the shareholders of CPIC Property were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	2,638,000,000	98.14%
2.	Shenergy (Group) Co., Ltd. (申能(集團)有限公司)	12,500,000	0.47%
3.	Shanghai State-Owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	12,500,000	0.47%
4.	Shanghai Tobacco (Group) Corporation (上海煙草(集團)公司)	12,500,000	0.47%
5.	Yunnan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	12,500,000	0.47%
	Total	2,688,000,000	100.00%

On 21 March 2008, our shareholders' meeting resolved to further increase the registered capital of CPIC Property to RMB4,088 million. In this capital increase, all existing shareholders of CPIC Property (including us) may subscribe for, at the same subscription price, such number of shares to be issued by CPIC Property in proportion to their respective holdings in CPIC Property. If any shareholder decides not to subscribe for the shares, the portion such shareholder is entitled to can be subscribed by the remaining shareholders on a pro rata basis.

On 28 March 2008, each existing shareholder of CPIC Property (including us) entered into a share subscription agreement with CPIC Property, respectively, to subscribe for, at the same subscription price, the new shares to be issued by CPIC Property in proportion to their then respective shareholdings in CPIC Property. On 18 June 2008, after Yunnan Hongta Group Co., Ltd. gave up on subscribing for the new shares of CPIC Property, each of Shenergy (Group) Co., Ltd. and us entered into a supplemental share subscription agreement with CPIC Property, respectively, to subscribe for, at the same subscription price, additional number of new shares to be issued by CPIC Property not taken up by Yunnan Hongta Group Co., Ltd. The increase of the registered capital was approved by the CIRC on 30 June 2008 and as of the Latest Practicable Date, the shareholders of CPIC Property were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	4,018,438,049	98.30%
2.	Shenergy (Group) Co., Ltd (申能(集團)股份有限公司)	19,041,119	0.47%
3.	Shanghai State-Owned Assets Operation Co., Ltd. (上海國有資產經營有限公司)	19,010,416	0.47%
4.	Shanghai Tobacco (Group) Corporation (上海煙草(集團)公司)	19,010,416	0.47%
5.	Yunnan Hongta Group Co., Ltd. (雲南紅塔集團有限公司)	12,500,000	0.31%
	Total	4,088,000,000	100.00%

(c) CPIC Asset Management

CPIC Asset Management was established in the PRC with limited liability on 9 June 2006 with a registered capital of RMB200,000,000. On 19 December 2007, CPIC Asset Management increased its registered capital from RMB200,000,000 to RMB500,000,000. As of the Latest Practicable Date, the shareholders of CPIC Asset Management were as follows:

Name		Number of shares held	Approximate percentage of shareholding
1.	CPIC Group (中國太平洋保險(集團)股份有限公司)	400,000,000	80.00%
2.	CPIC Life (中國太平洋人壽保險股份有限公司)	80,000,000	16.00%
3.	CPIC Property (中國太平洋財產保險股份有限公司)	20,000,000	4.00%
	Total	500,000,000	100.00%

(d) CPIC HK

CPIC HK (formerly known as Mandarin Insurance Company Limited) was incorporated in Hong Kong with limited liability on 30 July 1976 and became our wholly-owned subsidiary following our acquisition of Mandarin Insurance Company Limited in 1994. On 22 January 2008, the Board approved to increase the registered capital of CPIC HK from HK$100 million to HK$250 million by creation of an additional capital of HK$150 million, which was issued during the year ended 31 December 2008, for cash at par, to provide for additional working capital. As of the Latest Practicable Date, CPIC HK was our wholly-owned subsidiary.

Save as disclosed in this prospectus, there has been no change in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

3. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus which are or may be material:

(a) the A Share underwriting agreement dated 17 December 2007 entered into between China International Capital Corporation Limited, UBS Securities Co. Limited and our Company in relation to the A Share Offering;

(b) a waiver letter dated 7 January 2008 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company in relation to the waiver by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited, respectively, of their rights under article 12.2 of a share transfer agreement, or the Share Transfer Agreement, dated 14 February 2007 and entered into between Carlyle Holdings Mauritius Limited, Parallel Investors Holdings Limited and our Company in relation to the transfer of the equity shareholding held by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited in CPIC Life to our Company, on and from the date of the proposed listing and commencement of dealing of the H Shares of the Company on the Hong Kong Stock Exchange, together with the Share Transfer Agreement;

(c) an undertaking letter dated 1 February 2008 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company to undertake that they would not transfer 775,316,159 Shares they held in CPIC Group within one year on and from the listing of our H Shares and that the remaining 557,983,841 Shares held by them could only be transferred on or after 30 April 2010, provided that the listing date were prior to 31 July 2008 and all of the Shares held by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited were converted into H Shares;

