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中國太平洋保險（集團）股份有限公司

**CHINA PACIFIC INSURANCE (GROUP) CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02601)**

## **Announcement of Audited Annual Results**

**For the year ended 31 December 2012**

### **Chairman Statement**

Looking back to 2012, we continued to promote and realize our objective of sustainable value growth by focusing on value creation and sustainable development. Despite the significant slowdown of the industrial growth and the sluggish capital market, the Group maintained growth in overall corporate value. In 2012, the Group realized gross written premiums of RMB163.228 billion, representing a YOY increase of 5.3%. The embedded value of the Group amounted to RMB135.280 billion, representing an increase of 19.1% as compared with the end of the previous year. Net assets of the Group<sup>1</sup> amounted to RMB96.177 billion, representing an increase of 25.2% as compared with the end of the previous year. The solvency ratio of the Group amounted to 312%, representing an increase of 28pt as compared with the end of the previous year. The new business value of life insurance amounted to RMB7.060 billion, representing a YOY increase of 5.2%. The combined ratio of property and casualty insurance was 95.8%, representing a YOY increase of 2.7pt. The growth rate of

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<sup>1</sup> Based on the amount attributable to the shareholders of the Company.

investments' net asset value was 5.5%, representing a YOY increase of 4.3pt.

From the perspective of the general industry, the development of traditional insurance business was exposed to challenges due to the grim changes in internal and external environments. As such, we maintained our development strategy of focusing on increasing the value of our major insurance businesses and promoted transformation of development based on customer demands in order to create opportunities for our future development. In 2012, the Company took a number of initiatives in transformation, including the placing of H shares and establishment of a professional health insurance company. We believe that such measures will become a new driving force for the continuous development of the Company to maintain the steady and healthy development in its business and achieve a sustainable development in the company value under competitive market conditions.

#### **I. Focusing on the capacity of value creation**

##### **(I) Achieving a continuous growth in the new business value by adopting strategies focusing on the development of agency channels and regular premium businesses for life insurance**

**Prosperous development in agency channels was the major driving force for the growth in the new business value.** In 2012, premiums from new policies through agency channels amounted to RMB11.752 billion, representing a YOY increase of 8.6%. The new business value through agency channels amounted to RMB5.558 billion, representing a YOY increase of 9.4%, which accounted for 78.7% of the total new business value, representing a YOY increase of 3.0pt. The steady growth of new policies through agency channels was attributable to the healthy growth in manpower and enhancing productivity. The Company maintained the scale of manpower and optimized the manpower structure by increasing the proportion of outstanding agents. Furthermore, through innovating sales modes and strengthening basic management, the sales capability of our agents improved. The monthly average agent productivity recorded a YOY increase of 11.7%.

**Enhancement of regular premium business was another important factor for the growth in the new business value.** Through the implementation of strategies focusing on regular premium business, the Company continued to optimize its business structure. The ratio of gross premiums from regular premium business of 2012

amounted to 76.3%, representing a YOY increase of 9.2pt. Premiums from regular premium business attributed to 40.6% of the premiums from new policies, representing a YOY increase of 6.0pt. Premiums from new regular premium business through the agency channels amounted to RMB10.980 billion, representing a YOY increase of 9.1%. The Company transformed the model of Bancassurance in order to achieve value growth and launched high value regular premium products, realizing premiums of RMB1.006 billion, representing a YOY increase of 204.8%.

**(II) The Group improved underwriting profitability by focusing on the development quality of property and casualty insurance**

Under the influence of the slowdown of economic growth, market competition and increasing claim handling cost, the combined ratio of property and casualty insurance of 2012 increased. The Company strived to consolidate its leading position in the industry by maintaining a stable combined ratio and growing along with the industry. Premium from property and casualty insurance amounted to RMB69.697 billion, representing a YOY increase of 13.0%. The combined ratio was 95.8%, representing a YOY increase of 2.7pt.

In 2012, the Company strengthened the specialized establishment of channels and management of policy renewals to maintain healthy business growth. In addition, premium from specialized channels such as car dealership, telemarketing, cross-selling and bancassurance businesses recorded rapid growth with an increase in ratio to the premium. As the Company continued to improve its policy renewal management system, the renewal rate of commercial vehicle insurance increased to 61.9%.

**(III) The Group emphasized on the growth in net investment assets in strict compliance with the principles of asset and liability management**

As at 31 December 2012, the total investment assets amounted to RMB627.328 billion, representing an increase of 20.1% as compared with the end of the previous year. The growth rate of investments' net asset value was 5.5%, representing a YOY increase of 4.3pt. For fixed income investments, we grasped the opportunity arising from the high interest rate during the period to increase the allocation of fixed income investments with high yield. As such, the net investment yield was further enhanced. For equity investment, we increased the investment in blue chips with long-term investment potential and stable dividend distribution. The adjustment of equity asset structure achieved positive results during the year.

## **II. Strategic measures to promote the development of major insurance business**

### **(I) The Company pushed forward the “customer demand-oriented” transformation and developed innovative commercial operating mode for customers**

We pushed forward the customer demand-oriented transformation of business strategically to seize future business opportunities. The transformation achieved preliminary success in 2012. **Firstly, we supported the application of new technologies to enhance customers’ experience.** “Shen Xing Tai Bao” (“神行太保”), a smart mobile insurance platform for life insurance has been widely used by all units above branch level. The application and promotion of the “3G Claim Management System” for property insurance effectively enhanced the efficiency of assessment by loss adjustor. **Secondly, we promoted the sharing of customer resources among the Group to achieve synergy effects.** Online companies were established for the integration of telephone and online marketing of insurance business. **Thirdly, we established a large customer database to provide customers with products and service to better suit their needs.** We implemented precise marketing, increased renewal rate of car insurance policies and provided products exclusively for small and medium enterprises so as to expand customer resources and values.

### **(II) Capital strength was significantly improved by the successful completion of H share placing**

In 2012, we captured the favourable opportunity and issued 462 million additional new H shares in a private placing, raising proceeds of HKD10.395 billion. As at the end of 2012, the solvency margin ratio of CPIC Group was 312%. The market risk prevention ability of the Company was further strengthened. Sufficient capital also provided strong support to the business transformation of the Company by seizing development opportunities in launching new businesses such as health insurance and retirement insurance.

### **(III) The Company resolved to set up a health insurance company to enhance its specialised operation capability in health insurance business**

The Company intended to set up a health insurance company jointly with the Allianz Group to focus on developing its health insurance products and service requiring higher calibre in specialized operation with less business lines at current and great potential for development. As a professional health insurance operation platform of the CPIC Group, the health insurance company will leverage on the professional

technology edges of Allianz in health insurance to bring synergy effects on the business development and operation management of the health insurance company and other subsidiaries of the CPIC Group, and strive to become a leading health insurance product and service provider in China.

### **III. Prospects of 2013**

In 2013, the economic environment in China remains complicated and under the pressure of economic downturn. Factors such as surging labor costs and intensive market competition will continue to lift up operating costs and affect the stable growth of the industry. Therefore, the development mode has to be transformed. Despite the difficulties, the insurance industry in China will see a lot of important strategic opportunities in the long run. Driven by the development of urbanization, the increasing consumption power and demands of the public and the reform of social security policies, the demands for insurance products and services in relation to pension, health, environmental protection, agriculture-related and food safety will keep increasing with huge potential for future development. In order to transform the development potential into source of growth, the Company will speed up its transformation based on the principle of value creation and consolidate its business advantages by expediting the change from peer competition to differentiated competition.

#### **(I) Formulating operating targets for major business segments based on their value and market orientations**

The life insurance business will continue to outperform its peers in terms of growth in the value of new business. Underwriting profit margin of the property insurance business will maintain the leading position. The focus of asset management will be on the growth of net value. In order to realize those targets, we will optimize our operation benchmarking system to reflect our competitiveness in maximizing value.

#### **(II) Developing differentiated competitiveness and identifying targets of transformation**

Firstly, the Company will conduct data analysis to meet customers' demands and facilitate innovation of products and services. Based on the data collected and analysis, we will capitalize on the changes in demand for commercial insurance due to aging population and seize the development opportunity of new medical insurance under the medical system reform. The Company will also accelerate the establishment of a

unique auto insurance product system under the market reform of commercial auto insurance.

Secondly, the Company will strengthen the application of new technology, promote sharing of resources and optimize operational process to raise input and output level. Through sharing resources among property and life insurance offices in different places, the Company can strengthen its channels to cater for customers' demands and maximize value for customers while reducing its service and operating costs. The sharing of IT resources can support wider application of mobile intelligence tools such as "Shen Xing Tai Bao".

Thirdly, the Company will improve transformation measures by launching pilot offices and taking advantage of local innovation. These measures will help lay a foundation for the transformation in other areas of China and accumulate experience in business development and talent management.

In the face of opportunities and challenges in 2013, we have specific targets and development plan. We will continue to focus on our existing development strategies. With the implementation of marketing strategies and transformation, we will maximize value for our shareholders and provide better products and services to our customers.

#### ● Awards of the Company

- CPIC continuously ranked 450th in the "Fortune Global 500" list;
- CPIC continuously ranked among the "FT Global 500" and the "Forbes Global Top 500 Listed Companies";
- CPIC was awarded for the second time "Excellent Enterprise Award" in the "First Financial Corporate Social Responsibility Rankings";
- CPIC Life was selected as the "2012 Outstanding Insurance Company" by China Insurance Marketing and sina.com.;
- The "Shen Xing Tai Bao Intelligent Mobile Insurance Sales Platform" ("神行太保智能移動保險生態系統") project of CPIC Life won the 2012 Shanghai Financial Innovation Award issued by Shanghai Municipal People's Government;
- CPIC Property was selected as the "China Model Unit in Promoting Quality Benchmark of On-site Management" (全國現場管理推進質量標杆示範單位) by China Association for Quality;

- The “Shenxing Auto Insurance” (“神行車保”) product of CPIC Property was selected as the “Best Motor Vehicle Insurance Product for 2011” by China Insurance News (sinoins.com).

