PICC 中国人民保险集团股份有限公司
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

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

Stock Code：1339

全球發售
Global Offering

Joint Sponsors

CICC 中金香港证券 | HSBC | Credit Suisse | Goldman Sachs

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安信國際 ESSENCE INTERNATIONAL | BOC INTERNATIONAL | ICBC 工银国际 | J.P.Morgan | BofA Merrill Lynch | Daiwa Capital Markets

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IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED*

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	6,898,209,000 H Shares (subject to the H Share Over-allotment Option)
Number of International Offer Shares	:	6,553,299,000 H Shares (subject to adjustment and the H Share Over-allotment Option)
Number of Hong Kong Offer Shares	:	344,910,000 H Shares (subject to adjustment)
Maximum Offer Price	:	HK$4.03 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 each
Stock code	:	1339

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

A copy of this prospectus, having attached thereto the documents specified in the section entitled "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Underwriters' Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around November 30, 2012 and, in any event, not later than December 6, 2012. The Offer Price will be no more than HK$4.03 per Offer Share and is currently expected to be no less than HK$3.42 per Offer Share unless otherwise announced. If, for whatever reason, the Offer Price is not agreed by December 6, 2012 between the Underwriters' Representatives (on behalf of the Underwriters) and us, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Underwriters' Representatives (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus (which is HK$3.42 to HK$4.03 per H Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicated offer price range will be published in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese), the Oriental Daily (in Chinese) and the Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.picc.com.cn. Further details are set forth in the sections entitled "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applications for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Underwriters' Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set forth in the section entitled "Underwriting." It is important that you refer to that section for further details.

* For identification purpose only

November 26, 2012

EXPECTED TIMETABLE[1]

Latest time to complete electronic applications under **White Form eIPO** service through the designated website www.eipo.com.hk [2]	11:30 a.m. on Thursday, November 29, 2012
Application lists open[3]	11:45 a.m. on Thursday, November 29, 2012
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Thursday, November 29, 2012
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, November 29, 2012
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Thursday, November 29, 2012
Application lists close	12:00 noon on Thursday, November 29, 2012
Expected Price Determination Date	Friday, November 30, 2012

(1) Announcement of

- Offer Price
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares

expected to be published in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese), the Oriental Daily (in Chinese) and the Hong Kong Economic Times (in Chinese) on or before . . . . Thursday, December 6, 2012

(2) Results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph entitled "Publication of Results" in the section entitled "How to Apply for Hong Kong Offer Shares") from . . . . Thursday, December 6, 2012

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** [5] and the Company's website at **www.picc.com.cn** [6] from . . . . Thursday, December 6, 2012

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Thursday, December 6, 2012

EXPECTED TIMETABLE[1]

H Share certificates in respect of wholly or partially successful applications to be dispatched on or before[7]	Thursday, December 6, 2012
White Form e-Refund payment instructions/ refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	Thursday, December 6, 2012
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	Friday, December 7, 2012

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

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

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 29, 2012, the application lists will not open on that day. See the paragraph entitled "Effect of Bad Weather on the Opening of the Application Lists" in the section entitled "How to Apply for Hong Kong Offer Shares."

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph entitled "Applying by Giving Electronic Application Instructions to HKSCC" in the section entitled "How to Apply for Hong Kong Offer Shares."

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

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

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person may do so from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 6, 2012. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity (which must be acceptable to Computershare Hong Kong Investor Services Limited). Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section entitled "How to Apply for Hong Kong Offer Shares."

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

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

H Share certificates will become valid certificates of title only if the Hong Kong Public Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Purchase Agreement has been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date, which is expected to be on or about December 7, 2012. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by The People's Insurance Company (Group) of China Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and Japan, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us or any of our affiliates or advisors, nor by any of the underwriters or any of their affiliates or advisors.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares.

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

OVERVIEW

Founded in October 1949, we were the first nation-wide insurance company in the PRC and have developed into a leading large-scale integrated insurance financial group in the PRC, ranking 292nd on the Global 500 (2012) published by *Fortune* magazine. We offer a broad range of insurance products and services to individual and institutional customers through a nationwide distribution and service network. As of June 30, 2012, we had approximately 130 million individual insurance customers and approximately 2,416,000 institutional insurance customers. Based on our reputation accumulated over the past 63 years, our highly-recognizable "PICC" brand, efficient management of various business lines at the PICC Group level and synergistic operations of our various business lines, we have attained a leading market position in the PRC and established strong competitive advantages.

We operate our P&C insurance business in the PRC through PICC P&C and in Hong Kong through PICC Hong Kong, in which PICC Group holds approximately 68.98% and 75% equity interests, respectively. We operate our life and health insurance businesses through PICC Life and PICC Health, in which PICC Group directly and indirectly holds 80.00% and approximately 90.98% equity interests, respectively. We centrally manage most of our insurance assets through investment platforms including PICC AMC, in which we hold a 81% equity interest. We have also made strategic investments in non-insurance financial businesses such as banking and trust.

- According to data published by the CIRC, in terms of Original Premiums Income, we ranked first among all PRC P&C insurance companies with a market share of 36.3% in 2011 and ranked first with a market share of 36.0% in the six months ended June 30, 2012, respectively, in both cases larger than the combined market shares of the second through the fourth largest PRC P&C insurance companies in the same periods.

- According to data disclosed by the CIRC, in terms of TWPs, we ranked fifth among all PRC life and health insurance companies with a market share of 8.54% in 2011 and ranked third with a market share of 8.65% in the six months ended June 30, 2012.

- We have established a professional investment platform to manage our insurance funds. PICC AMC is one of the most influential institutional investors in the PRC capital markets and has a track record of successful investments. As of June 30, 2012, PICC AMC managed assets of approximately RMB381.1 billion.

- We are the largest shareholder of China Credit Trust Co., Ltd. ("China Credit Trust"), in which we hold an approximately 32.92% equity interest. According to the Almanac of China's Trustee (中國信託業年鑒) (2010-2011), as of December 31, 2010, China Credit Trust ranked fourth among all trust companies in the PRC in terms of value of trust assets under management.

We have achieved rapid growth during the Track Record Period in terms of total assets, TWPs and profit. Our total assets grew at a CAGR of 38.2% from RMB306,343 million as of December 31, 2009 to RMB585,152 million as of December 31, 2011, our TWPs grew at a CAGR of 22.6% from RMB178,164 million in 2009 to RMB267,915 million in 2011 and our net profit attributable to equity holders of PICC Group grew at a CAGR of 116.3% from RMB1,108 million in 2009 to RMB5,185 million in 2011. Our total assets were RMB649,743 million as of June 30, 2012. In the six months ended June 30, 2012, our TWPs were RMB158,196 million and our net profit attributable to equity holders of PICC Group was RMB4,923 million.

We have achieved a balanced business structure between our P&C insurance business and life and health insurance businesses. As of December 31, 2011, the assets of our P&C insurance business and life and health insurance businesses were RMB266,610 million and RMB297,070 million, respectively, representing 45.6% and 50.8% of our total assets, respectively. As of June 30, 2012, the assets of our P&C insurance business and life and health insurance businesses were RMB290,587 million and RMB349,548 million, respectively, representing 44.7% and 53.8% of our total assets, respectively. In 2011, TWPs from our P&C insurance business and life and health insurance businesses were RMB173,644 million and RMB94,271 million, respectively, representing 64.8% and 35.2% of our total TWPs, respectively. In the six months ended June 30, 2012, TWPs from our P&C insurance business and life and health insurance businesses were RMB100,968 million and RMB57,228 million, respectively, representing 63.8% and 36.2% of our total TWPs, respectively.

The following table sets forth a breakdown by business of our TWPs during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
TWPs	**2009**	**2010**	**2011**	**2012**
		(RMB in millions)		
P&C insurance	119,544	154,016	173,644	100,968
Life and health insurance	58,620	92,144	94,271	57,228

DISTRIBUTION

We have an extensive insurance distribution and service network in the PRC. As of June 30, 2012, our P&C insurance distribution and service network in the PRC consisted of approximately 13,400 branches and sales and service outlets, an in-house sales force of approximately 37,200 persons, approximately 169,300 individual insurance agents, approximately 31,500 insurance agencies, and approximately 900 insurance brokers, and our life and health insurance distribution and service network consisted of approximately 2,200 branches and sales and service outlets, a bancassurance network consisting of approximately 108,700 branches of cooperating commercial banks, rural credit cooperatives and PSB, approximately 21,900 bancassurance managers, 120,400 individual insurance agents, a group sales force of approximately 10,800 persons, approximately 14,200 cross-selling specialists and approximately 2,000 branches and outlets of insurance agencies and brokers.

The following table sets forth a breakdown of Original Premiums Income(1) from our P&C insurance business (excluding PICC Hong Kong) by distribution channel for the periods indicated.

Distribution Channel	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	RMB in millions	%	RMB in millions	%	RMB in millions	%	RMB in millions	%
Insurance agents	92,175	77.2%	115,990	75.4%	122,172	70.4%	65,111	64.6%
Individual insurance agents	59,991	50.2%	74,245	48.2%	72,305	41.7%	37,596	37.3%
Ancillary insurance agents	24,598	20.6%	31,869	20.7%	40,238	23.2%	22,797	22.6%
Professional insurance agents	7,586	6.4%	9,876	6.4%	9,629	5.5%	4,718	4.7%
Direct sales	21,335	17.9%	28,630	18.6%	41,034	23.6%	29,196	28.9%
Insurance brokers	5,954	5.0%	9,310	6.0%	10,348	6.0%	6,604	6.5%
Total	**119,464**	**100.0%**	**153,930**	**100.0%**	**173,553**	**100.0%**	**100,911**	**100.0%**

(1) Original Premiums Income of our P&C insurance business is equal to its TWPs during the Track Record Period. For further details of Original Premiums Income and TWPs, see the section entitled "Glossary."