(d) a share subscription agreement dated 28 March 2008 entered into between CPIC Property and our Company in relation to the subscription by our Company of 1,373,958,336 new shares to be issued by CPIC Property for a total consideration of RMB2,747,916,672;

(e) a share subscription agreement dated 28 March 2008 entered into between CPIC Property and Shanghai State-Owned Assets Operation Co., Ltd. in relation to the subscription by Shanghai State-Owned Assets Operation Co., Ltd. of 6,510,416 new shares to be issued by CPIC Property for a total consideration of RMB13,020,832;

(f) a share subscription agreement dated 28 March 2008 entered into between CPIC Property and Shenergy (Group) Co., Ltd. in relation to the subscription by Shenergy (Group) Co., Ltd. of 6,510,416 new shares to be issued by CPIC Property for a total consideration of RMB13,020,832;

(g) a share subscription agreement dated 28 March 2008 entered into between CPIC Property and Shanghai Tobacco (Group) Corporation in relation to the subscription by Shanghai Tobacco (Group) Corporation of 6,510,416 new shares to be issued by CPIC Property for a total consideration of RMB13,020,832;

(h) a share subscription agreement dated 28 March 2008 entered into between CPIC Property and Yunnan Hongta Group Co., Ltd. in relation to the subscription by Yunnan Hongta Group Co., Ltd. of 6,510,416 new shares to be issued by CPIC Property for a total consideration of RMB13,020,832;

(i) a share subscription agreement dated 28 March 2008 entered into between CPIC Life and our Company in relation to the subscription by our Company of 1,173,913,044 new shares to be issued by CPIC Life for a total consideration of RMB5,869,565,220;

(j) a share subscription agreement dated 28 March 2008 entered into between CPIC Life and Shanghai State-Owned Assets Operation Co., Ltd. in relation to the subscription by Shanghai State-Owned Assets Operation Co., Ltd. of 6,521,739 new shares to be issued by CPIC Life for a total consideration of RMB32,608,695;

(k) a share subscription agreement dated 28 March 2008 entered into between CPIC Life and Shenergy (Group) Co., Ltd. in relation to the subscription by Shenergy (Group) Co., Ltd. of 6,521,739 new shares to be issued by CPIC Life for a total consideration of RMB32,608,695;

(l) a share subscription agreement dated 28 March 2008 entered into between CPIC Life and Shanghai Tobacco (Group) Corporation in relation to the subscription by Shanghai

Tobacco (Group) Corporation of 6,521,739 new shares to be issued by CPIC Life for a total consideration of RMB32,608,695;

(m) a share subscription agreement dated 28 March 2008 entered into between CPIC Life and Yunnan Hongta Group Co., Ltd. in relation to the subscription by Yunnan Hongta Group Co., Ltd. of 6,521,739 new shares to be issued by CPIC Life for a total consideration of RMB32,608,695;

(n) a supplemental share subscription agreement dated 18 June 2008 entered into between CPIC Property and our Company in relation to the subscription by our Company of 6,479,713 new shares to be issued by CPIC Property not taken up by Yunnan Hongta Group Co., Ltd. for a total consideration of RMB12,959,426;

(o) a supplemental share subscription agreement dated 18 June 2008 entered into between CPIC Property and Shenergy (Group) Co., Ltd. in relation to the subscription by Shenergy (Group) Co., Ltd. of 30,703 new shares to be issued by CPIC Property not taken up by Yunnan Hongta Group Co., Ltd. for a total consideration of RMB61,406;

(p) a supplemental share subscription agreement dated 18 June 2008 entered into between CPIC Life and our Company in relation to the subscription by our Company of 6,485,708 new shares to be issued by CPIC Life not taken up by Yunnan Hongta Group Co., Ltd. for a total consideration of RMB32,428,540;

(q) a supplemental share subscription agreement dated 18 June 2008 entered into between CPIC Life and Shenergy (Group) Co., Ltd. in relation to the subscription by Shenergy (Group) Co., Ltd. of 36,031 new shares to be issued by CPIC Life not taken up by Yunnan Hongta Group Co., Ltd. for a total consideration of RMB180,155;

(r) a share subscription agreement dated 12 November 2008 entered into between CPIC Life and our Company in relation to the subscription by our Company of 1,582,512,612 new shares to be issued by CPIC Life for a total consideration of RMB7,912,563,060;

(s) a share subscription agreement dated 12 November 2008 entered into between CPIC Life and Shenergy (Group) Co., Ltd. in relation to the subscription by Shenergy (Group) Co., Ltd. of 8,791,736 new shares to be issued by CPIC Life for a total consideration of RMB43,958,680;