## **Management Discussion and Analysis**

The Company provides a comprehensive range of life insurance and property and casualty insurance products through its subsidiaries, namely CPIC Life<sup>1</sup> and CPIC Property<sup>1</sup>, and manages and deploys insurance funds through its subsidiary, CPIC Asset Management<sup>1</sup>. At the same time, the Company carries on pension business through its subsidiary, Changjiang Pension and carries on property and casualty insurance business and asset management business in Hong Kong through CPIC HK and CPIC Investment (H.K.), respectively. It also sells its life insurance products and property and casualty insurance products via the telemarketing and e-commerce platform of CPIC Online (www.ecpic.com.cn).

### **I. Summary of operating results**

CPIC has adhered to its objective of sustainable value-enhancing growth and continued to strengthen its capabilities in value creation. In 2012, the Company realized gross written premiums of RMB163.228 billion, representing an increase of 5.3% as compared with the same period of the previous year, among which, life insurance premiums amounted to RMB93.461 billion, representing an increase of 0.3% as compared with the same period of the previous year, and property and casualty insurance premiums amounted to RMB69.697 billion, representing an increase of 13.0% as compared with the same period of the previous year. The Group’s embedded value amounted to RMB135.280 billion, representing an increase of 19.1% as compared with the end of the previous year. The value of in-force business<sup>2</sup> and net assets of the Group<sup>3</sup> amounted to RMB49.043 billion and RMB96.177 billion, respectively, representing an increase of 19.9% and 25.2% respectively as compared with the end of the previous year.

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<sup>1</sup> The following analysis of life insurance business, property and casualty insurance business and asset management business only refers to the businesses of CPIC Life, CPIC Property and CPIC Asset Management, respectively.

<sup>2</sup> Based on the value of in-force business of the life insurance business attributable to the Group.

<sup>3</sup> Based on the amount attributable to the shareholders of the Company.

In response to the challenging market, CPIC Life continued to adhere to its development strategies of focusing on the development of agency channels and regular premium and achieved satisfactory results.

- The new business value of life insurance amounted to RMB7.060 billion, representing an increase of 5.2% as compared with the same period of the previous year;
- The new business value margin <sup>1</sup> reached 17.8%, representing an increase of 4.2pt as compared with the same period of the previous year;
- Contribution from the agency channels accounted for 78.7% of the total new business value, representing an increase of 3.0pt as compared with the same period of the previous year;
- Average monthly first-year gross written premiums per agent amounted to RMB3,573, representing an increase of 11.7% as compared with the same period of the previous year;
- Percentage of regular premiums from new policies to premiums from total new policies increased from 34.6% in 2011 to 40.6%;
- Proportion of business with a term of 10 years or above to regular premiums from new policies increased to 52.6%, representing an increase of 6.7pt as compared with the same period of the previous year.

CPIC Property expedited the expansion of new sales channels and strengthened the retention of target customers with the objective of taking the lead in the industry in terms of comprehensive cost and coordinating its development with the growth of the industry.

- Premiums derived from property and casualty insurance amounted to RMB69.697 billion, representing an increase of 13.0% as compared with the same period of the previous year;
- The combined ratio of property and casualty insurance was 95.8%, representing an increase of 2.7pt as compared with the same period of the previous year;
- The sales from new channels including telemarketing, internet sales and cross-selling accounted for 18.6% of the total sales from property and casualty insurance business, representing an increase of 6.7pt as compared with the same period of the previous year;
- Renewal rate of commercial automobile insurance amounted to 61.9%, representing an increase of 4.6pt as compared with the same period of the previous year.

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<sup>1</sup> New business value margin = new business value / life insurance first year premium used to calculate new business value.



CPIC Asset Management actively allocated the deposits by leveraging on the opportunities when interest rate of fixed income assets was in the upward cycle in the first half of 2012 and prudently allocated the bonds in the second half of the year. New fixed income assets allocated during the year amounted to RMB85.856 billion, which effectively stabilized the net investment yield and the Company was well prepared for a healthy and sustainable development in next few years. In addition, to meet the challenges of the volatile capital market, the Company calmly adjusted the structure of its equity assets by increasing its investments in blue chips with reasonable valuation, long-term investment potential and stable dividend distributions. As a result, the growth rate of investments' net asset value recorded a significant increase as compared with that of 2011.

- Growth rate of investments' net asset value reached 5.5%, representing an increase of 4.3pt as compared with the same period of the previous year;
- Net investment yield reached 5.1%, representing an increase of 0.4pt as compared with the same period of the previous year.

## II. Key operational indicators

Indicators	Unit: in RMB million		Changes (%)
	As at 31 December 2012 / for the period between January and December in 2012	As at 31 December 2011 / for the period between January and December in 2011	
<b>Key value indicators</b>			
Embedded value of the Group	135,280	113,564	19.1
Value of in-force business <sup>note1</sup>	49,043	40,900	19.9
Net assets of the Group <sup>note2</sup>	96,177	76,796	25.2
New business value of life insurance	7,060	6,714	5.2
New business value margin of life insurance (%)	17.8	13.6	4.2pt
Combined ratio of property and casualty insurance (%)	95.8	93.1	2.7pt
Growth rate of investments' net asset value (%)	5.5	1.2	4.3pt
<b>Key operating indicators</b>			
Gross written premium	163,228	154,958	5.3
Life insurance	93,461	93,203	0.3
Property and casualty insurance	69,697	61,687	13.0
<b>Market share</b>			
Life insurance (%)	9.4	9.7	(0.3pt)
Property and casualty insurance (%)	12.6	12.9	(0.3pt)
Insurance sale agents (in thousand)	295	292	1.0
Average monthly first-year gross written premiums per agent (RMB)	3,573	3,199	11.7
Number of group customers (in thousand) <sup>note3</sup>	76,207	69,995	8.9
Average number of insurance policies per customer (in number)	1.46	1.41	3.5
Total investment yield (%)	3.2	3.7	(0.5pt)
Net investment yield (%)	5.1	4.7	0.4pt
<b>Pension business</b>			
Assets entrusted	31,522	27,258	15.6
Assets under investment management	23,741	18,104	31.1
<b>Key financial indicators</b>			
Net Profit attributable to equity holders of the parent	5,077	8,313	(38.9)

Life insurance	2,495	3,175	(21.4)
Property and casualty insurance	2,659	3,767	(29.4)
<b>Solvency margin ratio (%)</b>			
CPIC Group	312	284	28pt
Life insurance	211	187	24pt
Property and casualty insurance	188	233	(45pt)

Note:

1. Based on the value of in-force business of the life insurance business attributable to the Group.
2. Based on the amount attributable to the shareholders of the Company.
3. Number of group customers refers to the number of insurers and policyholders who hold at least one insurance policy issued by one or any of CPIC subsidiaries as at the end of the year which has an insurance coverage period of not less than 365 days. In the event that the insurer and policyholder is the same person, the person shall be deemed as one customer.

### III. Life insurance business

#### (I) Business analysis

In 2012, affected by various factors, such as slowdown of the overall economic growth, sluggish capital market and cyclical adjustment of the industry, the Company recorded gross written premiums of RMB93.461 billion from life insurance business, representing an increase of 0.3% as compared with the same period of the previous year. Premiums from new policies amounted to RMB37.333 billion, representing a decrease of 20.5% over the same period of the previous year and premiums from renewed policies amounted to RMB56.128 billion, representing an increase of 21.3% over the same period of the previous year.

#### 1. Analysis by channels

For 12 months ended 31 December	Unit: in RMB million		
	2012	2011	Changes (%)
<b>Agency channel</b>			
Gross written premiums	50,993	42,818	19.1
New policies	11,752	10,826	8.6
Regular premium	10,980	10,065	9.1
Single premium	772	761	1.4
Renewed policies	39,241	31,992	22.7
<b>Bancassurance</b>			
Gross written premium	34,541	44,450	(22.3)
New policies	18,245	30,512	(40.2)
Regular premium	3,624	5,847	(38.0)
Single premium	14,621	24,665	(40.7)
Renewed policies	16,296	13,938	16.9
<b>Direct sales</b>			
Gross written premiums	6,990	5,427	28.8
New policies	6,840	5,285	29.4
Regular premium	49	14	250.0
Single premium	6,791	5,271	28.8
Renewed policies	150	142	5.6
<b>New channels</b>			
Gross written premiums	937	508	84.4
New policies	496	313	58.5
Regular premium	496	308	61.0
Single premium	-	5	(100.0)
Renewed policies	441	195	126.2
<b>Total</b>	<b>93,461</b>	<b>93,203</b>	<b>0.3</b>

<b>For 12 months ended 31 December/as at 31 December</b>	<b>2012</b>	<b>2011</b>	<b>Changes (%)</b>
Insurance sale agents (in thousand)	295	292	1.0
Average monthly first-year gross written premiums per agent (RMB)	3,573	3,199	11.7
Average number of new life insurance policies per agent per month (in number)	1.15	1.10	4.5

#### (1) Agency channel

In 2012, the Company recorded premiums from new policies through agency channel of RMB11.752 billion, representing an increase of 8.6% over the same period of the previous year. Proportion of the premiums from new policies in 2012 to the premiums from total new policies increased to 31.5% from 23.1% in 2011. The premiums from renewed policies amounted to RMB39.241 billion, representing an increase of 22.7% over the same period of the previous year. Proportion of the gross written premiums from agency channel to the gross premiums from life insurance business increased to 54.6% from 45.9% in 2011, representing an increase of 8.7pt as compared with the same period of the previous year. Contribution of the agency channel business accounted for 78.7% of the total new business value, representing an increase of 3.0pt as compared with the same period of the previous year.