The following table sets forth the breakdown of TWPs by life and health insurance distribution channel for the periods indicated:

Distribution Channel	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	RMB in millions	%	RMB in millions	%	RMB in millions	%	RMB in millions	%
Bancassurance channel	46,807	79.8%	70,704	76.7%	65,448	69.4%	34,255	59.9%
Individual insurance agent channel	5,622	9.6%	10,639	11.6%	16,392	17.4%	10,125	17.7%
Group sales channel	6,191	10.6%	10,801	11.7%	12,431	13.2%	12,848	22.4%
Total	**58,620**	**100.0%**	**92,144**	**100.0%**	**94,271**	**100.0%**	**57,228**	**100.0%**

NEW POLICY ON BANCASSURANCE BUSINESS

On November 1, 2010, the CBRC issued the Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks (關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知), or Notice No. 90. On March 7, 2011, the CIRC and the CBRC jointly issued the Guidelines on Regulating the Bancassurance Business of Commercial Banks, or the Bancassurance Guidelines (together with Notice No. 90, the "New Policy on Bancassurance Business"). The New Policy on Bancassurance Business sets forth certain restrictions on conducting bancassurance business which have adversely affected the bancassurance channels of PRC life and health insurance companies by, among others, limiting the number of insurance companies with which each commercial bank branch can carry out bancassurance business and prohibiting insurance companies from using on-site representatives at commercial bank branches to sell their insurance products.

After the implementation of the New Policy on Bancassurance Business, the number of effective bancassurance branches and outlets (calculated by adding up the total monthly numbers of bancassurance branches and outlets that have issued at least one in-force policy for each month in the relevant period and dividing the sum by 12 or the number of months in that period) of our life insurance business and health insurance business decreased although the total number of bancassurance branches and outlets of our life insurance business and health insurance business increased. The effective bancassurance branches and outlets of our life insurance business and health insurance business decreased from 26,048 and 1,805, respectively, as of December 31, 2010, to 24,098 and 1,467, respectively, as of December 31, 2011, representing decreases of 7.5% and 18.7%, respectively. As of June 30, 2012, the number of effective bancassurance branches and outlets of our life and health insurance businesses was 23,481 and 1,481, respectively.

We believe that, although the New Policy on Bancassurance Business has resulted in a short-term negative impact on our bancassurance channel in that the number of our effective bancassurance branches and outlets has decreased, this impact has been relatively modest and will gradually be reduced in the long-term due to our well-recognized brand, leading market position, comprehensive distribution network, wide customer base, and our long-term strategic cooperation with major state-owned banks in the PRC. We have taken various measures in response to the decrease in TWPs from the bancassurance channel.

OUR STRENGTHS

Our principal competitive strengths include:

- We are the pioneer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry.
- We are an integrated insurance financial group focusing on our core business, occupying a leading position in the rapidly developing Chinese insurance market.
- We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to achieve rapid development in business and stable growth in profits.
- We have the capability to synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development.
- We have implemented efficient management at the PICC Group level to effectively improve synergies among different business lines and improve our overall operational efficiency.
- We have strong professional technical skills and product and service innovation capabilities.
- We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas.
- We have an experienced and insightful management team.

OUR STRATEGIES

Our strategy is to "insist on two emphases and implement four strategic initiatives to achieve one strategic objective."

- "One strategic objective" refers to building ourselves into an internationally leading insurance financial group with solid comprehensive capabilities, outstanding profitability, efficient operations and preeminent services, capable of rewarding our shareholders with stable and competitive returns, by insisting on reinforcing the growth of the P&C insurance business as the foundation of our business, rapidly developing the life and health insurance businesses to revitalize our business, and expanding asset management and capital operation.
- "Insist on two emphases" refers to attaching great importance to the development of both insurance and wealth management businesses, and to the business development in both the Urban Areas and the County Areas.
- "Four strategic initiatives" refers to strategic initiatives with respect to integrated and synergistic operations, differentiated competition, detail-oriented management and establishment of an insurance financial group with comprehensive products and services.

SYNERGIES OF OUR GROUP OPERATIONS

Fully realizing the synergies among our P&C insurance, life and health insurance and asset management businesses is one of our key initiatives for maximizing the advantages of our group operations, enhancing our resource allocation efficiency and contributing toward achieving our strategic objective. Each of our subsidiaries PICC P&C, PICC Life, PICC Health, PICC AMC, PICC Investment and PICC Capital has its own unique competitive advantages. Promoting synergistic operations among them enables us to share their competitive advantages across business lines and to reinforce our overall competitiveness.

Synergies among different business lines have effectively reduced business development and management costs and improved overall operational efficiency through resource sharing, both of which have contributed to the rapid development of our business during the Track Record Period. As another example of our synergistic operations, TWPs from cross-selling among our business lines increased to RMB10,586 million in 2011 from RMB5,691 million in 2009, representing a CAGR of 36.4%. In the six months ended June 30, 2012, TWPs from cross-selling among our business lines were RMB8,414 million. The ability to effectively realize synergies among different business lines through group operations and group-level supervision is one of our important competitive strengths. We believe we are capable of effectively realizing synergies in areas such as strategic cooperation, brand promotion, human resources, investment platform, information technology, distribution network, customer resources and cross-selling, which will support our sustained business development and stable revenue growth.

LEGAL AND REGULATORY PROCEEDINGS

We are involved in legal and/or regulatory proceedings or disputes, including administrative penalties, litigations, arbitrations, inspections and NAO audits, in the ordinary course of our business. As of the Latest Practicable Date, we were not aware of any legal and/or regulatory proceedings or disputes, which, in the opinion of our management, would have a material adverse impact on our business, financial condition, results of operations or prospects. For details, please see the section entitled "Business — Legal and Regulatory Proceedings."

SUBSTANTIAL SHAREHOLDERS

Immediately following the Completion of the Global Offering, assuming no exercise of the H Share Over-allotment Option, the MOF will hold 29,987,990,898 Domestic Shares (representing approximately 72.45% interest in our Company and 88.72% of the relevant class of Shares of our Company) and the NSSF will hold 3,813,238,785 Domestic Shares (representing approximately 9.21% interest in our Company and 11.28% of the relevant class of Shares of our Company) and 689,820,900 H Shares (representing approximately 1.67% interest in our Company and 9.09% of the relevant class of Shares of our Company). Please refer to the section entitled "Substantial Shareholders" for details.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the summary historical consolidated financial statements set forth below in conjunction with our consolidated financial information included in the Accountants' Report set forth in "Appendix I — Accountants' Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary historical consolidated income statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and the summary historical consolidated statements of our financial position as of December 31, 2009, 2010 and 2011 and June 30, 2012 set forth below are derived from our consolidated financial statements that have been audited by Ernst & Young and included in "Appendix I — Accountants' Report." The unaudited consolidated income statements for the six months ended June 30, 2011 are derived from our unaudited consolidated financial information, including the notes thereto, set forth in "Appendix I — Accountants' Report."

Selected Historical Consolidated Income Statement Data

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(RMB in millions, except for earnings per share)				
Gross written premiums	168,552	229,440	249,047	138,201	149,224
Net earned premiums	141,555	197,081	206,348	111,025	119,253
Investment income	9,899	14,205	13,799	7,601	10,258
Total income	157,565	219,856	236,291	126,516	136,155
Claims and policyholders' benefits	110,935	155,606	160,287	86,844	90,783
Handling charges and commissions	14,494	17,268	18,109	9,498	10,701
Finance costs	2,330	3,288	4,665	2,036	2,629
Total benefits, claims and expenses	155,878	213,069	226,909	119,198	126,839
Profit before tax	2,215	7,528	10,210	7,748	9,579
Net Profit	1,751	5,847	7,897	6,010	7,144
Attributable to:					
Equity holders of the parent	1,108	3,987	5,185	4,039	4,923
Non-controlling interests	643	1,860	2,712	1,971	2,221
Earnings per share					
Basic and diluted (in RMB)	0.04	0.13	0.16	0.13	0.14

Selected Historical Consolidated Statements of Financial Position Data

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Assets				
Cash and cash equivalents	36,116	40,498	55,333	69,887
Derivative financial assets	105	46	184	137
Debt securities	130,167	206,953	213,996	208,273
Equity securities	35,429	51,184	71,050	85,267
Equity and fund investments at fair value	32,671	49,037	59,997	71,191
Insurance receivables	17,466	10,320	23,437	34,653
Property and equipment	13,753	18,366	19,060	19,317
Total assets	306,343	442,879	585,152	649,743
Liabilities				
Securities sold under agreements to repurchase	11,360	29,713	54,080	66,850
Subordinated debts	20,755	29,474	34,670	34,761
Insurance contracts liabilities	157,143	254,095	326,281	381,743
Investment contract liabilities for policyholders	31,663	41,253	49,156	48,013
Total liabilities	272,062	406,166	537,217	592,933
Equity				
Share capital	30,600	30,600	34,491	34,491
Reserves	(8,593)	(7,365)	(3,147)	5,244
Equity attributable to equity holders of the parent	22,007	23,235	31,344	39,735
Non-controlling interests	12,274	13,478	16,591	17,075
Total equity	34,281	36,713	47,935	56,810
Total equity and liabilities	306,343	442,879	585,152	649,743

Segmental Results of Operations

The following table sets forth a summary of GWPs and net profit/(loss) by each principal reporting segment for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(RMB in millions)		
GWPs					
P&C Insurance	119,920	154,451	174,092	91,516	101,260
Life Insurance	46,567	72,127	70,361	43,697	42,667
Health Insurance	2,070	2,863	4,596	2,989	5,303
Net Profit/(loss) for the year/period					
P&C Insurance	1,983	5,342	8,065	5,327	6,576
Life Insurance	99	737	551	715	912
Health Insurance	32	54	(482)	(186)	(297)
Asset Management	257	457	680	636	253

Recent Developments

The recent economic slowdown in China and worldwide has resulted in a more challenging business environment in China's insurance industry in 2012. Although we have prudently developed our business to continue capturing market opportunities and taking advantage of synergistic operations of our various business lines, our results of operation and financial position may be adversely affected by the economic slowdown. Nevertheless, we aim to maintain the steady growth of our business by optimizing product and distribution structures, diversifying distribution channels, enhancing operation efficiency and promoting cross-selling.