(t) a share subscription agreement dated 12 November 2008 entered into between CPIC Life and Shanghai State-Owned Assets Operation Co., Ltd. in relation to the subscription by Shanghai State-Owned Assets Operation Co., Ltd. of 8,695,652 new shares to be issued by CPIC Life for a total consideration of RMB43,478,260;

(u) a share transfer agreement dated 30 April 2009 entered into between CPIC Life and Shanghai International Group Co., Ltd. in relation to the transfer by Shanghai International Group Co., Ltd. to CPIC Life of 113,500,000 shares of Changjiang Pension for a total consideration of RMB170,250,000;

(v) a share subscription agreement dated 30 April 2009 entered into between CPIC Life and Changjiang Pension in relation to the subscription by CPIC Life of 218,609,889 new shares to be issued by Changjiang Pension or a total consideration of RMB327,914,833.50;

(w) a waiver letter dated 9 November 2009 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company in relation to the waiver by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited, respectively, of their rights under article 12.2 of the Share Transfer Agreement on and from the date of the waiver letter;

(x) an undertaking letter dated 9 November 2009 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company to undertake that, upon completion of the Global Offering, they would not transfer their H Shares (convertible from A Shares and excluding such number of H Shares being sold in the Global Offering) within one year from the Listing Date;

(y) a cornerstone investment agreement dated 2 December 2009 entered into between Mitsui Sumitomo Insurance Co., Limited, the Joint Bookrunners and our Company, pursuant to which Mitsui Sumitomo Insurance Co., Limited has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$65 million, rounded down to the nearest whole board lot, at the agreed exchange rate;

(z) a cornerstone investment agreement dated 2 December 2009 entered into between Mr. Lo Yuk Sui, H.P. Nominees Limited, Honormate Nominees Limited, the Joint Bookrunners and our Company, pursuant to which Mr. Lo Yuk Sui, H.P. Nominees Limited, Honormate Nominees Limited have agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot, at the agreed exchange rate;

(aa) a cornerstone investment agreement dated 3 December 2009 entered into between Allianz Finance II Luxembourg S.a.r.l., the Joint Bookrunners and our Company, pursuant to which Allianz Finance II Luxembourg S.a.r.l. has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$150 million, rounded down to the nearest whole board lot, at the agreed exchange rate;

(bb) a cornerstone investment agreement dated 4 December 2009 entered into between China Overseas Finance Investment Limited, the Joint Bookrunners and our Company, pursuant to which China Overseas Finance Investment Limited has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot, at the agreed exchange rate;

(cc) a cornerstone investment agreement dated 4 December 2009 entered into between World Prosper Limited, Progress Investment Management Company (BVI) Limited, Dah Sing Financial Holdings Limited, Mr. David Shou-Yeh Wong, the Joint Bookrunners and our Company, pursuant to which World Prosper Limited and Progress Investment Management Company (BVI) Limited have agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$30 million, rounded down to the nearest whole board lot, at the agreed exchange rate;

(dd) a cornerstone investment agreement dated 5 December 2009 entered into between Ceroilfood Finance Limited, the Joint Bookrunners and our Company, pursuant to which Ceroilfood Finance Limited has agreed to subscribe at the Offer Price for such number of Offer Shares that may be purchased with US$50 million, rounded down to the nearest whole board lot, at the agreed exchange rate; and

(ee) the Hong Kong Underwriting Agreement dated 9 December 2009 entered into between Hong Kong Underwriters, the Joint Lead Managers and our Company in relation to the Hong Kong Public Offering, further details of which are set out in the section headed "Underwriting — Hong Kong Underwriting Agreement".

B. Our intellectual property rights

As at the Latest Practicable Date, we had registered the following trademarks in the PRC and Hong Kong:

Intellectual Property	Expiry date	Class	Registration number	Area
	6 March 2017	36	959939	PRC
	13 March 2015	36	779397	PRC
CPIC	6 March 2017	36	959928	PRC
中國太平洋保險公司	27 April 2017	36	995984	PRC
中國太平洋保險公司 CHINA PACIFIC INSURANCE COMPANY LIMITED	6 March 2017	36	959936	PRC
	27 April 2017	36	995985	PRC
太平盛世	6 April 2013	36	1986887	PRC
太平洋保险保太平	6 April 2013	36	1986888	PRC
平时注入一滴水 难时拥有太平洋	13 May 2013	36	1986886	PRC
神行车保，保车神行	20 January 2015	36	3450719	PRC
神行太保	27 April 2015	36	3509657	PRC
车保神行	27 April 2015	36	3509658	PRC