The Company put a great emphasis on the healthy development of the agency channel manpower and the continuous improvement of their contributions. It has strived to enhance the sales capabilities of the agent teams at different levels, established and promoted the well-performed teams and boosted the proportion of the outstanding agents through various fundamental management measures, including strict assessments, attendance management and effective trainings combined with products promotion. The average monthly premiums per agent constantly increased to RMB3,573, representing an increase of 11.7% compared with the same period of the previous year.

In order to enhance the customer experience, the Company has continued to expand the customer base and increase the proportion of additional insurance plans for existing customers by various measures, such as data analysis, customer feedbacks and development of customized products. The Company promoted precise marketing and combined customer service concept with traditional marketing to enhance the team performance, customer value and sales capabilities. The coverage rate of “Shen Xing Tai Bao” (“神行太保”), a mobile sales channel, was increased and several functional applications, such as “Advanced Customized Insurance” (“高級定製保險”) and “Precise Marketing” (“精確營銷”) were implanted, which effectively improved the customer experience and underwriting efficiency.

#### (2) Bancassurance

Throughout 2012, the overall bancassurance of the industry experienced a slowdown and business development continued to decline. The gross written premium from bancassurance of the Company was RMB34.541 billion, representing a decrease of 22.3% as compared with the same period of the previous year. Premiums from new policies amounted to RMB18.245 billion, representing a decrease of 40.2% as compared with the same period of the previous year.

In the face of serious challenges, the Company insisted to promote the transformation of bancassurance with a focus on regular premium business. During the year, regular premiums from new policies amounted to RMB3.624 billion, among which premiums from regular premiums with a term of five years or above amounted to RMB2.926 billion, with its proportion to the regular premiums from new policies increasing by 19.6pt. Premiums from high value regular premium business amounted to RMB1.006 billion, which helped to maintain a stable contribution from bancassurance business. Premiums from renewed policies amounted to RMB16.296 billion, representing an increase of 16.9% as compared with the same period of the previous year.

### (3) Direct sales

In 2012, gross written premiums from direct sales amounted to RMB6.990 billion, representing an increase of 28.8% as compared with the same period of the previous year. The direct sales of the Company adhered to customer segmentation and integrated expansion to further enhance the market competitiveness of its major products. The Company also expanded the application of “Jiangyin Model” (“江陰模式”) by capitalizing on the opportunities brought by major diseases medical insurance to lay a solid foundation for its development in the new rural cooperative medical insurance market.

### (4) New channels

In 2012, the Company accelerated the development of new channels such as telemarketing, and focused on the development of high value regular premium business. The gross written premiums from new channels amounted to RMB937 million, representing an increase of 84.4% as compared with the same period of the previous year. Premiums from new policies amounted to RMB496 million, representing an increase of 58.5% as compared with the same period of the previous year, whereas premiums from renewed policies amounted to RMB441 million, representing an increase of 126.2% over the same period of the previous year.

## 2. Analysis by insurance category

For 12 months ended 31 December	Unit: RMB million		
	2012	2011	Changes (%)
Gross written premiums	93,461	93,203	0.3

Traditional	16,457	15,636	5.3
Participating	71,992	72,873	(1.2)
Universal	62	81	(23.5)
Short-term accident and health	4,950	4,613	7.3
<b>Gross written premiums</b>	<b>93,461</b>	<b>93,203</b>	<b>0.3</b>
Individual business	88,952	89,904	(1.1)
Group business	4,509	3,299	36.7

The Company continued to develop risk prevention and long-term savings insurance businesses. In 2012, premiums from traditional insurance policies amounted to RMB16.457 billion, representing an increase of 5.3% as compared with the same period of the previous year, and its proportion increased by 0.8pt. Premiums from participating insurance policies amounted to RMB71.992 billion, representing a decrease of 1.2% as compared with the same period of the previous year. The short-term accident and health insurance policies recorded premiums of RMB4.950 billion, representing an increase of 7.3% as compared with the same period of the previous year. From the perspective of customer types, premiums from individual business accounted for 95.2% of the total premiums.

### Information of top five products

Unit: RMB million

For 12 months ended 31 December 2012				
Ranking	Name	Type	Premium	Sales channel
1	Hong Fu Bao Endowment insurance (紅福寶兩全保險) (participating) with a term of 10 years	Participating	16,662	Bancassurance
2	Insurance with Bonus (Wealth) (紅利發兩全保險) (participating) with a term of 5 years	Participating	8,070	Bancassurance
3	Hongxin Endowment insurance (鴻鑫人生兩全保險) (participating)	Participating	7,705	Agency Channel
4	Peaceful Days – Comfortable Life B (太平盛世-長泰安康 B 款) (9906)	Traditional	4,911	Agency Channel
5	Golden life Insurance (金享人生終身壽險) (Participating)	Participating	4,319	Agency Channel

### 3. Persistency ratio of policies

For 12 months ended 31 December	2012	2011	Changes (%)
Individual life insurance customer 13-month persistency ratio (%) <sup>note 1</sup>	90.7	92.7	(2.0pt)
Individual life insurance customer 25-month persistency ratio (%) <sup>note 2</sup>	89.7	89.8	(0.1pt)

Note:

- 13-month persistency ratio: Premiums under in-force life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.
- 25-month persistency ratio: Premiums under in-force life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance.

The Company strived to enhance its customer service and management of policy renewal premium. In 2012, the individual life insurance customers' 13-month persistency ratio and 25-month persistency ratio maintained at favourable levels.

### 4. Gross written premiums from top ten geographical areas

The Company's gross written premiums from life insurance business were mainly derived from more economically developed or more densely populated provinces or cities. The Company will continue to optimize resources allocation and investment portfolios in line with the urban development to consolidate its competitive

advantages in county areas. The Company will also seek to expand the business coverage in urban areas.

For 12 months ended 31 December	Unit: RMB million		
	2012	2011	Changes (%)
<b>Gross written premiums</b>	<b>93,461</b>	<b>93,203</b>	<b>0.3</b>
Jiangsu	9,211	9,048	1.8
Henan	8,093	8,798	(8.0)
Shandong	7,733	7,712	0.3
Guangdong	6,646	7,080	(6.1)
Zhejiang	5,899	5,686	3.7
Hebei	5,501	5,523	(0.4)
Shanghai	4,673	3,967	17.8
Beijing	4,476	4,355	2.8
Sichuan	4,266	5,168	(17.5)
Hubei	4,181	4,318	(3.2)
Subtotal	60,679	61,655	(1.6)
Others	32,782	31,548	3.9

## (II) Financial Analysis

For 12 months ended 31 December	Unit: RMB million		
	2012	2011	Changes (%)
Net premiums earned	91,513	90,493	1.1
Investment income <sup>note</sup>	16,190	13,489	20.0
Other operating income	714	768	(7.0)
<b>Total income</b>	<b>108,417</b>	<b>104,750</b>	<b>3.5</b>
Net policyholders' benefits and claims	(84,372)	(82,024)	2.9
Finance costs	(2,088)	(784)	166.3
Interest credited to investment contracts	(1,715)	(2,257)	(24.0)
Other operating and administrative expenses	(17,830)	(16,310)	9.3
<b>Total benefits, claims and expenses</b>	<b>(106,005)</b>	<b>(101,375)</b>	<b>4.6</b>
Profit before tax	2,412	3,375	(28.5)
Income tax	83	(200)	(141.5)
<b>Net profit</b>	<b>2,495</b>	<b>3,175</b>	<b>(21.4)</b>

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

**Investment income** Investment income amounted to RMB16.190 billion in 2012, representing an increase of 20.0% over the same period of the previous year. The increase was mainly attributable to the increase in interest income of fixed income investment, loss in securities trading and increase in provision for the impairment loss of financial assets.

**Net policyholders' benefits and claims** Net policyholders' benefits and claims amounted to RMB84.372 billion in 2012, representing an increase of 2.9% over the same period in the previous year. Of which, life insurance death and other benefits paid decreased by 4.2% as compared with the same period of the previous year. The decrease was mainly due to the decrease in maturity and survival benefits and increase in surrenders.

For 12 months ended 31 December	Unit: RMB million		
	2012	2011	Changes (%)
Net policyholders' benefits and claims	84,372	82,024	2.9
Life insurance death and other benefits paid	20,596	21,508	(4.2)
Claims incurred	1,370	646	112.1
Changes in long-term insurance contract liabilities	58,501	56,063	4.3
Policyholder dividends	3,905	3,807	2.6

**Finance costs** Finance costs amounted to RMB2.088 billion in 2012, representing an increase of 166.3% over the same period of the previous year. The increase was mainly attributable to the increase in interest expenses of securities sold under agreements to repurchase and subordinate debts.

**Other operating and administrative expenses** Other operating and administrative expenses amounted to RMB17.830 billion in 2012, representing an increase of 9.3% over the same period of the previous year. The increase was mainly attributable to the increase in commission expenses of agency channels, development of new channels and the increase in labor costs resulting from inflation.

As a result of the above reasons, the life insurance business of the Company recorded a net profit of RMB2.495 billion for 2012.