In the nine months ended September 30, 2012, our unaudited GWPs were RMB206,435 million. As of September 30, 2012, the solvency margin ratio of PICC P&C remained classified as Adequate Solvency II and the solvency margin ratio of PICC Life and PICC Health remained classified as Adequate Solvency I under applicable CIRC requirements. For the categories of solvency margin ratio, see the section entitled "Financial Information — Liquidity and Capital Resources — Solvency Margin Ratio."

On November 22, 2012, our shareholders approved a plan to issue subordinated debt in an aggregate principal amount of no more than RMB16 billion to qualified investors who meet the relevant regulatory requirements (the "Proposed Issuance"). We expect the subordinated debt will have a term of eight years and will be redeemable at the end of the fifth year from the date of issuance. The proceeds raised from the Proposed Issuance is intended to be used to refinance our outstanding subordinated debt in an aggregate principal amount of approximately RMB10 billion, to replenish our supplementary capital and strengthen our solvency margin ratio, to optimize our capital structure and to undertake infrastructure development. The Proposed Issuance is subject to the regulatory approval.

SUMMARY OPERATING DATA AND FINANCIAL RATIOS

The following table sets forth certain operating data and financial ratios relating to our Group, our P&C insurance business and life and health insurance businesses commonly adopted in the industry as of the dates or for the periods indicated.

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2009	2010	2011	2012
Group				
Weighted average return on equity(1)(2)	5.7%	17.6%	19.0%	27.7%
Return on average assets(1)(3)	0.6%	1.6%	1.5%	2.3%
Total investment yield(1)(4)	5.4%	5.2%	3.6%	4.5%
Net investment yield(1)(5)	3.3%	3.6%	4.3%	4.5%
Solvency margin ratio	139%	125%	165%	156%
P&C Insurance(6)				
Number of customers (in thousands):				
Individual (in thousands)(7)	49,947	67,543	72,021	72,208
Institutional (in thousands)(8)	3,042	2,828	2,392	2,294
Distribution channels (excluding PICC Hong Kong):				
Insurance agents:				
Number of individual insurance agents (in thousands)	145.0	167.0	161.0	169.3
Number of ancillary insurance agents (in thousands)	—(21)	20.4	26.6	29.7
Number of professional insurance agents (in thousands)	—(21)	1.2	1.6	1.8
Direct sales:				
Number of P&C insurance branches and outlets (in thousands)	13.5	13.8	13.7	13.4
Number of in-house sales force (in thousands)	24.3	27.0	29.1	37.2
Number of telephone sales seats (in thousands)	0.4	1.0	3.4	5.6
Number of insurance brokers (in thousands)	—(21)	—(21)	1.0	0.9
Growth ratio of retained premiums(9)	33.5%	32.9%	-0.5%	18.0%
Retention ratio(10)	86.3%	89.0%	78.6%	85.7%
Loss ratio	69.1%	67.3%	65.8%	61.4%
Expense ratio	33.1%	30.3%	28.3%	31.0%
Combined ratio	102.2%	97.6%	94.0%	92.4%
Total investment yield(1)(4)	4.9%	3.8%	2.3%	3.8%
Solvency margin ratio	111%	115%	184%	184%
Life Insurance(11)				
Number of customers (in thousands):				
Individual (in thousands)(12)	10,391	26,420	43,540	51,380
Institutional (in thousands)(13)	45	79	94	97
Individual life insurance customer persistency ratio:				
13-month(14)	70.2%	95.9%	95.6%	96.9%
25-month(15)	77.6%	64.8%	92.7%	94.4%

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2009	2010	2011	2012
Distribution channels:				
Number of bancassurance branches and outlets	53,375	72,811	80,763	107,843
Number of effective bancassurance branches and outlets[16]	20,155	26,048	24,098	23,481
Number of bancassurance managers	9,671	19,728	20,487	20,453
Number of individual insurance agents	103,125	109,913	125,059	110,239
Number of group sales personnel (in thousands)	3.1	6.1	9.4	10.0
Average monthly first year TWPs per agent (RMB)	3,508	5,154	6,259	7,324
New life insurance policies per agent per month	1.32	1.53	1.76	2.18
Growth ratio of retained premiums[9]	756.3%	54.9%	-2.6%	-2.5%
Surrender ratio[1][17]	0.9%	1.8%	3.8%	2.8%
Total investment yield[1][4]	6.2%	6.3%	4.5%	4.8%
Solvency margin ratio	181%	124%	132%	136%
Health Insurance[18]				
Number of customers				
Individual (in thousands)[12]	3,859	5,096	6,515	7,343
Institutional (in thousands)[13]	23	28	33	38
Individual health insurance customer persistency ratio:				
13-month[19]	95.5%	82.0%	89.1%	88.7%
25-month[20]	69.0%	94.9%	70.7%	87.3%
Distribution channels:				
Number of bancassurance branches and outlets	4,099	5,492	8,094	8,333
Number of effective bancassurance branches and outlets[16]	860	1,805	1,467	1,481
Number of bancassurance managers	1,516	1,476	1,624	1,487
Number of individual insurance agents	19,030	17,817	13,074	10,147
Number of group sales personnel (in thousands)	0.7	0.8	0.9	0.9
Average monthly first year TWPs per agent (RMB)	2,263	3,423	5,183	4,634
New health insurance policies per agent per month	0.92	0.34	0.32	0.68
Growth ratio of retained premiums[9]	-84.8%	-10.9%	63.3%	114.8%
Surrender ratio[1][17]	1.4%	0.7%	0.2%	0.8%
Total investment yield[1][4]	6.8%	6.1%	3.1%	1.9%
Solvency margin ratio	211%	115%	107%	101%

(1) For convenience only, the ratios of weighted average return on equity, return on average assets, total investment yield and net investment yield in the six months ended June 30, 2012 presented above are annualized amounts derived by multiplying by two the actual ratios for the six months ended June 30, 2012, are not intended to be representative of what the ratios will be in the 12 months ending December 31, 2012 and are not comparable to the ratios for the 12 months ended December 31, 2009, 2010 and 2011. The surrender ratio in the six months ended June 30, 2012 has not been annualized.

(2) Ratio of net profit to balance of weighted average equity calculated pursuant to the CSRC's Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Return on Equity and Earnings per Shares (2010 Revision), as amended on January 11, 2010.

(3) Ratio of net profit to average balance of total assets as of the beginning and end of the period.

(4) Ratio of total investment income to the average of investment assets as of the beginning and end of the period. See the section entitled "Business — Asset Management — Our Portfolio Composition" for information regarding the composition of our investment portfolio and other information relating to our investment assets.

Total investment income equals the sum of investment income and income from investment in associates, net of interest expenses on securities sold under agreements to repurchase.

Investment assets equals the sum of cash and cash equivalents, debt securities assets (including term deposits, bonds, and other fixed income assets such as loans and refundable deposits), equity securities assets (including funds, stocks and others), investment properties, derivative financial assets, subordinated debts, and investment in associates, net of securities sold under agreements to repurchase.

(5) Ratio of net investment income to the average of investment assets as of the beginning and end of the period.

(6) Operating data and solvency margin ratio of property and casualty insurance represented those of PICC P&C. Other data represented those of P&C segment.

(7) Represents the aggregate number of (a) the individual holders of all policies and (b) the individual insured of all policies, in each case within the 12 months ending as of the dates indicated, respectively, without duplicated calculation of (a) and (b). In the calculation above, the aggregate policies within a certain period include the policies naturally expired within the preceding 12 months and the policies remaining effective at the end of the period.

(8) Represents the number of institutional holders of all policies within the 12 months ending as of the dates indicated, respectively. In the calculation above, the aggregate policies within a certain period include the policies naturally expired within the preceding 12 months and the policies remaining effective at the end of the period.

(9) Ratio of the difference of retained premiums of the current period and the previous period divided by retained premiums of the previous period. Retained premiums is equal to GWPs net of premiums ceded to reinsurers.

(10) Ratio of net written premiums to GWPs.

(11) Data of life insurance represented those of PICC Life.

(12) Represents the aggregate number of (a) the individual holders of all policies and (b) the individual insured of all policies, in each case within the 12 months ending as of the dates indicated, respectively, without duplicated calculation of (a) and (b). In the calculation above, the aggregate policies within a certain period include the policies naturally expired within the preceding 12 months and the policies remaining effective at the end of the period.