Intellectual Property	Expiry date	Class	Registration number	Area
	6 October 2017	9	4476911	PRC
学有所成	13 May 2016	36	3858884	PRC
喜洋洋	13 May 2016	36	3858885	PRC
睿恒	13 May 2016	36	3858887	PRC
任我行 选择任我行 行程称我心	6 November 2016	36	3858890	PRC
世纪行 一旦拥有 全程无忧	20 February 2017	36	3858894	PRC
康怡一生 健康相随、阳光一生	6 November 2016	36	3858899	PRC
太平盛世 太平盛世 盛世太平	13 May 2016	36	3858906	PRC
	19 March 2016	35 and 36	300602793	Hong Kong
合家欢 用心保安宁 家合万事兴	27 August 2018	36	4429698	PRC
从容岁月 安稳生活 从容不迫	27 August 2018	36	4429699	PRC

Intellectual Property	Expiry date	Class	Registration number	Area
宝安康 宝宝明天 健康为先	27 August 2018	36	4429701	PRC
太平如意卡 如意生活 轻松把握	27 September 2018	36	4429697	PRC
太平吉祥卡 坦然全家乐 吉祥好生活	27 September 2018	36	4429700	PRC
红利发 理财好持家◆最爱红利发	20 November 2018	36	4429702	PRC
住院安心 分担费用 安心住院	13 December 2018	36	4429706	PRC
老来福	20 April 2019	36	3858888	PRC
太平盛世 长寿养老 安享晚景无忧	06 April 2019	36	3858900	PRC
太平盛世 长泰安康 安心享受生活	06 April 2019	36	3858901	PRC
太平盛世 长顺安全 安全完美人生	06 April 2019	36	3858902	PRC
太平盛世 长健医疗 保障生命辉煌	06 April 2019	36	3858904	PRC
[illegible]	06 April 2019	36	3858907	PRC

Intellectual Property	Expiry date	Class	Registration number	Area
	06 April 2019	36	3858909	PRC

In addition to the above, applications for registration of 17 trademarks under various classes have been submitted by us to the PRC State Trademark Bureau and the Trademarks Registry of the Government of the Hong Kong Special Administrative Region.

As at the Latest Practicable Date, we licensed Pacific-Antai to use our following registered trademark within the PRC. The license will be terminated automatically when we hold, directly or indirectly, less than a 50% interest in Pacific-Antai. In addition, we have the right to terminate the license at any time by sending a written notice to Pacific-Antai.

Intellectual Property	Class	Registration number	Area
	36	779397	PRC

As at the Latest Practicable Date, we had obtained registration of the following material domain names and internet keywords (通用網址):

Domain name	Period of validity
cpic.com.cn	12 June 1997 to 1 July 2012
95500.cn	17 March 2003 to 17 March 2012
e-cpic.com	14 August 2002 to 14 August 2011
95500.com.cn	5 December 2002 to 5 December 2012
太平洋保险.cn	6 August 2003 to 6 August 2013
太平洋保險.cn	6 August 2003 to 6 August 2013
太平洋保险.中国	6 August 2003 to 6 August 2013
太平洋保險.中国	6 August 2003 to 6 August 2013
太平洋寿险.cn	6 August 2003 to 6 August 2013
太平洋壽險.cn	6 August 2003 to 6 August 2013
太平洋寿险.中国	6 August 2003 to 6 August 2013
太平洋壽險.中国	6 August 2003 to 6 August 2013
太平洋产险.cn	6 August 2003 to 6 August 2013
太平洋產險.cn	6 August 2003 to 6 August 2013
太平洋产险.中国	6 August 2003 to 6 August 2013
太平洋產險.中国	6 August 2003 to 6 August 2013
cpic.com.hk	not applicable

Internet Keyword (通用網址)	Period of validity
太平洋保险	9 December 2001 to 9 June 2010
太保	9 December 2001 to 9 June 2010
95500	25 May 2007 to 25 May 2010
太保网	25 May 2007 to 25 May 2010
太平洋保险集团	25 May 2007 to 25 May 2010
太平洋产险	25 May 2007 to 25 May 2010
太平洋寿险	25 May 2007 to 25 May 2010
taibao	25 May 2007 to 25 May 2010
太平洋保險	25 May 2007 to 25 May 2010
太保網	25 May 2007 to 25 May 2010
太平洋保險集團	25 May 2007 to 25 May 2010
太平洋產險	25 May 2007 to 25 May 2010
太平洋壽險	25 May 2007 to 25 May 2010

4. DISCLOSURE OF INTERESTS

A. Particulars of Directors' and Supervisors' service contracts

None of our Directors or Supervisors has or is proposed to have a service contract with any member of us (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

B. Directors' and Supervisors' remuneration

The aggregate remuneration paid and benefits in kind granted to our Directors and our Supervisors for the year ended 31 December 2008 were approximately RMB6.69 million and RMB2.91 million, respectively.