#### IV. Property and Casualty Insurance Business

##### (I) Business Analysis

In 2012, in face of the slower economic growth in China and the challenges brought by the changes in market competition, the Company accelerated its business transformation for rational participation in market competition and further improved the operation efficiency and cost control. The gross written premiums from the property and casualty insurance business and the combined ratio were RMB69.697 billion and 95.8%, representing an increase of 13.0% and 2.7pt, respectively.

##### 1. Analysis by insurance category

For 12 months ended 31 December	2012	Unit: RMB million	
		2011	Changes (%)
Gross written premiums from insurance business	69,697	61,687	13.0
Automobile insurance	54,333	47,409	14.6
Compulsory motor insurance	13,010	11,389	14.2
Commercial automobile insurance	41,323	36,020	14.7
Non-automobile insurance	15,364	14,278	7.6
Commercial property insurance	5,064	4,902	3.3
Liability insurance	2,286	1,967	16.2
Accident insurance	1,866	1,508	23.7
Cargo insurance	1,598	1,524	4.9
Others	4,550	4,377	4.0

##### (1) Automobile insurance

The Company continued to consolidate the advantage of its traditional channels and improved the auto insurance renewal management and established new channels. The Company created new technologies for handling claims, such as the “3G Claim Management System”, to improve customer experience with its unique competitive edges so as to realize steady growth of its auto insurance business. Gross written premiums from automobile insurance in 2012 amounted to RMB54.333 billion, representing an increase of 14.6% compared with the same period of the previous year.

The renewal rate of commercial vehicle insurance was 61.9%, representing an increase of 4.6pt as compared with last year.

## (2) Non-automobile insurance

The Company strengthened the resource integration and further enhanced the speciality of its channels. In addition, the Company improved the categorized management of customers and reinforced the management system for major customers. The Company carried out differentiated development strategies for different type of insurances and exerted efforts in developing traditional insurance. Agricultural insurance, credit insurance and guarantee insurance were launched effectively, and specialized and centralized operation was adopted for shipping insurance. In 2012, the Company recorded gross written premiums from non-automobile insurance of RMB15.364 billion, representing an increase of 7.6% over the same period of the previous year.

### Details of top five products

Unit: RMB million

For 12 months ended 31 December 2012

Rank	Name of commercial insurance	Premiums	Amounts Insured	Claims paid	Reserves	Underwriting profit
1	Automobile insurance	54,333	7,090,292	31,635	33,872	1,237
2	Commercial property insurance	5,034	9,070,758	2,643	2,311	153
3	Liability insurance	2,279	9,208,804	1,165	1,442	44
4	Accident insurance	1,864	18,888,319	725	1,279	159
5	Cargo insurance	1,579	3,649,031	809	478	278

Note: Premiums do not include inward premiums.

## 2. Analysis by channels

Unit: RMB million

For 12 months ended 31 December	2012	2011	Changes (%)
Gross written premiums	69,697	61,687	13.0
Direct sales	12,102	12,856	(5.9)
Insurance agents	39,560	36,770	7.6
Insurance brokers	5,079	4,695	8.2
New channels	12,956	7,366	75.9

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

The Company adhered to synergistic development of various channels to strengthen its specialized operation and production capacity. As for new channels, the Company refined the management model and enhanced the ability of the channels to attract customers. Premiums from telemarketing amounted to RMB10.294 billion, representing an increase of 91.6% as compared with the same period of the previous year. The Company also enhanced the cross-selling management system and promoted the development of agency business for life insurance. Premiums from cross-selling amounted to RMB2.600 billion, representing an increase of 30.5% as compared with the same period of the previous year. The premiums from new channels accounted for 18.6% of the gross written premiums from the total property and casualty insurance business, representing an increase of 6.7pt over the same



period of the previous year. As for the agency business, the Company further expanded its competitive business channels, such as car dealership and bancassurance, to explore new areas for business development. The premiums from car dealership and bancassurance increased by 18.3% and 26.1% compared with the same period of the previous year, respectively.

### 3. Gross written premiums from top ten geographical areas

The Company's gross written premiums from property and casualty insurance business were mainly derived from coastal areas in eastern China and more economically developed areas in inland provinces. The Company will rely on its nationwide distribution network to implement differentiated regional development strategies that take into account relevant factors including market potential and operational efficiency.

For 12 months ended 31 December	Unit: in RMB million		
	2012	2011	Changes (%)
Gross written premiums	69,697	61,687	13.0
Guangdong	9,766	8,928	9.4
Jiangsu	7,987	6,953	14.9
Zhejiang	6,269	5,462	14.8
Shanghai	5,482	4,800	14.2
Shandong	5,153	4,579	12.5
Beijing	4,171	3,516	18.6
Hebei	2,171	1,963	10.6
Sichuan	2,140	1,827	17.1
Fujian	2,131	1,900	12.2
Liaoning	2,006	1,881	6.6
Sub-total	47,276	41,809	13.1
Others	22,421	19,878	12.8

## (II) Financial analysis

For 12 months ended 31 December	Unit: in RMB million		
	2012	2011	Changes (%)
Net premiums earned	56,010	46,486	20.5
Investment income <sup>note</sup>	1,425	1,820	(21.7)
Other operating income	260	205	26.8
<b>Total income</b>	<b>57,695</b>	<b>48,511</b>	<b>18.9</b>
Claims incurred	(34,276)	(27,235)	25.9
Finance costs	(185)	(58)	219.0
Other operating and administrative expenses	(19,566)	(16,150)	21.2
<b>Total benefits, claims and expenses</b>	<b>(54,027)</b>	<b>(43,443)</b>	<b>24.4</b>
Profit before tax	3,668	5,068	(27.6)
Income tax	(1,009)	(1,301)	(22.4)
<b>Net profit</b>	<b>2,659</b>	<b>3,767</b>	<b>(29.4)</b>

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

**Investment income** Investment income amounted to RMB1.425 billion in 2012, representing a decrease of 21.7% compared with that of the previous year, mainly attributable to the combined effects of the increase in interest income from fixed income investments, losses in trading of securities and the increase in provisions for impairment of investment assets.

**Claims incurred** Claims incurred amounted to RMB34.276 billion in 2012, representing an increase of 25.9% compared with that of the previous year, mainly attributable to the increase in claim costs.

**Other operating and administrative expenses** Other operating and administrative expenses amounted to RMB19.566 billion in 2012, representing an increase of 21.2% compared with that of the previous year, mainly attributable to factors such as the increases in handling fees due to market competition and relevant expenses in the development of new channels.

As a result, property and casualty insurance business recorded a net profit of RMB2.659 billion for 2012.

## **V. Asset Management Business**

In terms of asset management business, the Company strived to maintain the stability and sustainability of investment income by adopting prudent investment strategies, nurturing and enhancing assets allocation and strengthening market-oriented investment management capabilities in compliance with the requirements of asset and liability management. As at the end of 2012, the Company's total investment assets were RMB627.328 billion, representing an increase of 20.1% compared with the end of the previous year. Growth rate of investments' net asset value in 2012 reached 5.5%, representing an increase of 4.3pt compared with that of the previous year. In 2012, the Company recorded a total investment income of RMB18.521 billion, representing an increase of 7.4% compared with that of the previous year. Total investment yield was 3.2%, representing a decrease of 0.5pt compared with that of the previous year. Net investment income amounted to RMB26.878 billion, representing an increase of 25.7% compared with that of the previous year. Net investment yield was 5.1%, representing an increase of 0.4pt compared with that of the previous year.

In 2012, the capital market performance was sluggish, and the market interest rate continued to decrease after the central bank in China lowered the mandatory reserve ratio on RMB deposits and the benchmark RMB deposit and lending rates of deposit-taking financial institutions. The Company conducted researches and study on the market trends, followed the movement of market interest rate and proactively invested in fixed income assets with higher yield rate to stabilize the net investment income. It also closely monitored the fluctuations in the equity market and restructured its investment assets flexibly, resulting in significant growth in net investment asset.

### **(I) Investment portfolio**

Unit: RMB million

	31 December 2012	31 December 2011	Changes (%)
<b>Investment assets (Total)</b>	627,328	522,530	20.1
<b>By investment category</b>			
Fixed income investments	533,274	447,418	19.2
— Debt securities	331,006	276,688	19.6
— Term deposits	164,297	137,373	19.6
— Debt investment plans	28,341	25,563	10.9
— Other fixed income investments <sup>note 1</sup>	9,630	7,794	23.6
Equity investments	62,715	53,573	17.1
— Investment Funds	28,516	20,547	38.8
— Equity securities	27,058	26,862	0.7
— Other equity investments <sup>note 2</sup>	7,141	6,164	15.9
Investment properties	6,349	6,573	(3.4)
Cash and cash equivalents	24,990	14,966	67.0
<b>By investment purpose</b>			
Financial assets at fair value through profit or loss	1,714	2,907	(41.0)
Available-for-sale financial assets	135,815	117,592	15.5
Held-to-maturity financial assets	248,766	202,536	22.8
Loan and other investments <sup>note 3</sup>	241,033	199,495	20.8

Note:

1. Other fixed income investments include restricted statutory deposits, policy loans and wealth management products.

2. Other equity investments include unlisted equities.

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

As at the end of 2012, the Company's total investment assets were RMB627.328 billion.

The Company's fixed income investments accounted for 85.0% of its total investment assets, representing a decrease of 0.6pt over that at the end of the previous year. An additional RMB85.856 billion was invested in fixed income assets, with allocation focused towards debt securities and negotiated deposits. Debt securities and term deposits increased 19.6% over that at the end of the previous year. The Company launched the Guangdong Expressway and Tianjin public rental housing plan. The Company's equity investments accounted for 10.0% of the total investment assets, representing a decrease of 0.3pt compared with the end of the previous year.