(13) Represents the number of institutional holders of all policies within the 12 months ending as of the dates indicated, respectively. In the calculation above, the aggregate policies within a certain period include the policies naturally expired within the preceding 12 months and the policies remaining effective at the end of the period.

(14) The 13-month persistency ratio for a given year is the proportion of the total number of long-term life insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(15) The 25-month persistency ratio for a given year is the proportion of the total number of long-term life insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

(16) The number of effective bancassurance branches and outlets for a year/reporting period is calculated by adding up the total monthly numbers of bancassurance branches and outlets that have issued at least one in-force policy for each month in that year/reporting period, and dividing the sum by 12 or the number of months in that reporting period.

(17) Ratio of surrender amount for the current period to the sum of the reserves for long-term life insurance and health insurance liabilities at the beginning of the period and GWPs from life insurance and long-term health insurance for the reporting period.

(18) Data of health insurance represented those of PICC Health.

(19) The 13-month persistency ratio for a given year is the proportion of the total number of long-term health insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(20) The 25-month persistency ratio for a given year is the proportion of the total number of long-term health insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

(21) Information unavailable.

The following tables set forth certain information regarding our investment assets commonly adopted in the industry as of the dates or for the periods indicated.

	As of December 31,						As of June 30,	
	2009		2010		2011		2012	
	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(RMB in millions, except percentages)							
Cash and cash equivalents	36,116	15.2%	40,498	10.9%	55,333	11.5%	69,887	12.9%
Fixed-income investments	148,616	62.3%	257,201	69.3%	321,132	66.8%	340,233	62.7%
Equity and fund investments at fair value	32,671	13.7%	49,037	13.2%	59,997	12.5%	71,191	13.1%
Other Investments(1)	20,983	8.8%	24,361	6.6%	44,619	9.3%	61,274	11.3%
Total Investment Assets	238,386	100.0%	371,097	100.0%	481,081	100.0%	542,585	100.0%

(1) Primarily consist of investment properties, derivative financial assets, subordinated debts and debt investment plans, investments in affiliates and associates, and equity investments as well as trust plans recorded at cost.

	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)(2)	Amount
	(RMB in millions, except percentages)							
Cash and cash equivalents	1.1%	363	0.7%	272	1.0%	489	0.5%	142
Fixed-income securities	3.8%	4,722	4.1%	8,338	4.4%	12,767	4.8%	7,976
Equity and fund investments at fair value	17.1%	4,118	11.4%	4,675	(2.7)%	(1,486)	0.6%	206
Other investment income/(loss)	6.8%	1,224	7.3%	1,661	8.3%	2,857	8.3%	2,197
Total investment income		10,427		14,946		14,627		10,521
Total investment yield	5.4%		5.2%		3.6%		4.5%	

(1) Yields are calculated by dividing the investment income generated by the relevant assets for the period by the average of the amounts of such assets as of the beginning and end of the period. The total investment yield refers to the ratio of total investment income (excluding interests paid on securities sold under agreements to repurchase) to the average of the total investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period.

(2) For convenience only, the yield presented in the six months ended June 30, 2012 has been annualized by multiplying by two the actual yield in the six months ended June 30, 2012, is not intended to be representative of what the data would be for the 12 months ending December 31, 2012 and is not comparable to the data in the 12 months ended December 31, 2009, 2010 and 2011.

SENSITIVITY ANALYSIS FOR LIFE AND HEALTH INSURANCE CONTRACTS

The following tables set forth the sensitivity of our net profit before tax and equity to changes in assumptions regarding the discount rate, mortality/morbidity, lapse and surrender rate and expenses for our life and health insurance contracts for the periods indicated. The sensitivity analyses are performed for reasonably possible changes in assumptions regarding the discount rate, mortality/morbidity, lapse and surrender rate and expenses, with all other assumptions held constant.

Long-term life and health insurance contracts held by PICC Life:

	Change in assumptions	Impact on profit before tax and equity			As of or for the six months ended June 30,
		As of or for the year ended December 31,			
		2009	2010	2011	2012
		(RMB in millions)			
Discount rate	+50bp	55	291	848	1,201
Discount rate	-50bp	(89)	(350)	(921)	(1,273)
Mortality/morbidity	+10%	(25)	(58)	(64)	(69)
Mortality/morbidity	-10%	25	70	59	73
Lapse and surrenders rate	+25%	55	233	108	171
Lapse and surrenders rate	-25%	(55)	(256)	(128)	(184)
Expenses	+10%	(15)	(47)	(114)	(81)
Expenses	-10%	15	47	114	81

Long-term life and health insurance contracts held by PICC Health:

	Change in assumptions	Impact on profit before tax and equity			As of or for the six months ended June 30,
		As of or for the year ended December 31,			
		2009	2010	2011	2012
		(RMB in millions)			
Discount rate	+25bp	41	11	5	9
Discount rate	-25bp	(41)	(11)	(5)	(9)
Mortality/morbidity	+10%	(1)	(1)	(2)	(3)
Mortality/morbidity	-10%	1	1	2	2
Lapse and surrenders rate	+10%	1	—	(1)	(1)
Lapse and surrenders rate	-10%	(1)	—	—	1
Expenses	+10%	—	1	1	1
Expenses	-10%	—	(1)	(1)	(1)

EMBEDDED VALUE

In order to provide investors with an additional tool to understand our economic value and business results, we have engaged Deloitte, an independent firm of consulting actuaries, to prepare a report on the estimates of the embedded value of our life and health insurance businesses (excluding any value attributed to future new business) and an actuarially determined estimate of the value of one year's new business of our life and health insurance businesses. A copy of Deloitte's report is included in Appendix III to this prospectus.

The following tables summarize the embedded value of PICC Life and PICC Health as of December 31, 2011 and June 30, 2012 and their value of one year's new business for the 12 months ended December 31, 2011 and June 30, 2012.

Embedded Value	As of December 31, 2011			As of June 30, 2012		
	(RMB in millions, except percentages)					
Risk Discount Rate	9.0%	10.0%	11.0%	9.0%	10.0%	11.0%
PICC Life	23,486	22,685	21,988	29,734	28,631	27,664
PICC Health	3,049	2,907	2,783	3,536	3,378	3,239

Value of One Year's New Business after Cost of Capital	For the 12 months ended December 31, 2011			For the 12 months ended June 30, 2012		
	(RMB in millions, except percentages)					
Risk Discount Rate	9.0%	10.0%	11.0%	9.0%	10.0%	11.0%
PICC Life	3,922	3,713	3,523	4,403	4,118	3,859
PICC Health	850	806	768	754	724	696

OFFER STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 6,898,209,000 H Shares are issued in the Global Offering, (ii) the H Share Over-allotment Option is not exercised, and (iii) 41,389,259,583 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$3.42	Based on an Offer Price of HK$4.03
Market capitalization of our shares	HK$141.55 billion	HK$166.80 billion
Unaudited pro forma adjusted consolidated net tangible assets per share(1)	HK$1.61	HK$1.71

(1) The amount of unaudited pro forma adjusted consolidated net tangible assets per share is calculated in accordance with Listing Rule 4.29 after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of 344,910,000 H Shares (subject to adjustment) in Hong Kong; and

(b) the International Offering of 6,553,299,000 H Shares (subject to adjustment and the H Share Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, and in the United States to QIBs in reliance on Rule 144A.

A SHARE OFFERING

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable, and possibly shortly after the Global Offering. However, we have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A Shares. We are working with our A Share financial advisors on the A Share Offering plan. However, we have not obtained any commitment from any underwriter to underwrite or to purchase the A Shares to be offered. We currently expect our A Share Offering to comprise not more than 4,598,806,000 A Shares prior to exercise of an over-allotment option, not more than 5,288,626,000 A Shares upon full exercise of the over-allotment option, all of which will be newly issued shares, and will be within the limits approved by the relevant regulatory authorities.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$24,879 million, assuming an Offer Price of HK$3.73 per H Share (being the mid-point of the indicative Offer Price range of HK$3.42 to HK$4.03 per H Share), after deducting underwriting fees and commissions and estimated expenses paid and payable by us in connection thereto and assuming that the H Share Over-allotment Option is not exercised.

We intend to use these net proceeds for strengthening our capital base to support our business growth. Before we obtain necessary approvals from relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since June 30, 2012.

LISTING EXPENSES

Between June 30, 2012 and the Latest Practicable Date, we incurred approximately RMB15 million in expenses for the Global Offering, and we expect to incur an additional RMB120 million until the completion of the Global Offering. We do not expect these expenses to have a material impact on our results of operation for 2012 as reflected in our consolidated income statements for 2012.