Under the existing arrangements currently in force, the aggregate remuneration payable to and benefits in kind received by our Directors and Supervisors for the year ending 31 December 2009 is estimated to be approximately RMB7.9 million and RMB3.3 million, respectively.

C. Directors' and Supervisors' Interests and short positions in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering, without taking into account any H shares which may be issued and allotted pursuant to the exercise of the H Share Over-Allotment Option, the interests or short positions of our Directors, chief executives or Supervisors in our Shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our H Shares are listed on the Hong Kong

Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they also applied to our Supervisors) will be as follows:

Name	Type of Interest	Number of Shares
GAO Guofu (Director)	Direct holding	10,200 A Shares
HUO Lianhong (Director)	Direct holding	9,000 A Shares
Song Junxiang (Supervisor)	Direct holding	6,200 A Shares

Save as disclosed above, none of our Directors, chief executive or Supervisors will have any interest or short position in our Shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they also applied to our Supervisors.

D. Substantial shareholder and persons who have an interest or short position disclosable under Division 2 and 3 of Part XV of the SFO

So far as our Directors are aware, the following persons will (excluding us), immediately following the completion of the Global Offering and assuming that the H Share Over-Allotment Option is not exercised, have an interest or short position in the Shares or underlying Shares of our Company which shall be disclosed to or by us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or control directly or indirectly or are entitled to exercise, or control the exercise of, 10% or more of our total issued share capital without taking into account the H Shares which may be issued upon the exercise of the H Share Over-Allotment Option:

Name of interested party	Capacity	Number and class of shares in which the interested party has or is deemed to be interested in	Approximate percentage of shareholding in the relevant class of shares	Approximate percentage of shareholding in the registered capital of the Company
Baosteel Group Corporation[1] (寶鋼集團有限公司)	Beneficial interest	1,410,905,708 A Shares	22.40%	16.63%
Fortune Investment Co., Ltd. (華寶投資有限公司)	Interest of controlled corporation	1,316,808,631 A Shares	20.91%	15.52%
Shenergy Group Co., Ltd. (申能(集團)有限公司)	Beneficial interest	1,256,113,290 A Shares	19.94%	14.81%
Carlyle Holdings Mauritius Limited	Beneficial interest	279,403,498 H Shares	12.79%	3.29%
Carlyle Asia Partners, L.P.[2]	Interest in controlled corporation	279,403,498 H Shares	12.79%	3.29%
Parallel Investors Holdings Limited	Beneficial Interest	1,043,896,502 H Shares	47.78%	12.31%

Name of interested party	Capacity	Number and class of shares in which the interested party has or is deemed to be interested in	Approximate percentage of shareholding in the relevant class of shares	Approximate percentage of shareholding in the registered capital of the Company
Carlyle CPL Partners I, L.P.[(3)]	Interest in controlled corporation	1,043,896,502 H Shares	47.78%	12.31%
Carlyle Asia Ltd.[(4)]	General partner	1,323,300,000 H Shares	60.57%	15.60%
TC Group Cayman Investment Holdings, LP[(4)]	Interest in controlled corporation	1,323,300,000 H Shares	60.57%	15.60%
TCG Holdings Cayman II, L.P.[(4)]	General partner	1,323,300,000 H Shares	60.57%	15.60%
Carlyle Offshore Partners II, Limited[(4)]	General partner	1,323,300,000 H Shares	60.57%	15.60%
Shanghai State-Owned Assets Operation Co., Ltd.[(5)] (上海國有資產經營有限公司)	Beneficial interest	468,702,309 A Shares	7.44%	5.53%
Shanghai Tobacco (Group) Corporation[(6)] (上海煙草(集團)公司)	Beneficial interest	479,652,457 A Shares	7.62%	5.65%

(1) Baosteel Group Corporation directly holds 70,561,579 A Shares in our Company and is deemed to be interested in 1,316,808,631 A Shares held by its wholly-owned subsidiary Fortune Investment Co., Ltd., 18,622,033 A Shares held by its subsidiary Fortune Trust Investment Co., Ltd. and 4,913,465 A Shares held by Xinjiang Bayi Iron & Steel Co., Ltd.

(2) Carlyle Asia Partners, L.P. is deemed to be interested in the Shares held by Carlyle Holdings Mauritius Limited, a company 100% owned and controlled by Carlyle Asia Partners, L.P.

(3) Carlyle CPL Partners I, L.P. is the legal and beneficial owner of 76.99% of the issued and paid up share capital of Parallel Investors Holdings Limited and is deemed to be interested in the Shares held by Parallel Investors Holdings Limited.