The Company's investment assets were mainly allocated to three categories, namely available-for-sale financial assets, held-to-maturity investments as well as loans and other investments. The amount of held-to-maturity investments increased by 22.8% compared with the end of the previous year, primarily due to the increase in bond investment. Loans and other investments increased by 20.8% compared with the previous year, mainly attributable to the increase in negotiated deposits.

## (II) Investment income

In 2012, the Company recorded a total investment income of RMB18.521 billion, representing an increase of 7.4% compared with that of the previous year. Total investment yield was 3.2%, representing a decrease of 0.5pt compared with that of the previous year. This was mainly due to the trading losses of equity investment and the provision for impairment on investment assets.

Net investment income amounted to RMB26.878 billion, representing an increase of 25.7% compared with that of the previous year. This was mainly due to the increases in total fixed income investments and additional income from asset investments. Interest income from fixed income investments and rental income from investment properties recorded increases of 30.4% and 45.6% respectively compared with those of the previous year. Net investment yield was 5.1%, representing an increase of 0.4pt compared with that of the previous year.

Unit: RMB million			
<b>For 12 months ended 31 December</b>	<b>2012</b>	<b>2011</b>	<b>Changes (%)</b>
Interest income from fixed income investments	24,646	18,902	30.4
Dividend income from equity securities	1,852	2,217	(16.5)
Rental income from investment properties	380	261	45.6
<b>Net investment income</b>	<b>26,878</b>	<b>21,380</b>	<b>25.7</b>
Realized losses	(4,244)	(1,619)	162.1
Unrealized gains/(losses)	99	(383)	(125.8)
Charge of impairment losses on investment assets	(4,413)	(2,805)	57.3
Net gain on disposal of a jointly-controlled entity	-	479	(100.0)
Other income <sup>note</sup>	201	200	0.5
<b>Total investment income</b>	<b>18,521</b>	<b>17,252</b>	<b>7.4</b>
Net investment yield (%)	5.1	4.7	0.4pt
Total investment yield (%)	3.2	3.7	(0.5pt)

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

## VI. Analysis of specific items

### (I) Key consolidated results

Unit: RMB million				
	31 December 2012/Year 2012	31 December 2011/Year 2011	Changes (%)	Major Reason
Total assets	681,502	570,612	19.4	Business Expansion
Total liabilities	583,933	492,557	18.6	Business Expansion
Total equity	97,569	78,055	25.0	Profit for the period, fair value change on available-for-sale financial assets and private placement of H Shares
Net profit attributable to equity holders of the parent	5,077	8,313	(38.9)	Decrease of investment yield and slowdown of business growth

### (II) Liquidity analysis

#### 1. Cash flow

Unit: RMB million			
<b>For 12 months ended 31 December</b>	<b>2012</b>	<b>2011</b>	<b>Changes (%)</b>
Net cash inflow from operating activities	52,124	55,527	(6.1)
Net cash outflow from investing activities	(70,992)	(84,112)	(15.6)
Net cash inflow from financing activities	28,896	26,114	10.7

#### 2. Gearing ratio

	31 December 2012	31 December 2011	Changes
Gearing ratio (%)	85.9	86.5	(0.6pt)

Note: Gearing ratio = (total liabilities + equity attributable to minority interests)/total assets.

#### 3. Liquidity analysis

The Company centralized the management of liquidity of the Group and its subsidiaries at the group level. As a holding company, the cash flow of the Group, as, was mainly

derived from dividends from its subsidiaries and investment gains from its own investing activities.

The liquidity of the Company was mainly from premiums, net gain on investments, sales or maturity of investment assets and cash from financing activities. The demand for liquidity primarily arose from surrenders, withdrawals or other forms of early termination of insurance policies, insurance claims or benefit payouts, dividends to shareholders and cash required for payment of various ordinary expenses.

The cash inflow from operating activities of the Company generally record a net inflow due to increase in premium income. On the other hand, the Company strengthened the asset and liability management by maintaining an appropriate proportion of assets with high liquidity to meet liquidity requirement.

The ability of fund raising and financing of the Company is also a major part of liquidity management. The Company can obtain additional liquidity through securities repurchase arrangement and other financing arrangements.

The Company believes that the liquidity is sufficient to meet the working capital requirement of the Company in foreseeable future.

### (III) Solvency

The Company calculated and disclosed the actual solvency margin, the minimum solvency margin and the solvency margin ratio in accordance with the relevant requirements as issued by CIRC. According to the requirements of CIRC, the solvency margin ratio of domestic insurance companies in the PRC shall reach the required level.

Unit: RMB million

	31 December 2012	31 December 2011	Reason of Change
<b>CPIC Group</b>			
Actual solvency margin	92,254	73,556	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets, private placing of H Shares, and issue of life insurance subordinated bonds
Minimum solvency margin	29,600	25,884	Business development of property and life insurance
Solvency margin ratio (%)	312	284	
<b>Life insurance</b>			
Actual solvency margin	43,478	34,213	Profit for the period, profit distribution to the shareholders, change of the fair value of investment assets and issue of life insurance subordinated bonds
Minimum solvency margin	20,654	18,267	Growth of insurance business
Solvency margin ratio (%)	211	187	
<b>Property and casualty insurance</b>			
Actual solvency margin	16,739	17,644	Profit for the period, profit distribution to the shareholders and change of the fair value of investment assets
Minimum solvency margin	8,891	7,568	Growth of insurance business
Solvency margin ratio (%)	188	233	

## **VII. Analysis of core competitiveness**

The Company is a leading integrated insurance group with strong market position in China. The Company focus on the development of its core business for sustainable growth in value and seeks to create sustainable value and stable returns for shareholders.

- strong competitiveness in insurance business;
- CPIC is one of the most recognized insurance brand names with an extensive customer base;
- nationwide, extensive distribution network and integrated service platform;
- asset-liability-management-based professional and prudent insurance asset investment and 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.

## **VIII. Use of proceeds**

On 14 November 2012, the Company issued 462,000,000 H Shares at an issue price of HKD22.5 per share and raised a total of HKD10.395 billion through private placing pursuant to the approval from the relevant authorities. Upon completion of the issue, the number of issued H Shares of the Company increased from 2,313,300,000 H Shares to 2,775,300,000 H Shares and the total share capital increased from 8,600,000,000 Shares to 9,062,000,000 Shares.

## **IX. Prospects**

### **(I) Market outlook**

According to CIRC, the gross insurance premiums in China for 2012 were RMB1.55 trillion, representing an increase of 8.0% as compared with the previous year. Total insurance assets exceeded RMB7.35 trillion, representing an increase of 22.9% as compared with the beginning of the year. China's insurance market developed in a prudent manner.

As a whole, the development of China will remain fast in the coming years and the insurance industry will see a lot of opportunities due to economic growth. Strengthened economic structure and system will facilitate the development of the insurance industry.

In the near term, the insurance industry will be substantially influenced by the uncertain global economic conditions in 2013. The economic growth of China is likely to slow down in 2013 and there are still uncertainties in the recovery of world economy. Although there are opportunities for the sustainable healthy development of the insurance industry, the market remains challenging. Currently, the external environment and internal structure of the insurance industry have experienced remarkable changes. Therefore, it is relatively difficult for the industry to remain a steady growth. Risk prevention and industrial restructuring bring new challenges to the industry and the industrial development pattern needs to be transformed urgently.

On the regulatory side, the CIRC will remain prudent in pursuit of development. Although the CIRC realises that the industry requires changes in mentality and practices, it will emphasis on the protection of consumer interest under the principles of “emphasizing services, enforcing stringent regulations, preventing risks and promoting development”. The CIRC has to eliminate the problems of the insurance market and the regulatory regime to ensure the sustainable healthy development of the industry. For 2013, the CIRC has five objectives: (1) to remain prudent in the pursuit of development; (2) to perform its duties under the principles of “emphasizing services, enforcing stringent regulations, preventing risks and promoting development”; (3) to expand insurance coverage to benefit more people; (4) to promote the restructuring of the industry; and (5) to allow market forces to take effects in the reformation of the industry. The Company considers that these regulatory measures will be beneficial to the protection of customer interest and the regulation of the market and will contribute to the sustainable and healthy growth of the insurance industry.

## **(II) Operation plans**

In 2013, the Company will remain prudent in the pursuit of business growth. The Company will focus on the creation of value and to improve efficiency through business restructuring. On one hand, the Company will change its market strategy to focus on the growth of values. On the other hand, the Company will develop new business to improve capital return. The Company will adopt a customer-oriented business model to create value through innovation. The Company will also speed up its transformation to achieve a sustainable growth in value.