RISK FACTORS

There are certain risks involved in our operations, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to the PRC insurance industry; (iii) risks relating to the PRC; and (iv) risks relating to the Global Offering. **As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section entitled "Risk Factors" of this prospectus carefully before you decide to invest in the Offer Shares.** Some of the major risks we face include:

— We have experienced rapid growth. However, we may not be able to continue such growth in the future. Furthermore, such growth has placed and will continue to place significant demands on our managerial, operational and capital resources;

— PRC laws and regulations require us as a group and our Company and each of our insurance subsidiaries to maintain a minimum solvency margin ratio commensurate with the scale of our respective business operations and risk exposures. If our Company or any of our insurance subsidiaries fails to meet the relevant minimum solvency margin ratio requirements, the CIRC may impose regulatory sanctions on our Company or such subsidiaries;

— Bancassurance arrangements with commercial banks, rural credit cooperatives and PSB in the PRC are the main distribution channel for our life and health insurance products. Regulatory changes affecting the bancassurance business and distribution of bancassurance products, such as Notice No. 90 and the Bancassurance Guidelines, could materially affect our relationship and arrangements with these banks or restrict our ability to further expand our bancassurance arrangements;

— As of June 30, 2012, approximately 11.0% and 32.1% of our total assets were invested in security investment funds and stocks, and bonds, respectively. Volatility in securities markets in the PRC and other areas could result in lower returns or losses on our investment assets and affect our profitability and financial position. Our investment portfolio is also subject to liquidity risk which could decrease its value; and

— During the Track Record Period, we derived a significant portion of our GWPs from motor vehicle insurance products. Changes in demand for motor vehicles in the PRC and the continuing change in the implementation of compulsory motor vehicle liability insurance in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

The entire prospectus should be read carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

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

"A Share Offering"	the proposed offering of not more than 4,598,806,000 A Shares by us to the public in the PRC, as described in the section entitled "A Share Offering"
"A Share Over-allotment Option"	the option expected to be granted by the Company to the A Share Offering underwriters following the listing of our A Shares on a PRC stock exchange, to require us to issue and allot up to 689,820,000 A Shares initially offered in the A Share Offering, if any, as described in the section entitled "A Share Offering"
"A Shares"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are to be listed on a PRC stock exchange upon the completion of the A Share Offering and traded in RMB
"Agricultural Bank of China"	Agricultural Bank of China Limited (中國農業銀行股份有限公司), a company incorporated in the PRC on January 15, 2009, and an Independent Third Party
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s) or where the context so requires, any of them
"Articles of Association"	the articles of association of our Company, adopted by our shareholders' meeting held on May 14, 2012, as amended on June 14, 2012 and November 21, 2012
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Bank of China"	Bank of China Limited (中國銀行股份有限公司), a company incorporated in the PRC on August 26, 2004, and an Independent Third Party
"Bank of Communications"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company incorporated in the PRC on December 24, 2004, and an Independent Third Party
"Board of Directors" or "Board"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Business Day"	any day on which banks in Hong Kong are open generally for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

"CAGR"	compound annual growth rate, which is annualized growth rate over a specific period of time
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"China Construction Bank"	China Construction Bank Corporation (中國建設銀行股份有限公司), a company incorporated in the PRC on September 17, 2004, and an Independent Third Party
"China Development Bank"	China Development Bank Corporation (國家開發銀行股份有限公司), a company incorporated in the PRC on December 11, 2008, and an Independent Third Party
"CIB"	China Insurance Brokers Co., Ltd. (中人保險經紀有限公司), a subsidiary of PICC Group incorporated in the PRC in December 2004
"CICC HKS"	China International Capital Corporation Hong Kong Securities Limited
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules

"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Cornerstone Investors"	the cornerstone investors as described in the section entitled "Our Cornerstone Investors"
"County Area" or "County Areas"	areas designated as counties or county-level cities under China's administrative division system. County Areas include county centers, towns and the rural areas within their jurisdictions
"CS"	Credit Suisse (Hong Kong) Limited
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deloitte"	Deloitte Consulting (Shanghai) Co. Ltd, Beijing Branch, an independent firm of consulting actuaries
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
"GDP"	gross domestic product, the total market value of all final goods and services made within the borders of a country in a certain period
"Geneva Association"	the Geneva Association is a leading international insurance "think tank" for strategically important insurance and risk management issues and is an Independent Third Party. It organizes international expert networks and manages discussion platforms for senior insurance executives and specialists as well as policy-makers, regulators and multilateral organizations
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"Government Administration Council of the PRC"	a branch of the Central People's Government of the PRC and the "highest executive branch for state government administration" under the leadership of the Central People's Government of the PRC from October 21, 1949 to September 27, 1954

"Government-entrusted Business"	(A) our life and health insurance businesses with the following features: (a) life and health insurance products and services as supplements to the social security system operated by the PRC Government, (b) cooperation with local governments, governmental organizations or business associations to provide such products and services and (c) such entities centrally arrange the purchase of or act directly as the purchaser of our life and health insurance products, or (B) the handling services we provide with respect to various social security insurance such as medical care, occupational injury and birth insurance, based on the entrustment of local governments
"GREEN application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider Computershare Hong Kong Investor Services Limited
"Guideline No. 70"	the Work Plan on Further Regulating the Order of the Property and Casualty Insurance Market (Bao Jian Fa [2008] No. 70) (關於進一步規範財產保險市場秩序工作方案), which was issued by the CIRC on August 29, 2008
"H Share Over-allotment Option"	the option expected to be granted by the Company to the International Purchasers exercisable by the Underwriters' Representatives under the International Purchase Agreement pursuant to which the Company may be required by the International Purchasers to issue up to 1,034,731,000 additional H Shares, representing in aggregate approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any, as described in the section entitled "Structure of the Global Offering"
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas listed foreign shares of our Company, with a nominal value of RMB1.00 each, which are to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants which include Hong Kong Accounting Standards and their interpretations

"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Companies Ordinance"	the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	the 344,910,000 H Shares being offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section entitled "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong, on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section entitled "Structure of the Global Offering"
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section entitled "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 23, 2012 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Sponsors, HSBC and the Hong Kong Underwriters as further described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering"
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"IASB"	the International Accounting Standards Board
"ICBC"	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a company incorporated in the PRC on October 28, 2005, and an Independent Third Party
"IFRS"	Standards and Interpretations adopted by IASB comprising: — International Accounting Standards; — International Finance Reporting Standards; and — amendments and the related interpretations issued by the International Accounting Standards Board

“Independent Third Party” a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules

“International Offer Shares” the H Shares offered pursuant to the International Offering

“International Offering” the conditional placing by the International Purchasers of the International Offer Shares, as further described in the section entitled “Structure of the Global Offering — The International Offering”

“International Purchase Agreement” the purchase agreement relating to the International Offering expected to be entered into by, among others, our Company, the Underwriters’ Representatives and the International Purchasers, as further described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — The International Offering”

“International Purchasers” the purchasers of the International Offering who are expected to enter into the International Purchase Agreement to purchase the International Offer Shares

“Interpretation No. 2” The Interpretation No. 2 to New China Accounting Standards (企業會計準則解釋第2號) issued by the Ministry of Finance on August 7, 2008; the Provisions on the Accounting Treatment on Insurance Contracts (保險合同相關會計處理規定) issued by the Ministry of Finance on December 22, 2009; the Announcement of Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業實施<企業會計準則解釋第2號>有關事項的通知) issued by the CIRC on January 5, 2009; the Announcement of Further Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業做好<企業會計準則解釋第2號>實施工作的通知) issued by the CIRC on January 25, 2010 and other related regulations

“Joint Bookrunners” Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, ABCI Securities Company Limited, CCB International Capital Limited, Essence International Securities (Hong Kong) Limited, BOCI Asia Limited, ICBC International Capital Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), Merrill Lynch International, Daiwa Capital Markets Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch, Haitong International Securities Company Limited, Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering) and Citigroup Global Markets Limited (in relation to the International Offering)

"Joint Global Coordinators"	Goldman Sachs (Asia) L.L.C., Deutsche Bank AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, ABCI Securities Company Limited, CCB International Capital Limited, Essence International Securities (Hong Kong) Limited, BOCI Asia Limited, ICBC International Securities Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), Merrill Lynch Far East Limited, Daiwa Capital Markets Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch, Haitong International Securities Company Limited, Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering) and Citigroup Global Markets Limited (in relation to the International Offering)
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited, HSBC Corporate Finance (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited and Goldman Sachs (Asia) L.L.C.
"Latest Practicable Date"	November 16, 2012 being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be December 7, 2012, on which dealings in our H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macau"	the Macau Special Administrative Region of the People's Republic of China

"Main Board"	the Main Board of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the PRC Securities Commission, the predecessor of the CSRC, and the State Restructuring Commission on August 27, 1994, as amended and supplemented from time to time
"MEAG"	MEAG Munich Ergo Asset Management GmbH, an insurance asset management company incorporated in 1999 in Germany and headquartered in Germany, which holds a 19% equity interest in PICC AMC
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"National People's Congress" or "NPC"	the National People's Congress of the PRC (全國人民代表大會)
"New Policy on bancassurance business"	the Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks (Yin Jian Fa [2010] No. 90) (關於進一步加强商業銀行代理保險業務合規銷售與風險管理的通知) (銀監發[2010]90號) issued by the CBRC on November 1, 2010, or Notice No. 90. and the Guidelines on Regulating the Bancassurance Business of Commercial Banks (商業銀行代理保險業務監管指引) jointly issued by the CIRC and the CBRC on March 7, 2011, or the Bancassurance Guidelines
"No. 88 Development Co."	Beijing No. 88 West Chang'an Avenue Development Company (北京西長安街八十八號發展有限公司), a subsidiary of PICC Group incorporated in the PRC in February 1994
"nominal GDP"	nominal GDP is the market value of all final goods and services using current year prices
"nominal per capita GDP"	nominal per capita GDP is calculated by dividing the population into the nominal GDP
"Nomination and Remuneration Committee"	the nomination and remuneration committee of the Board