(4) Carlyle Asia Ltd. is deemed to be interested in the Shares in the capacity as the general partner of Carlyle Asia Partners, L.P., Carlyle CPL Partners I, L.P. and Carlyle CPL Partners II, L.P. (which is the legal and beneficial owner of 12.68% of the issued and paid up share capital of Parallel Investors Holdings Limited). TC Group Cayman Investment Holdings, LP is deemed to be interested in the deemed interests of Carlyle Asia Ltd., a company 100% owned, controlled and managed by TC Group Cayman Investment Holdings, LP. TCG Holdings Cayman II, L.P. is deemed to be interested in the deemed interests of TC Group Cayman Investment Holdings, LP in the capacity as the general partner of TC Group Cayman Investment Holdings, LP. Carlyle Offshore Partners II, Limited is deemed to be interested in the deemed interests of TCG Holdings Cayman II, L.P. in the capacity as the general partner of TCG Holdings Cayman II, L.P.

(5) Shanghai State-Owned Assets Operation Co., Ltd. directly holds 434,841,650 A Shares in our Company and is deemed to be interested in the 33,860,653 A Shares held by its wholly-owned subsidiary Shanghai Guoxin Investment Development Co., Ltd.

(6) Shanghai Tobacco (Group) Corporation directly holds 432,384,924 A Shares in our Company and is deemed to be interested in the 47,267,534 A Shares held by its wholly-owned subsidiary Shanghai Tobacco Industry Printing Factory.

(7) Please refer to the section headed "Information About This Prospectus and the Global Offering — Certain Matters Relating to the Hong Kong Public Offering — Application for Listing on the Hong Kong Stock Exchange".

So far as our Directors are aware, the following parties (other than us) will, immediately following the completion of the Global Offering and assuming that the H Share Over-Allotment

Option is not exercised, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any subsidiary of the CPIC Group:

Name of interested party	Name of subsidiary	Approximate percentage of shareholding
Jiaxing City Association for Quality and Safety Management of Construction Projects (嘉興市建設工程質量安全管理協會)	Jiaxing Taibao Insurance Agency Co., Ltd. (嘉興泰寶保險代理有限責任公司)	10.00%
Jiaxing City Road Transportation Association (嘉興市道路運輸協會)	Jiaxing Taibao Insurance Agency Co., Ltd. (嘉興泰寶保險代理有限責任公司)	10.00%

Save as disclosed in this prospectus, but not taking into account any H Shares which may be taken up under the Global Offering, our Directors are not aware of any legal person or individual (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, have any interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the CPIC Group.

E. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

(a) none of our Directors or Supervisors nor any of the parties listed in paragraph 5E of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(b) none of our Directors or Supervisors nor any of the parties listed in paragraph 5E of this Appendix was materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business;

(c) save in connection with the Hong Kong Underwriting Agreement and the International Purchase Agreement, none of the parties listed in paragraph 5E of this Appendix: (i) was interested legally or beneficially in any Shares or any shares in any of our subsidiaries; or (ii) had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities;

(d) none of our Directors or Supervisors or their associates or any shareholders of our Company who to the knowledge of the Directors owns more than 5% of our issued share capital had any interest in the top five business customers of our Company; and

(e) none of our Directors or Supervisors was a director or employee of a company which has an interest in the share capital of the Company, which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Division 2 and 3 of Part XV of the SFO.

5. OTHER INFORMATION

A. Estate Duty

We have been advised that no liability for estate duty is likely to fall on us or any of our subsidiaries under PRC law.

B. Litigation

Save as disclosed in this prospectus, we are not aware of engaged in any litigation or arbitration of material importance, and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

Save as disclosed in this prospectus, all of the Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

D. Preliminary expenses

Our estimated preliminary expenses are approximately RMB200,000 and are payable by us.

E. Qualification of experts

The qualifications of the experts (as defined under the Hong Kong Listing Rules and the Hong Kong Companies Ordinance) who have given opinions in this prospectus are as follows:

Name	Qualification
UBS AG, Hong Kong Branch	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Credit Suisse (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) , type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified public accountants, Hong Kong
Jones Lang LaSalle Sallmanns Limited	Property valuers
King & Wood PRC Lawyers	PRC legal advisers
Towers, Perrin, Forster & Crosby, Inc.	Actuarial Consultants

F. No material adverse change

Save as disclosed in this prospectus, our Directors believe that there has been no material adverse change in our financial or trading position since 30 June 2009.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

H. Agency fees or commissions paid

In connection with our A Share Offering, we paid the A Share underwriters underwriting commission in the amount of approximately RMB930 million.