- to achieve healthy growth through value creation
- to encourage innovation to develop advantages in business development
- to improve profitability through value creation
- to apply new technologies to enhance customers’ experience

- to strengthen risk control and management system for a healthy growth in value



## Operating Results

The Company announces the audited consolidated annual results of the Company and its subsidiaries for the year ended 31 December 2012 (the "Reporting Period") together with the comparative figures for the previous year:

### Consolidated Income Statement For the year ended 31 December 2012

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

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
Gross written premiums	1(a)	163,228	154,958
Less: Premiums ceded to reinsurers	1(b)	(11,795)	(13,384)
Net written premiums	1	151,433	141,574
Net change in unearned premium reserves		(3,594)	(4,336)
<b>Net premiums earned</b>		<b>147,839</b>	<b>137,238</b>
Investment income	2	18,060	16,392
Other operating income		1,258	1,887
<b>Other income</b>		<b>19,318</b>	<b>18,279</b>
<b>Total income</b>		<b>167,157</b>	<b>155,517</b>
Net policyholders' benefits and claims:			
Life insurance death and other benefits paid	3	(20,596)	(21,508)
Claims incurred	3	(35,815)	(28,010)
Changes in long-term life insurance contract liabilities	3	(58,501)	(56,063)
Policyholder dividends	3	(3,905)	(3,807)
Finance costs		(2,288)	(848)
Interest credited to investment contracts		(1,715)	(2,257)
Other operating and administrative expenses		(38,224)	(33,120)
<b>Total benefits, claims and expenses</b>		<b>(161,044)</b>	<b>(145,613)</b>
Gain from disposal of a jointly-controlled entity		-	479
Share of profit of a jointly-controlled entity		-	16
<b>Profit before tax</b>		<b>6,113</b>	<b>10,399</b>
Income tax	4	(983)	(2,006)
<b>Net profit for the year</b>		<b>5,130</b>	<b>8,393</b>
Attributable to:			
Equity holders of the parent		5,077	8,313
Minority interests		53	80
		<b>5,130</b>	<b>8,393</b>
Basic earnings per share	5	RMB0.59	RMB0.97
Diluted earnings per share	5	RMB0.59	RMB0.97

Consolidated Statement of Comprehensive Income  
For the year ended 31 December 2012

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

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Net profit for the year</b>		5,130	8,393
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		-	(18)
Available-for-sale financial assets		12,202	(11,899)
Income tax relating to available-for-sale financial assets		(3,034)	2,966
<b>Other comprehensive income/(loss) for the year</b>		9,168	(8,951)
<b>Total comprehensive income/(loss) for the year</b>		<u>14,298</u>	<u>(558)</u>
Attributable to:			
Equity holders of the parent		14,094	(490)
Minority interests		204	(68)
		<u>14,298</u>	<u>(558)</u>

Consolidated Balance Sheet  
As at 31 December 2012

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

	<u>Notes</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
<b>ASSETS</b>			
Property and equipment		9,364	7,833
Investment properties		6,349	6,573
Goodwill		962	962
Other intangible assets		738	533
Prepaid land lease payments		60	24
Financial assets at fair value through profit or loss		1,714	2,907
Held-to-maturity financial assets		248,766	202,536
Available-for-sale financial assets		135,815	117,592
Investments classified as loans and receivables		36,097	32,929
Securities purchased under agreements to resell		1,115	43
Term deposits		164,297	137,373
Restricted statutory deposits		3,600	3,580
Policy loans		5,700	4,094
Interest receivables		13,659	11,006
Reinsurance assets		14,121	14,118
Deferred income tax assets		2,067	4,980
Insurance receivables		8,177	6,252
Other assets		5,026	2,374
Cash and short-term time deposits		23,875	14,903
		<u>681,502</u>	<u>570,612</u>
<b>Total assets</b>		<u>681,502</u>	<u>570,612</u>

Consolidated Balance Sheet (continued)  
As at 31 December 2012

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

	<u>Notes</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		9,062	8,600
Reserves	6	67,519	50,203
Retained profits	6	19,596	17,993
Equity attributable to equity holders of the parent		96,177	76,796
Minority interests		1,392	1,259
<b>Total equity</b>		<u>97,569</u>	<u>78,055</u>
<b>Liabilities</b>			
Insurance contract liabilities	7	438,887	374,931
Investment contract liabilities	8	41,754	47,182
Policyholders’ deposits		79	80
Subordinated debt		15,500	8,000
Securities sold under agreements to repurchase		50,143	32,105
Deferred income tax liabilities		958	960
Income tax payable		487	624
Premium received in advance		4,376	4,711
Policyholder dividend payable		11,711	9,132
Payables to reinsurers		3,514	3,235
Other liabilities		16,524	11,597
<b>Total liabilities</b>		<u>583,933</u>	<u>492,557</u>
<b>Total equity and liabilities</b>		<u>681,502</u>	<u>570,612</u>

Consolidated Statement of Changes in Equity  
For the year ended 31 December 2012

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

	2012								
	Attributable to equity holders of the parent								
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign translation reserve	Available- for-sale revaluation reserve				
At 1 January 2012	8,600	58,907	2,234	(55)	(10,883)	17,993	76,796	1,259	78,055
Total comprehensive income	-	-	-	-	9,017	5,077	14,094	204	14,298
Dividends declared <sup>1</sup>	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(71)	(71)
Issue of shares	462	7,835	-	-	-	-	8,297	-	8,297
Appropriations to surplus reserves	-	-	464	-	-	(464)	-	-	-
At 31 December 2012	9,062	66,742	2,698	(55)	(1,866)	19,596	96,177	1,392	97,569

<sup>1</sup> Dividend declared represents final dividend on ordinary shares declared for 2011, amounting to RMB3,010 million (RMB0.35 per share).

Consolidated Statement of Changes in Equity(continued)

For the year ended 31 December 2012

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

	2011								
	Attributable to equity holders of the parent								
	Reserves					Retained profits	Total	Minority interests	Total equity
	Issued capital	Capital reserve	Surplus reserves	Foreign currency	Available-for-sale investment				
translation reserve				revaluation reserve					
At 1 January 2011	8,600	58,908	1,703	(37)	(2,098)	13,221	80,297	1,254	81,551
Total comprehensive loss	-	-	-	(18)	(8,785)	8,313	(490)	(68)	(558)
Dividend declared <sup>1</sup>	-	-	-	-	-	(3,010)	(3,010)	-	(3,010)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(65)	(65)
Capital injection into subsidiaries	-	(1)	-	-	-	-	(1)	138	137
Appropriations to surplus reserves	-	-	531	-	-	(531)	-	-	-
At 31 December 2011	8,600	58,907	2,234	(55)	(10,883)	17,993	76,796	1,259	78,055

<sup>1</sup> Dividend declared represents final dividend on ordinary shares declared for 2010, amounting to RMB3,010 million (RMB0.35 per share).

Consolidated Cash Flow Statement  
For the year ended 31 December 2012

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

	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES</b>			
Cash generated from operating activities		53,368	58,470
Income tax paid		(1,244)	(2,943)
<b>Net cash inflow from operating activities</b>		<u>52,124</u>	<u>55,527</u>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment, intangible assets and other assets		(3,057)	(1,745)
Proceeds from sale of items of property and equipment, intangible assets and other assets		56	733
Proceeds from disposal of a jointly-controlled entity		-	949
Purchases of investments, net		(91,693)	(99,085)
Acquisition of subsidiaries		-	(4,125)
Interest received		21,848	16,897
Dividends received from investments		1,854	2,264
<b>Net cash outflow from investing activities</b>		<u>(70,992)</u>	<u>(84,112)</u>
<b>FINANCING ACTIVITIES</b>			
Securities sold under agreements to repurchase, net		17,943	24,004
Proceeds from issuance of shares		8,314	-
Capital contribution from minority shareholders of subsidiaries		-	137
Proceeds from issuance of subordinated debt		7,500	8,000
Repayment of subordinated debt		-	(2,000)
Interest paid		(1,768)	(952)
Dividends paid		(3,081)	(3,075)
Others		(12)	-
<b>Net cash inflow from financing activities</b>		<u>28,896</u>	<u>26,114</u>
Effects of exchange rate changes on cash and cash equivalents		(4)	(123)
Net increase/(decrease) in cash and cash equivalents		10,024	(2,594)
Cash and cash equivalents at beginning of year		14,966	17,560
<b>Cash and cash equivalents at end of year</b>		<u><u>24,990</u></u>	<u><u>14,966</u></u>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash at banks and on hand		6,817	7,001
Time deposits with original maturity of no more than three months		16,794	7,628
Other monetary assets		264	274
Investments with original maturity of no more than three months		1,115	63
<b>Cash and cash equivalents at end of year</b>		<u><u>24,990</u></u>	<u><u>14,966</u></u>

## Notes

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

### 1. NET WRITTEN PREMIUMS

#### (a) Gross written premiums

	<u>2012</u>	<u>2011</u>
Long-term life insurance premiums	88,511	88,590
Short-term life insurance premiums	4,950	4,613
Property and casualty insurance premiums	69,767	61,755
	<u>163,228</u>	<u>154,958</u>

#### (b) Premiums ceded to reinsurers

	<u>2012</u>	<u>2011</u>
Long-term life insurance premiums ceded to reinsurers	(1,446)	(1,483)
Short-term life insurance premiums ceded to reinsurers	(242)	(1,066)
Property and casualty insurance premiums ceded to reinsurers	(10,107)	(10,835)
	<u>(11,795)</u>	<u>(13,384)</u>

#### (c) Net written premiums

	<u>2012</u>	<u>2011</u>
Net written premiums	<u>151,433</u>	<u>141,574</u>

### 2. INVESTMENT INCOME

	<u>2012</u>	<u>2011</u>
Interest and dividend income (a)	26,618	21,199
Realized losses (b)	(4,244)	(1,619)
Unrealized gains/(losses) (c)	99	(383)
Charge of impairment losses on financial assets	(4,413)	(2,805)
	<u>18,060</u>	<u>16,392</u>



## 2. INVESTMENT INCOME (continued)

### (a) Interest and dividend income

	<u>2012</u>	<u>2011</u>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	17	31
- Investment funds	7	2
- Equity securities	1	-
	<u>25</u>	<u>33</u>
Held-to-maturity financial assets		
- Fixed maturity investments	<u>10,298</u>	<u>7,858</u>
Loans and receivables		
- Fixed maturity investments	<u>11,197</u>	<u>8,053</u>
Available-for-sale financial assets		
- Fixed maturity investments	3,254	3,040
- Investment funds	915	1,565
- Equity securities	929	650
	<u>5,098</u>	<u>5,255</u>
	<u>26,618</u>	<u>21,199</u>