"North Information Center"	an information technology center to be established by the Group in northern China, which will be used primarily as the information center for the Group's business management and operation. We expect to commence the construction of the North Information Center in December 2012. We will use internal funds to construct the Center. As of the Latest Practicable Date, we had not incurred or committed any capital expenditure with respect to the Center
"Notice No. 90"	the Notice on Further Strengthening the Sales Compliance and Risk Management of Bancassurance Business of Commercial Banks (Yin Jian Fa [2010] No. 90) (關於進一步加强商業銀行代理保險業務合規銷售與風險管理的通知)(銀監發[2010]90號), which was issued by the CBRC on November 1, 2010
"NSSF"	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"NSSF Subscription Shares"	the 3,891,050,583 shares subscribed by NSSF pursuant to the Share Subscription Agreement
"Offer Price"	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of the brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Hong Kong Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering, to be determined as further described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering"
"Offer Shares"	the H Shares offered in the Global Offering (for the purposes of this prospectus, the total number of initial Offer Shares under the Global Offering is assumed to be 6,898,209,000 Offer Shares)
"Over-allotment Options"	the H Share Over-allotment Option and the A Share Over-allotment Option
"P&C"	property and casualty
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of China
"PBOC Rate(s)"	the exchange rate for foreign exchange transactions set daily by the PBOC based on the China inter-bank foreign exchange market rate of the previous day and with reference to current exchange rates on the world financial markets

"Pension Insurance Companies"	Taiping Pension Co., Ltd. (太平養老保險股份有限公司), Ping An Pension Insurance Co., Ltd. (平安養老保險股份有限公司), China Life Pension Company Limited (中國人壽養老保險股份有限公司), Changjiang Pension Insurance Co., Ltd. (長江養老保險股份有限公司), and Taikang Pension Insurance Co., Ltd. (泰康養老保險股份有限公司)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress of the PRC and all the local people's congresses as the context may require, or any of them
"PIB"	Prime Insurance Brokers Company Limited (中元保險經紀有限公司), a subsidiary of PICC Group incorporated in the PRC in June 2005
"PICC AMC"	PICC Asset Management Company Limited (中國人保資產管理股份有限公司), a subsidiary of PICC Group incorporated in the PRC in July 2003
"PICC Capital"	PICC Capital Investment Company Limited (人保資本投資管理有限公司), a subsidiary of PICC Group incorporated in the PRC in March 2008, formerly known as PICC Capital Investment Company Limited (人保金控投資有限公司)
"PICC Europe"	PICC Services (Europe) Ltd., a wholly-owned subsidiary of PICC Group incorporated in the United Kingdom in November 2000, formerly known as Tellyoung Limited
"PICC Group," the "Company" or "our Company"	The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司), a joint-stock insurance company incorporated in the PRC in September 2009 established by the conversion from People's Insurance Company Group of China (中國人民保險集團公司), or, where the context refers to any time prior to its incorporation, the business which its predecessors were engaged in and which were subsequently assumed by it
"PICC Health"	PICC Health Insurance Company Limited (中國人民健康保險股份有限公司), a subsidiary of PICC Group incorporated in the PRC in March 2005
"PICC Hong Kong"	The People's Insurance Company of China (Hong Kong), Limited (中國人民保險(香港)有限公司), a subsidiary of PICC Group incorporated in Hong Kong in February 1971, formerly known as Guangdong Asia Insurance Company Limited, and acquired by the Company in November 2002
"PICC Investment"	PICC Investment Holding Co., Ltd. (人保投資控股有限公司), a wholly-owned subsidiary of PICC Group incorporated in the PRC in August 2007

"PICC Life"	PICC Life Insurance Company Limited (中國人民人壽保險股份有限公司), a subsidiary of PICC Group incorporated in the PRC in November 2005
"PICC P&C"	PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司), a subsidiary of PICC Group incorporated in the PRC in July 2003 and having been listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2328) since November 6, 2003
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles in the PRC, including the Accounting Standards for Business Enterprises
"PRC Government" or "State"	the government of the PRC, including all governmental subdivisions (including central, provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Insurance Law"	the Insurance Law of the PRC (中華人民共和國保險法), as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on June 30, 1995 and effective on October 1, 1995, as amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People's Congress on December 29, 1998 and effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or around November 30, 2012, but no later than December 6, 2012, on which the Offer Price is fixed for the purposes of the Global Offering
"professional insurance agencies"	institutional intermediaries which are established in accordance with relevant PRC laws and regulations and engage in insurance distribution business within the scope of authorization provided by the insurance companies they represent. Professional insurance agencies may sell insurance policies on behalf of multiple insurance companies only after obtaining approval from the CIRC

"PSB"	Postal Savings Bank of China (中國郵政儲蓄銀行), a company incorporated in the PRC on March 20, 2007 and an Independent Third Party
"QDIIs"	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
"QFIIs"	qualified foreign institutional investors licensed by the CSRC to invest in RMB-denominated shares listed on China's domestic securities exchanges
"Qualified Initial Public Offering"	the initial public offering and listing of our Company on any qualified stock exchange, which can be (1) Main Board of the Hong Kong Stock Exchange; (2) New York Stock Exchange; (3) Main Board of any stock exchange within PRC; and (4) any other stock exchange
"Qualified Institutional Buyers" or "QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"Sannong"	the acronym in Chinese for "agriculture, rural areas and farmers" (農業、農村、農民). The terminology "Sannong" (三農) was initially created to refer to the development issues in China's rural areas and has become an expression widely used by the policymakers in China
"SAP"	a type of business management software developed by SAP AG
"SASAC"	the State-Owned Assets Supervision and Administration Commission (國有資產監督管理委員會)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share Subscription Agreement"	the share subscription agreement entered into on June 15, 2011 between NSSF, MOF and our Company relating to the subscription by NSSF of 3,891,050,583 shares newly issued by our Company

"Shareholder(s)"	holder(s) of our Shares
"Shares"	ordinary shares in the capital of our Company with a nominal value of RMB 1.00 each
"Sigma Report"	Sigma Report, a non-commissioned report published by Swiss Reinsurance Company, an independent third party reinsurance company
"South Information Center"	an information technology center that has been established by the Group in Foshan, Guangdong Province, China. Its function is to serve as the Group's center for information back-up, research and development and application
"Special Regulations"	the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies issued by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"State Administration of Foreign Exchange" or "SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"State Administration of Industry and Commerce" or "SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"State-owned Shares Transfer Approval"	the approval regarding the transfer of state-owned shares plan for the Company issued by the MOF on May 15, 2012
"subsidiary"	has the meaning ascribed to it in the Listing Rules, unless the context requires otherwise
"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules
"Supervisors"	the members of the Board of Supervisors
"Supplemental Basic Medical Care Insurance"	a type of medical care insurance as a supplement to the mandatory basic medical care insurance (基本醫療保險) provided in the PRC, which provides medical care insurance protections to the insured in addition to those provided by the mandatory basic medical care insurance
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
"Tokio Marine"	Tokio Marine & Nichido Fire Insurance Co., Ltd.

"Track Record Period"	the three financial years ended December 31, 2011 and the six months ended June 30, 2012
"Underwriters"	the Hong Kong Underwriters and the International Purchasers
"Underwriters' Representatives"	China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse (Hong Kong) Limited and Goldman Sachs (Asia) L.L.C.
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Purchase Agreement
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Urban Area" or "Urban Areas"	the rest of China other than the County Areas
"US$" or "US dollars"	US dollars, the lawful currency of the United States
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax which is payable by entities and individuals selling products or providing services, repairs and replacement services and importing products within China; all amounts are exclusive of VAT in this prospectus except indicated otherwise
"we," "us" or the "Group"	PICC Group and, except where the context otherwise requires, some or all of its subsidiaries or, where the context refers to any time prior to their respective incorporation, the business which their respective predecessors were engaged in and which were subsequently assumed by them
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	the World Trade Organization

"ZSIB"	Zhongsheng International Insurance Brokers Co., Ltd. (中盛國際保險經紀有限責任公司), a subsidiary of PICC Group incorporated in the PRC in June 2005
"2009 NAO Audit"	the routine audit conducted by NAO in 2010 on our assets, liabilities and profits and losses for the year of 2009
"4S Car Dealerships"	a short-hand reference widely used in China to car dealerships offering sales, spare-parts, services and survey

GLOSSARY

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

"1/24 method"	a basis for estimating unearned premium reserves based on the assumption that premiums are received evenly over each month and risk is spread evenly over the year.
"1/365 method"	a basis for estimating unearned premium reserves based on the assumption that premiums are received evenly over each day and risk is spread evenly over the year.
"ALM"	assets and liabilities management, which is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerances and other constraints.
"ancillary insurance agent"	an insurance agent that, in addition to its own business, as permitted by the CIRC, acts as an agent for insurance companies to conduct insurance business and collects insurance premiums within its authorization. Examples of ancillary insurance agents include banks, PSB and car dealerships.
"annuity"	a contract that provides for periodic payments to an annuitant for a specified period of time, often until the annuitant's death. The interval of such periodic payments is no longer than one year.
"assumed investment return"	the investment return assumed in embedded value calculation.
"assumed pricing rate"	interest rate that is used to discount future cash flows generated by insurance policies when determining the price for an insurance product.
"average hospitalization expenses"	average expenses incurred by an insured party of health insurance on each hospitalization within one year.
"best estimates"	a mathematical principle by which statistical analyses are used to produce estimated values with the least possible variance, such as when actuaries estimate necessary reserves.
"Bornhuetter-Ferguson method" or "B-F method"	a method of valuing claim reserves or ultimate loss based on a weighted combination of prior loss ratio and loss development of incurred claims.