I. Miscellaneous

(a) Save as disclosed in this prospectus and as at the Latest Practicable Date:

(i) within the two years preceding the date of this prospectus, we had not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries was under option or is agreed conditionally or unconditionally to be put under option;

(iii) we had not issued nor agreed to issue any founder shares, management shares or deferred shares;

(iv) none of the equity and debt securities of our Company was listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(v) we had no outstanding convertible debt securities or debentures;

(vi) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages fee or other special terms had been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries;

(vii) within the two years preceding the date of this prospectus, no commission had been paid or payable (except commissions to Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any H Shares in the Company;

(viii) there were no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(ix) there were no arrangements under which future dividends are waived or agreed to be waived;

(x) there had been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(xi) there were no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(xii) there was no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments during the current financial year; and

(xiii) within the three financial years immediately preceding the date of this prospectus, no emoluments were paid by the Group to any Directors as inducement to join or upon joining, or as compensation for loss of office.

(b) We currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-foreign Joint Venture Law.

J. Consents

Each of the Joint Sponsors, Ernst & Young as our independent reporting accountants, Towers, Perrin, Forster & Crosby, Inc. as our consulting actuaries, Jones Lang LaSalle Sallmanns Limited as our property valuer, and King & Wood PRC Lawyers as our legal advisers on PRC law, have given and have not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

K. Promoters

The Promoters are Shanghai Shenergy Group Co., Ltd., Shanghai State-owned Assets Operation Company, Yunnan Hongta Industrial Co., Ltd., Shanghai Jiushi Corporation and Shanghai Pudong Land Development (Holding) Company. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the Promoters named above.

L. The Selling Shareholders

An aggregate of 78,300,000 Sale Shares are to be sold by the Selling Shareholders (subject to the H Share Over-Allotment Option). Particulars of the Selling Shareholders who will be selling shares in the International Offering are as follows:

- Fortune Investment Co., Ltd., a company incorporated in the PRC whose registered office is at 4th Floor, No. 370 Pudian Road, Pudong New Area, Shanghai;
- Baosteel Group Corporation, a company incorporated in the PRC whose registered office is at No. 370 Pudian Road, Pudong New Area, Shanghai;
- Fortune Trust Co., Ltd., a company incorporated in the PRC whose registered office is at Baosteel International Trade Tower, No. 370 Pudian Road, Pudong New Area, Shanghai;
- Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd., a company incorporated in the PRC whose registered office is at Bayi Road, Tou Tun He Area, Urumchi;
- Shenergy (Group) Co., Ltd., a company incorporated in the PRC whose registered office is at 10th Floor, No. 958 Lujiazui Ring Road, Pudong New Area, Shanghai;
- Shanghai State-owned Assets Operation Co., Ltd., a company incorporated in the PRC whose registered office is at Room 103A, No 1, Building 1, 275 Huatuo Road, Shanghai;
- Shanghai Guoxin Investment Development Co., Ltd., a company incorporated in the PRC whose registered office is at Room 101A, No 1, Building 1, Lane 275 Huatuo Road, Pudong New Area, Shanghai;
- Shanghai Tobacco (Group) Corporation, a company incorporated in the PRC whose registered office is at No. 1062 Xuchang Road, Shanghai;
- Shanghai Tobacco Package Printing Co., Ltd., a company incorporated in the PRC whose registered office is at No. 3939 North Zhangyang Road, Pudong New Area, Shanghai;

- Shanghai Lu'an Investment Co., Ltd., a company incorporated in the PRC whose registered office is at No. 2, Lane 438 Ningguo Road, Yangpu Area, Shanghai;
- Shanghai Jiushi Corporation, a company incorporated in the PRC whose registered office is at No. 28 South Zhongshan Road, Shanghai;
- Yunnan Hongta Group Co., Ltd., a company incorporated in the PRC whose registered office is at No. 118 Hongta Boulevard, Yuxi City, Yunnan Province;
- Parallel Investors Holdings Limited, a company incorporated in Mauritius whose registered office is at P.O. Box 799, 10, Frère Félix de Valois Street, Port Louis, Mauritius; and
- Carlyle Holdings Mauritius Limited, a company incorporated in Mauritius whose registered office is at P.O. Box 799, 10, Frère Félix de Valois Street, Port Louis, Mauritius.

M. Exemptions from Hong Kong Companies Ordinance provisions and parallel rules under the Hong Kong Listing Rules

(a) Property Valuation Report

We have applied for the following waivers from the Hong Kong Stock Exchange and exemption from the SFC in respect of the disclosure of certain particulars of our properties in the property valuation report in this prospectus, as set forth in Appendix V to this prospectus:

- with respect to the format and contents of the property valuation report, a waiver from strict compliance with Rule 5.01 and Rule 5.06 and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and an exemption from the SFC from strict compliance with paragraph 34(2) of the Third Schedule to the Companies Ordinance on the grounds that (i) it would be unduly burdensome to include the full valuation report in this prospectus in full compliance with the relevant requirements and (ii) taking into account the nature of the Company's business, it would be of little relevance and assistance to potential investors to include the level of details on each property in this prospectus in full compliance with the relevant requirements. A summary of the valuation report is included in the prospectus and the full valuation report (in Chinese) complying with the requirements of the Hong Kong Listing Rules and the Companies Ordinance will be available for inspection; and
- a waiver from strict compliance with Rule19A.27(4) of the Hong Kong Listing Rules so that no certified English translation of the full valuation report will be required to be made available for inspection on the grounds that (i) it would be unduly burdensome to prepare an English translation of the valuation report, as substantially all of the properties are located in the PRC and consequently the underlying valuation and title information is in Chinese and (ii) the provision of such report in English Language would be of little relevance to potential investors in an insurance company.