### (b) Realized losses

	<u>2012</u>	<u>2011</u>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	(30)	43
- Investment funds	28	-
- Equity securities	7	1
	<u>5</u>	<u>44</u>
Available-for-sale financial assets		
- Fixed maturity investments	(138)	(7)
- Investment funds	(1,528)	(1,354)
- Equity securities	(2,583)	(302)
	<u>(4,249)</u>	<u>(1,663)</u>
	<u>(4,244)</u>	<u>(1,619)</u>

### (c) Unrealized gains/(losses)

	<u>2012</u>	<u>2011</u>
Financial assets at fair value through profit or loss		
- Fixed maturity investments	100	(345)
- Investment funds	(13)	(38)
- Equity securities	12	-
	<u>99</u>	<u>(383)</u>

### 3. NET POLICYHOLDERS' BENEFITS AND CLAIMS

	<b>2012</b>		
	Gross	Ceded	Net
Life insurance death and other benefits paid	21,154	(558)	20,596
Claims incurred			
- Short-term life insurance	1,562	(192)	1,370
- Property and casualty insurance	40,377	(5,932)	34,445
Changes in long-term life insurance contract liabilities	59,027	(526)	58,501
Policyholder dividends	3,905	-	3,905
	<u>126,025</u>	<u>(7,208)</u>	<u>118,817</u>
	<b>2011</b>		
	Gross	Ceded	Net
Life insurance death and other benefits paid	21,729	(221)	21,508
Claims incurred			
- Short-term life insurance	1,374	(728)	646
- Property and casualty insurance	33,310	(5,946)	27,364
Changes in long-term life insurance contract liabilities	56,422	(359)	56,063
Policyholder dividends	3,807	-	3,807
	<u>116,642</u>	<u>(7,254)</u>	<u>109,388</u>

### 4. INCOME TAX

#### (a) Income tax

	<b>2012</b>	<b>2011</b>
Current income tax	1,106	2,417
Deferred income tax	(123)	(411)
	<u>983</u>	<u>2,006</u>

#### (b) Tax recorded in other comprehensive income

	<b>2012</b>	<b>2011</b>
Deferred income tax	<u>3,034</u>	<u>(2,966)</u>

#### 4. INCOME TAX(continued)

##### (c) Reconciliation of tax expense

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

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

	<u>2012</u>	<u>2011</u>
Profit before tax	<u>6,113</u>	<u>10,399</u>
Tax computed at the statutory tax rate	1,528	2,600
Adjustments to income tax in respect of previous periods	(27)	44
Income not subject to tax	(877)	(927)
Expenses not deductible for tax	421	224
Attributable to a jointly-controlled entity	-	(4)
Others	<u>(62)</u>	<u>69</u>
Tax expense at the Group's effective rate	<u>983</u>	<u>2,006</u>

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

#### 5. EARNINGS PER SHARE

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

	<u>2012</u>	<u>2011</u>
Consolidated net profit for the year attributable to equity holders of the parent	<u>5,077</u>	<u>8,313</u>
Weighted average number of ordinary shares in issue (million)	<u>8,639</u>	<u>8,600</u>
Basic earnings per share	<u>RMB0.59</u>	<u>RMB0.97</u>
Diluted earnings per share	<u>RMB0.59</u>	<u>RMB0.97</u>

The Company had no dilutive potential ordinary shares as at 31 December 2012 and 2011.

## 6. RESERVES AND RETAINED PROFITS

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

### (a) Capital reserve

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

### (b) Surplus reserves

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

#### (i) Statutory surplus reserve ("SSR")

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

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

Of the Group's retained profits, RMB3,707 million as at 31 December 2012 (31 December 2011: RMB3,181 million) represents the Company's share of its subsidiaries' surplus reserve fund.

#### (ii) Discretionary surplus reserve ("DSR")

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

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

6. RESERVES AND RETAINED PROFITS (continued)

(c) General reserve

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

Of the Group's retained profits, RMB3,675 million as at 31 December 2012 (31 December 2011: RMB3,168 million) represents the Company's share of its subsidiaries' general reserve.

(d) Other reserves

The investment revaluation reserve records the fair value changes of available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC.

6. RESERVES AND RETAINED PROFITS (continued)

(e) Distributable profits

According to the Articles of Association of the Company, the amount of retained profits available for distribution of the Company should be the lower of the amount determined under PRC GAAP and the amount determined under HKFRSs. Pursuant to the resolution of the 12th meeting of the Company's 6th term of board of directors held on 22 March 2013, a final dividend of approximately RMB3,172 million (equivalent to RMB0.35 per share (including tax)) was proposed after the appropriation of statutory surplus reserve and is subject to the approval of the forthcoming annual general meeting.

(f) The movements in reserves and retained profits of the Company are set out below:

<b><u>Company</u></b>	Capital reserve	Surplus reserves	Available- for-sale investment revaluation reserve	Total	Retained profits
At 1 January 2011	58,329	1,399	(161)	59,567	5,562
Total comprehensive income for the year	-	-	(402)	(402)	5,359
Dividend declared	-	-	-	-	(3,010)
Appropriations to surplus reserves	-	531	-	531	(531)
At 31 December 2011	58,329	1,930	(563)	59,696	7,380
At 1 January 2012	58,329	1,930	(563)	59,696	7,380
Total comprehensive income for the year	-	-	428	428	4,637
Issue of shares	7,835	-	-	7,835	-
Dividend declared	-	-	-	-	(3,010)
Appropriations to surplus reserves	-	464	-	464	(464)
At 31 December 2012	66,164	2,394	(135)	68,423	8,543

Dividends from subsidiaries amounting to RMB4,693 million were included in the Company's net profit for 2012 (2011: RMB4,006 million).

## 7. INSURANCE CONTRACT LIABILITIES

	<b>As at 31 December 2012</b>		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Long-term life insurance contracts	385,283	(5,706)	379,577
Short-term life insurance contracts			
- Unearned premiums	1,654	(57)	1,597
- Claim reserves	737	(96)	641
	2,391	(153)	2,238
Property and casualty insurance contracts			
- Unearned premiums	29,610	(3,637)	25,973
- Claim reserves	21,603	(4,625)	16,978
	51,213	(8,262)	42,951
	438,887	(14,121)	424,766
Incurring but not reported claim reserves	3,479	(736)	2,743
	<b>As at 31 December 2011</b>		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Long-term life insurance contracts	325,558	(5,180)	320,378
Short-term life insurance contracts			
- Unearned premiums	1,621	(285)	1,336
- Claim reserves	631	(144)	487
	2,252	(429)	1,823
Property and casualty insurance contracts			
- Unearned premiums	26,556	(3,916)	22,640
- Claim reserves	20,565	(4,593)	15,972
	47,121	(8,509)	38,612
	374,931	(14,118)	360,813
Incurring but not reported claim reserves	3,237	(746)	2,491

## 7. INSURANCE CONTRACT LIABILITIES (continued)

### (a) Long-term life insurance contract liabilities

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2011	267,953	(4,821)	263,132
Valuation premiums	88,590	(1,483)	87,107
Liabilities released for payments on benefits and claims	(21,729)	221	(21,508)
Other movements	(9,256)	903	(8,353)
At 31 December 2011	325,558	(5,180)	320,378
Valuation premiums	88,511	(1,446)	87,065
Liabilities released for payments on benefits and claims	(21,154)	558	(20,596)
Other movements	(7,632)	362	(7,270)
At 31 December 2012	385,283	(5,706)	379,577

### (b) Short-term life insurance contract liabilities

#### Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2011	1,456	(280)	1,176
Premiums written	4,613	(1,066)	3,547
Premiums earned	(4,448)	1,061	(3,387)
At 31 December 2011	1,621	(285)	1,336
Premiums written	4,950	(242)	4,708
Premiums earned	(4,917)	470	(4,447)
At 31 December 2012	1,654	(57)	1,597

#### Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2011	546	(131)	415
Claims incurred	1,374	(728)	646
Claims paid	(1,289)	715	(574)
At 31 December 2011	631	(144)	487
Claims incurred	1,562	(192)	1,370
Claims paid	(1,456)	240	(1,216)
At 31 December 2012	737	(96)	641



7. INSURANCE CONTRACT LIABILITIES (continued)

(c) Property and casualty insurance contracts liabilities

Movements of unearned premiums

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2011	21,951	(3,483)	18,468
Premiums written	61,755	(10,835)	50,920
Premiums earned	(57,150)	10,402	(46,748)
At 31 December 2011	26,556	(3,916)	22,640
Premiums written	69,767	(10,107)	59,660
Premiums earned	(66,713)	10,386	(56,327)
At 31 December 2012	<u>29,610</u>	<u>(3,637)</u>	<u>25,973</u>

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
At 1 January 2011	15,280	(3,632)	11,648
Claims incurred	33,310	(5,946)	27,364
Claims paid	(28,025)	4,985	(23,040)
At 31 December 2011	20,565	(4,593)	15,972
Claims incurred	40,377	(5,932)	34,445
Claims paid	(39,339)	5,900	(33,439)
At 31 December 2012	<u>21,603</u>	<u>(4,625)</u>	<u>16,978</u>

8. INVESTMENT CONTRACT LIABILITIES

At 1 January 2011	51,272
Deposits received	3,366
Deposits withdrawn	(9,335)
Fees deducted	(295)
Interest credited	2,257
Others	(83)
At 31 December 2011	47,182
Deposits received	3,259
Deposits withdrawn	(10,288)
Fees deducted	(186)
Interest credited	1,715
Others	72
At 31 December 2012	<u>41,754</u>

## Change in Accounting Estimates

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

As at 31 December 2012, the Group used information currently available to determine the above assumptions and the impact of change in assumptions was charged to profit or loss. Such change in accounting estimates resulted in an increase in net insurance contract liabilities and other policy-related liabilities as at 31 December 2012 by approximately RMB260 million and a decrease in profit before tax for 2012 by approximately RMB260 million.