GLOSSARY

"captive insurance"	the insurance coverage provided by a company insuring the risks of its parent entity and/or its associated corporations.
"case estimate approach"	a method of determining the claim reserves for unsettled claims. Each unsettled claim is individually assessed to arrive at an estimate of the total payments to be made.
"cash surrender value"	the amount of cash available to a policyholder on the surrender of or withdrawal from a long-term life insurance policy.
"cede"	when an insurer reinsures its insurance risk with another insurer, it "cedes" business.
"cession ratio"	the ratio of premiums ceded to reinsurers to gross written premiums.
"chain ladder method"	a claim reserves valuation method that projects future claims based on historical development patterns of paid or incurred claims, where the claims data are generally organized by accident year for direct insurers.
"claim"	a demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which comes within the cover provided on the sum insured by the policy.
"claims adjuster"	an individual or an entity that determines insurance liabilities and the amount of claim payments, based on its review of claim materials.
"claims reserves"	liabilities established to provide for losses and loss adjustment expenses associated with incurred but not reported claims and reported but not settled claims.
"combined ratio"	the sum of the loss ratio and the expense ratio for a P&C insurance company or a reinsurance company. A combined ratio below 100% generally indicates profitable underwriting. A combined ratio over 100% generally indicates unprofitable underwriting.
"commission"	a payment to an agent or broker by an insurance company for service in respect of a sale or maintenance of an insurance product.
"effective bancassurance branches and outlets"	the number of effective bancassurance branches and outlets for a year/reporting period is calculated by adding up the total monthly numbers of bancassurance branches and outlets that have issued at least one in-force policy for each month in that year/reporting period, and dividing the sum by 12 or the number of months in that reporting period.

"embedded value"	the sum of (x) an actuarially determined estimate of the current value of after-tax distributable profits of in-force business of the life health insurance businesses of an insurance company based on a particular set of assumptions as to future experience, excluding capital cost and (y) the adjusted net worth and value.
"endowment life insurance"	life insurance under which an insured party receives the payments at the end of the endowment period pursuant to a policy if the individual survives the endowment period. If the insured party does not survive, a beneficiary receives the face value of the policy.
"expense ratio"	the ratio of P&C insurance operating expenses, net of reinsurance commission income, to net premiums earned.
"facultative reinsurance"	a reinsurance in which the insurer selects the reinsurer on an ad hoc basis with respect to a particular insurance policy and enters into the reinsurance agreement with that reinsurer on a policy-by-policy basis.
"gross written premiums" or "GWPs"	gross written premiums as shown on the Accountants' Report set forth in Appendix I to this Prospectus. They include the amount charged on insurance policies issued or reinsured by an insurer for a given period, without deduction for premium ceded to reinsurers. GWPs also include premiums ceded to us from other insurers in our inward reinsurance business. Under IFRS, gross written premiums are recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of hybrid contracts, both of which are also required by Interpretation No. 2. As a result, none or only a portion of the premiums we receive from contracts with investment features are included in gross written premiums whereas all such premiums are included in total written premiums.
"in-force"	a policy that is shown on records to be in-force on a given date and that has not (i) matured by death or otherwise, (ii) been surrendered or otherwise terminated or (iii) expired or been suspended due to non-payment of insurance premium.
"incurred but not yet reported reserves" or "IBNR reserves"	reserves for estimated losses and loss adjustment expenses which have been incurred but not yet reported to the insurer or reinsurer, including future development of claims which have been reported to the insurer or reinsurer but where the established reserves may ultimately prove to be inadequate.

GLOSSARY

"insurance density"	premiums income per capita, calculated based on the resident population in a country or an area.
"insurance penetration"	premiums income as a percentage of GDP.
"life and health insurance"	all insurance business operated by a life and health insurance company, such as life, annuity, health and accident insurance, except where the content otherwise requires.
"long-term life insurance policies"	life insurance policies which are greater than twelve months in duration.
"loss"	an occurrence that is the basis for submission and/or payment of a claim. Losses may be covered, limited or excluded from coverage, depending on the terms of the policy.
"loss adjustment expenses" or "LAE"	the expenses of settling claims from the P&C insurance business, including legal and other fees and general expenses.
"loss ratio"	the ratio of P&C insurance loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned.
"morbidity rate"	incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and computing liabilities for health insurance.
"mortality rate"	rates of death, varying by such parameters as age, gender and health, used in pricing and computing liabilities for future policyholder benefits for life and annuity products.
"negotiated deposits"	cash deposits in financial institutions for agreed periods of time at an agreed interest rate.
"net earned premiums"	net written premiums less the change in unearned premium reserves during the same period.

"net level premium method"	under the net level premium method, insurers must set aside policy reserves assuming that the ratio of pure insurance premium to total annual premium paid remains constant over the term of the policy. The net level premium method increases an insurer's administrative expense burden in the early years of a policy, when actual administrative expenses exceed the portion of the premium received in such early years covering administrative expenses. Under an alternate method of calculating policy reserves, known as the Zillmer method, the pure insurance premium portion is reduced in the first few years of the policy, allowing, in effect, policy acquisition costs to be deferred.
"net written premiums"	gross written premiums for a given period less premiums ceded to reinsurers during such period.
"new business premiums"	premiums generated from new policies written during the most recent period and excludes premiums generated from continuing policies from previous periods.
"non-participating policy"	policies under which the policyholder has no right to share distributable surplus of the account.
"Original Premiums Income"	unless indicated otherwise in this prospectus, Original Premiums Income refers to all premiums from policies directly underwritten by an insurance company after taking into account the significant insurance risk test and unbundling of hybrid contracts as required by Interpretation No. 2. During the Track Record Period, Original Premiums Income of our P&C insurance business is equal to its TWPs. the CIRC publishes on its website TWPs of PRC insurance companies for the periods prior to December 31, 2010 under the name of Original Premiums Income.
"participating policies"	life and health insurance policies or annuity contracts under which the owner is eligible to share in the distributable surplus of the insurer through policyholder dividends, whether or not such dividends are currently payable.
"payment per claim incurred"	a method for estimating claim reserves based on the average amount of claim payment derived from historical claim data and adjusted by projections of future trends of claim payment amounts.
"policyholders' reserves"	reserve liabilities established to provide for future obligations arising under life insurance products.

"regular premium products"	insurance products with regular periodic premium payments.
"reinsurance"	the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued.
"reserves"	liability established to provide for all future claims of policyholders net of liability ceded to reinsurance companies.
"retention amounts"	the amount of insurance coverage that the primary insurer assumes for its own account, exclusive of any amount ceded to a reinsurer.
"share premium"	paid-in capital in addition to issued and paid-up nominal share capital.
"single premium products"	insurance products with a single one-off premium payment.
"solvency"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations.
"solvency margin"	a measure of an insurance company's solvency.
"solvency margin ratio"	the ratio of an insurer's actual capital to its minimum capital.
"statutory reserves"	amounts required to be reserved under the PRC Insurance Law as well as PRC statutory accounting standards in order for an insurance company to provide for future obligations with respect to all policies.
"surrender"	the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract.
"surrender charge"	the fee charged to a policyholder when a life insurance policy or an annuity contract is surrendered for its cash surrender value prior to the end of the surrender charge period. Such charge is intended to recover all or a portion of policy acquisition costs and makes early surrender unattractive to policyholders.

"total premiums"	the premiums data published in the Sigma Report. Such data equals the sum of non-life insurance (including accident and health insurance) premiums and life insurance (excluding accident and health insurance) premiums.
"total written premiums" or "TWPs"	all premiums from policies directly underwritten by an insurance company without taking into account the significant insurance risk test and unbundling of hybrid contracts as required by Interpretation No. 2. During the Track Record Period, the GWPs from our P&C insurance business are equal to the sum of TWPs and premiums ceded to our P&C insurance business from other insurance companies, while the GWPs from our life and health insurance businesses are smaller than TWPs, with the differences represented by the portion of the premiums from the policies underwritten which are excluded as GWPs due to either the policy not satisfying the significant insurance risk test (in which case none of the premium would be included in GWPs) or the policy being treated as a hybrid contract (in which case only the portion of the premiums relating to the insurance risk would be included in GWPs) as required by Interpretation No. 2. The CIRC publishes on its website TWPs of PRC insurance companies for the periods prior to December 31, 2010 under the name of Original Premiums Income. TWPs are not a measure of financial performance calculated in accordance with IFRS. We have included TWPs in this prospectus because it is an indicator of all the premiums we receive by directly underwriting insurance policies, which we believe provides investors with a useful measure of our overall business generating capabilities. In this prospectus, the descriptions of the TWPs of PICC Group refer to the sum of the TWPs of PICC P&C, PICC Life, PICC Health and PICC Hong Kong.
"treaty reinsurance"	treaty reinsurance is reinsurance for a group of risks. Pursuant to the terms of a reinsurance agreement, an insurer has the obligation to offer, and the reinsurer has the obligation to accept, a portion of all of the risks of a particular category underwritten by the insurer.
"underwriting"	the process of examining and classifying insurance risks, in order to decide whether to accept such risks and the conditions on which the risks should be accepted.