The exemption is granted by the SFC under Section 342A(I) of the Hong Kong Companies Ordinance subject to the following conditions:

(a) a valuation report in the Chinese language complying with all the requirements of paragraph 34 of the Third Schedule be made available for inspection in accordance with paragraph 2 in Appendix XI to this prospectus;

(b) the valuer's letter and the valuer's certificate containing a summary valuation of all of our property interests be included in this prospectus, such summary to be prepared based on the full valuation report and be in the same form as that set out in Appendix V to this prospectus; and

(c) this prospectus shall set out particulars of this exemption.

The waiver has been granted by the Hong Kong Stock Exchange from Rules 5.01, 5.06 and 19A.27(4) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, subject to the following conditions:

(a) the full valuation report (which will be prepared in the Chinese language only), containing description and values of all the properties and complying with all the requirements under the Hong Kong Listing Rules and paragraph 34 of the Third Schedule to the Hong Kong Companies Ordinance, will be made available for public inspection;

(b) a summary valuation report of all of our property interests in abbreviated form and divided into subgroups prepared on the basis of the full valuation report is included in Appendix V to this prospectus; and

(c) we obtain a Certificate of Exemption from the SFC in relation to compliance with relevant requirements under the Companies Ordinance.

Our Directors are of the view that the exemption and waiver granted by the SFC and the Hong Kong Stock Exchange, respectively, will not prejudice the interests of potential investors.

(b) Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

N. Compliance Adviser

Our Company will appoint UBS as our compliance adviser upon listing in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in Appendix X to this prospectus;

(c) a copy of each of the material contracts referred to in Appendix X to this prospectus;

(d) a copy of the Statement of Adjustments prepared by Ernst & Young; and

(e) a list of the names, addresses and descriptions of the Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Company's Articles of Association;

(b) the accountants' report together with the Statement of Adjustments prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the audited accounts of companies comprising CPIC Group for each of the years ended 31 December 2006, 2007 and 2008 and for the six months ended 30 June 2009;

(d) the unaudited interim financial report reviewed by Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit forecast of our Company, the texts of which are set out in Appendix III to this prospectus;

(f) the letter relating to the unaudited pro forma financial information, the text of which is set out in Appendix IV to this prospectus;

(g) the letter and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix V, and the full valuation report in the Chinese prepared by Jones Lang LaSalle Sallmanns Limited referred to in Appendix V to this prospectus;

(h) the actuarial report prepared by Towers Perrin in relation to the group embedded value of CPIC Group referred to in Appendix VI to this prospectus;

(i) the material contracts referred to in Appendix X to this prospectus;

(j) the written consents referred to in Appendix X to this prospectus;

(k) the service contracts referred to in Appendix X to this prospectus;

(l) a list of the names, addresses and descriptions of the Selling Shareholders;

(m) the PRC Securities Law, together with an unofficial English translation;

(n) the PRC Company Law, together with an unofficial English translation;

(o) the PRC Insurance Law, together with an unofficial English translation;

(p) the Mandatory Provisions, together with an unofficial English translation;

(q) the Special Regulations, together with an unofficial English translation;

(r) the Provisional Regulations Concerning the Issue and Trading of Shares (22 April 1993), together with an unofficial English translation;

(s) the Provisional Measures Prohibiting Fraudulent Conduct Relating to Securities (2 September 1993), together with an unofficial English translation;

(t) the Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (25 December 1995), together with an unofficial English translation;

(u) the Arbitration Law of the PRC promulgated by the Standing Committee of the NPC on 31 August 1994 and effective on 1 September 1995, together with an unofficial English translation;

(v) the Civil Procedure Law of the PRC adopted at the fourth meeting of the seventh NPC, promulgated by the president of the PRC on 9 April 1991, together with an unofficial English translation;

(w) the Directive Opinion Regarding Establishment of Independent Director System for Listed Companies issued by the CSRC on 16 August 2001, together with an unofficial English translation;

(x) the Shanghai Listing Rules, together with an unofficial English translation; and

(y) the PRC legal opinion issued by King & Wood PRC Lawyers, the legal advisers to our Company on PRC law, dated 10 December 2009.

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