## Embedded Value

### 1. Summary of Embedded Value and Value of One Year's Sales

The table below shows the Group Embedded Value of CPIC Group as at 31 December 2012, and the value of one year's sales of CPIC Life in the 12 month to 31 December 2012 at risk discount rate of 11.5%.

Unit: RMB Million

Valuation date	31 December 2012	31 December 2011
<b>Group Adjusted Net Worth</b>	<b>86,237</b>	<b>72,664</b>
<b>Adjusted Net Worth of CPIC Life</b>	35,371	31,381
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written prior to June 1999	(3,080)	(3,085)
Value of In Force Business of CPIC Life Before Cost of Solvency Margin Held for policies written since June 1999	65,129	55,755
Cost of Solvency Margin Held for CPIC Life	(12,153)	(11,059)
Value of In Force Business of CPIC Life After Cost of Solvency Margin Held	49,895	41,611
CPIC Group's Equity Interest in CPIC Life	98.29%	98.29%
<b>Value of In Force Business of CPIC Life After Cost of Solvency Margin Held attributable to the shareholders of CPIC Group</b>	<b>49,043</b>	<b>40,900</b>
<b>Group Embedded Value</b>	<b>135,280</b>	<b>113,564</b>

<b>Life Embedded Value</b>	85,266	72,992
Value of One Year's Sales of CPIC Life Before Cost of Solvency	8,316	8,184
Margin Held		
Cost of Solvency Margin	(1,256)	(1,470)
Value of One Year's Sales of CPIC Life After Cost of Solvency Margin Held	<b>7,060</b>	<b>6,714</b>

Note that figures may not be additive due to rounding.

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

## 2. Analysis of Change in Embedded Value

The following table shows the change in the Group Embedded Value from 31 December 2011 to 31 December 2012 at risk discount rate of 11.5%.

Unit: RMB Million

No.	Item	Value	Comments
1	Embedded Value of the life business at 31 December 2011	<b>72,992</b>	
2	Expected Return on Embedded value	7,717	Expected returns on the 2011 embedded value of CPIC Life and the value of one year's sales of CPIC Life in 2012
3	Value of One Year's Sales	7,060	Value of one year's sale in respect of new business written in the 12 months prior to 31 December 2012
4	Investment Experience Variance	437	Reflects the difference between actual and assumed investment return in 2012
5	Operating Experience Variance	(244)	Reflects the difference between actual and assumed operating experience
6	Change in Valuation Basis	(129)	Change in mortality tables used to estimate PRC statutory reserves
7	Change in methodology, assumptions and models	(520)	Reflects assumption changes, together with model enhancements
8	Change in market value adjustment	(1,295)	Reflects the change in value of assets not valued on a market value basis
9	Shareholder Dividends	(836)	Shareholder dividends distributed to shareholders of CPIC Life

10	Others	86	
11	Embedded Value of the life business at 31 December 2012	<b>85,266</b>	Increased by 16.8% relative to 31 December 2011
12	Adjusted net worth of businesses other than CPIC Life as at 31 December 2011	<b>42,477</b>	
13	Change in Adjusted Net Worth before payment of shareholder dividends to shareholders of CPIC Group	12,596	Including total amount of RMB 8.297 billion from issue additional H shares
14	Shareholder dividends	(3,010)	Dividend distributed to shareholders of CPIC Group
15	Change in market value adjustment	32	
16	Adjusted net worth of businesses other than CPIC Life as at 31 December 2012	<b>52,094</b>	
17	Minority interests relating to equity and market value adjustments	(2,081)	Minority interests on Embedded Value as at 31 December 2012
18	Group Embedded Value as at 31 December 2012	<b>135,280</b>	
19	Embedded Value as at 31 December 2012 per share(RMB)	<b>14.93</b>	

Note that figures may not be additive due to rounding.

### **Compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited**

During the reporting period, the Company was in compliance with all code provisions and substantially all of the recommended best practices of the Corporate Governance Code, except a deviation with the code provision A.6.7 with the reasons below: all non-executive Directors (including independent non-executive Directors) attended the annual general meeting of the Company held on 11 May 2012 other than 7 non-executive Directors (including 2 independent non-executive Directors) who were not able to attend the annual general meeting as they were not in Shenzhen. All non-executive Directors (including independent non-executive Directors) attended the First Extraordinary General Meeting of 2012 of the Company held on 25 October 2012 other than 4 non-executive Directors who were not able to attend the extraordinary general meeting as they were not in Zhuhai.

### **Purchase, Redemption or Sale of the Company's Listed Securities**

During the year ended 31 December 2012, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

## **Proposed Final Dividend**

On 22 March 2013, the Board recommended a final dividend of RMB0.35 per share (including tax) for the year ended 31 December 2012, amounting to approximately RMB3.172 billion in aggregate. The proposed final dividend is subject to the approval of shareholders at the 2012 Annual General Meeting (“AGM”). If approved, it is expected that the payment of the final dividend will be made on or before Friday, 26 July 2013 to the shareholders whose names appear on the H Share Register of Members on Tuesday, 11 June 2013.

## **Withholding of Dividend Income Tax**

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC and its implementation rules enacted in 2008, the Company is required to withhold 10% of corporate income tax when it distributes the final dividend to its non-resident enterprise shareholders whose names appear on the H Share Register of Members on Tuesday, 11 June 2013.

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC and its implementation rules and confirmed by the relevant tax authorities in the PRC after consulting with them by the Company, the Company will withhold individual income tax at the tax rate of 10% when it distributes the final dividend to individual holders of H Shares appeared on the Company’s H Share Register of Members on Tuesday, 11 June 2013. However, if it is otherwise stated in the tax regulations and relevant tax treaty, the Company will withhold individual income tax based on their dividend at the required tax rate and in accordance with the relevant procedures. If the applicable dividend tax rate is less than 10%, the individual H Share shareholders are entitled to apply for refund of the over-deducted amount on their own or appoint an agent to act on their behalf according to the tax treaty entered into between their countries of domicile and the PRC and the regulations of the relevant PRC tax authorities.

The Company will withhold the enterprise income tax as well as the individual income tax as required by law for H Share shareholders whose names appeared on the Company’s H Share Register of Members on Tuesday, 11 June 2013. The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Share shareholders or any disputes over the withholding mechanism or arrangements.

All investors are requested to read this announcement carefully. Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

## **Eligibility for Proposed Final Dividend and Closure of H Share Register of Members**

The H Share Register of Members of the Company will be closed from Thursday, 6 June 2013 to Tuesday, 11 June 2013 (both days inclusive), during which period no transfer of H shares will be registered. In order to be eligible for the final dividend, H Share shareholders should ensure that all transfer documents, accompanied with the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 5 June 2013.

The Company will announce details on the payment of the final dividend for the year 2012 to A Share shareholders on the Shanghai Stock Exchange.

## **Eligibility for Attending the Annual General Meeting and Closure of H Share Register of Members**

The 2012 Annual General Meeting will be held on Friday, 31 May 2013. The H Share Register of Members of the Company will be closed for the purpose of determining H Share shareholders' entitlement to attend the AGM, from Tuesday, 30 April 2013 to Friday, 31 May 2013 (both days inclusive), during which no transfer of H Shares will be registered. In order to attend the AGM, H Share shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Monday, 29 April 2013.

The Company will announce details on A Share shareholders' eligibility for attending the AGM on the Shanghai Stock Exchange.

## **Review of Accounts**

The audit committee of the Company has reviewed the principal accounting policies of the Group and the audited financial statements for the year ended 31 December 2012 in the presence of internal and external auditors.

## **Publication of Results on the Websites of the Hong Kong Stock Exchange and the Company**

The annual report of the Company for the year ended 31 December 2012 will be dispatched to shareholders in due course and will be published on the website of the Hong Kong Stock Exchange ( [www.hkexnews.hk](http://www.hkexnews.hk) ) and the Company's website

( [www.cpic.com.cn](http://www.cpic.com.cn) ) .

## Definitions

“The Company” or “CPIC Group”	China Pacific Insurance (Group) Co., Ltd.
“CPIC Life”	China Pacific Life Insurance Co., Ltd., a subsidiary of CPIC Group
“CPIC Property”	China Pacific Property Insurance Co., Ltd., a subsidiary of CPIC Group
“CPIC Asset Management”	Pacific Asset Management Co., Ltd., a subsidiary of CPIC Group
“CPIC Investment (H.K.)”	CPIC Investment Management (H.K.) Company Limited, a holding subsidiary of CPIC Group
“CPIC HK”	China Pacific Insurance Co., (H.K.) Limited, a wholly-owned subsidiary of CPIC Group
“Changjiang Pension”	Changjiang Pension Insurance Co., Ltd., a subsidiary of CPIC Group
“CPIC Online”	Pacific Insurance Online Services Technology Co., Ltd., a wholly-owned subsidiary of CPIC Group
“CIRC”	China Insurance Regulatory Commission
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi
“pt”	Percentage point

By Order of the Board

**China Pacific Insurance (Group) Co., Ltd.**

**GAO Guofu**

*Chairman*

Hong Kong, 25 March 2013

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