"unearned premium reserves"	liabilities established to reflect the portion of premiums written relating to the unexpired periods of coverage of P&C insurance contracts and accidental and short-term health insurance contracts with an original insured period of not more than one year.
"value of in-force business"	the discounted value of the projected stream of future after-tax distributable profits for existing life and health insurance businesses of in force at the valuation date.
"value of one year's new business"	the discounted value of the projected stream of future after-tax distributable profits for new life and health insurance businesses of written in the twelve months immediately prior to the valuation date.
"withdrawal"	surrender in part. Some insurance products permit the insured party to withdraw a portion of the cash surrender value of the contract. Future benefits are reduced accordingly.
"Zillmer method"	a method by which insurance companies may calculate policy reserves that in effect allows policy acquisition costs to be deferred. Under this method, the pure insurance premium portion used in the calculation of policy reserves is reduced in the first year of the policy. This reduction makes the policy reserve provisions smaller than those under the net level premium method. In years following the first year, the reduction in reserve provisions in the first year are gradually adjusted to eliminate the difference between the net level premium method and the Zillmer method over a predetermined term of, for example, five or ten years.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in H Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The market price of H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Supervision and Regulation," "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association." Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material adverse effect on us.

RISKS RELATING TO OUR BUSINESS

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

We have experienced rapid growth. However, we cannot assure you such growth will continue in the future. Furthermore, such growth has placed and will continue to place significant demands on our managerial, operational and capital resources. The expansion of our business activities poses various challenges to us, including but not limited to:

- meeting the demand of an increased capital base and higher requirements for cost controls to satisfy the minimum solvency margin ratio requirements stipulated by the CIRC and other capital needs;
- strengthening and expanding our risk management capabilities and information technology systems to effectively manage risks associated with existing and new lines of insurance products and services and increased marketing and sales activities;
- developing adequate underwriting and claims settlement capabilities;
- recruiting, training and retaining management, technical personnel and sales staff with sufficient experience and knowledge;
- managing our rapidly growing insurance assets;
- developing new distribution channels; and
- maintaining and developing our brand and reputation.

As part of our overall strategy, we may undertake investments, acquire certain businesses, assets and technologies, as well as develop new business lines, products and distribution channels, any of which may not be successful. These investments, acquisitions and business initiatives could require our management to develop expertise in new areas, manage new business relationships, attract new types of customers, and divert their attention and resources, all of which could have a material adverse effect on our ability to manage our business. These investments, acquisitions and business initiatives may also expose us to potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing business and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. We may not be able to recruit and effectively train and retain a sufficient number of qualified personnel to keep pace with the growth of our business. Expansion of our business may also put pressure on our efforts to centralize our management effectively and develop our information technology systems. If we are not able to manage future growth successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we do not meet solvency margin ratio requirements, we could be subject to regulatory sanctions and could be forced to change our business strategies or slow down our growth.

PRC laws and regulations require us as a group and our Company and each of our insurance subsidiaries to maintain a minimum solvency margin ratio commensurate with the scale of our business operations and risk exposures. Under the Administrative Regulation of Solvency of Insurance Companies (保險公司償付能力管理規定), an insurance company is required to have capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of at least 100%. If our Company or any of our insurance subsidiaries fails to meet the relevant minimum solvency margin ratio requirements, the CIRC may impose regulatory sanctions on us, depending on the degree of deficiency in the solvency margin ratio, such as prohibiting an increase in the number of branches, restricting development of new business and restricting the payment of bonuses to senior management. For more information, see the section entitled "Supervision and Regulation — Solvency Margin Ratio." As a result of PICC Health's failure to meet the minimum solvency margin ratio requirements from the fourth quarter of 2007 to the third quarter of 2008, the CIRC imposed the relevant regulatory sanctions on PICC Health. The CIRC ceased such sanctions on September 25, 2009. As of December 31, 2009, 2010 and 2011 and June 30, 2012, the solvency margin ratio of our Company was 139%, 125%, 165% and 156%, respectively; the solvency margin ratio of PICC P&C was 111%, 115%, 184% and 184%, respectively; the solvency margin ratio of PICC Life was 181%, 124%, 132% and 136%, respectively; and the solvency margin ratio of PICC Health was 211%, 115%, 107% and 101%, respectively.

Our solvency margin ratio is affected by factors such as our amount of capital, business growth and profitability. If our share capital and profit cannot continue to support the growth of our business in the future, if the statutory solvency margin ratio increases, if our financial condition or results of operations deteriorate, or for other reasons we cannot comply with the statutory solvency margin ratio requirements, we may need to raise additional capital in order to meet such requirements. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including but not limited to, our future financial condition, results of operations, cash flow, government regulatory approvals, changes in regulations relating to capital raising activities, our credit rating, general market conditions for capital raising activities, and other economic and political conditions in and outside of the PRC. For example, under the Measures for the Administration of Subordinated Term Debt of Insurance Companies (保險公司次級定期債務管理辦法), which became effective on October 6, 2011, PRC insurance group companies (or insurance holding companies), including PICC Group, are not permitted to issue subordinated debt unless otherwise approved by the CIRC, and an insurance operating company, including PICC P&C, PICC Life and PICC Health, is not permitted to issue subordinated debt if its total outstanding principal amount and interest of subordinated debt exceed 50% of its audited net assets as of the end of the immediately preceding fiscal year. As of June 30, 2012, the ratio of the total outstanding principal amount and interest of subordinated debt to the audited net assets of PICC P&C, PICC Life and PICC Health as of the end of 2011 was 55%, 39% and 101%, respectively. If such ratio for PICC P&C or PICC Health stays above 50% or such ratio for PICC Life exceeds 50% in the future, the relevant insurance operating company will not be permitted to further issue subordinated debt and its ability to raise additional funds will be materially and adversely affected. No administrative penalties will be imposed on an insurance operating company if its total outstanding principal amount and interest of subordinated debt exceed 50% of its audited net assets as of the end of the preceding year.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all. Failure by our Company or any of our insurance subsidiaries to meet the solvency margin ratio requirements may have a material adverse effect on our business, financial condition, results of operations and prospects.

Differences between our actual benefit and claim payments and those assumptions and estimates used in the pricing of, and setting reserves for, our insurance products could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our earnings significantly depend on the extent to which our actual benefit and claim payments are consistent with those assumptions and estimates we use in pricing our products and establishing reserves for future policy benefits and claims.

We price our P&C insurance products based on our estimates of probability of loss and various costs and the judgment of our management. For P&C insurance products sold by us, we establish claim reserves and unearned premium reserves in accordance with industry practice and accounting and regulatory requirements. Claim reserves represent estimates of the ultimate cost of claims for claims incurred but not settled, whether or not reported, as at the balance sheet date, and includes reserves allocated for loss adjustment expenses that may be incurred for future benefits of claims. These estimates are based on actuarial and statistical projections and our predictions of variable factors based on the facts and circumstances known at the time when the losses are incurred. We price and establish reserves for life and health insurance products based on many assumptions and estimates, including as to investment returns, mortality rates, morbidity rates, lapse and surrender ratios, and expense ratios, among others. These estimates are based on our previous experience, statutory requirements, industry practice and the judgment of our management.

Due to the nature of underlying risks and the uncertainties associated with the determination of liabilities for future policy benefits and claims, the amount which we will ultimately pay to settle our liabilities may differ from estimated amount, particularly when those payments may not occur until well into the future. If our previously established reserves prove to be inadequate, we will incur additional costs in the form of costs of claims or we may be required to increase our reserves for future policy benefits, resulting in additional costs in the period during which the reserves are established or re-estimated, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Credit risks in our insurance and distribution operations and credit risks related to our investments may expose us to significant losses.

We are exposed to the risk that counterparties in our insurance and distribution operations, including customers and distribution partners, do not perform their obligations. Our customers and distribution partners may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances. In addition, we are exposed to credit risks in relation to our investments, including a decrease in the fair value of securities we own, a downgrade in credit ratings of securities we own and the credit risks of counterparties in our investment activities.

We are also exposed to credit risks in connection with our investments. The fair value of our exchange-traded bond investments is assessed with reference to the quoted market prices at the close of business on each balance sheet date. The fair value of our bond investments that are traded in interbank markets is determined using the estimated market prices published by the China Central Depositary & Clearing Co., Ltd. While the majority of the corporate bonds we own carry credit ratings not lower than "AA" as rated by CIRC-recognized domestic rating agencies, these domestic rating agencies may not use the same methods or have the same analytical capabilities as internationally-recognized rating agencies, such as Standard and Poor's Ratings Services, Moody's Investors Service and Fitch, Inc. Consequently, domestic credit ratings, even with the same rating symbols, may not reflect the same creditworthiness as a rating by an internationally-recognized rating agency, and we may be subject to greater credit risks with respect to our investments in debt securities than we believe, which could result in a decrease in the fair value of our debt securities, resulting in impairment losses. Although we attempt to minimize the risks associated with investments through diversification, improving our credit analysis capability and paying attention to current interest rate trends, we cannot assure you that we are able to identify and mitigate credit risks successfully. In addition, while in certain cases we are permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral we are entitled to receive and the value of the pledged assets. As a result, the losses in fair value or realized losses we could incur on investments we hold as well as a significant downgrade in the credit rating of the debt securities owned by us could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, the counterparties in our investments, including issuers of securities we hold, banks that hold our deposits, debtors and investees of private equity funds, may default on their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. We are also subject to the risk that our rights against these counterparties may not be enforceable in all circumstances.

Any termination of, or any adverse change to, our bancassurance arrangements may have a material adverse effect on our business, financial condition, results of operations and prospects.

Commercial banks, rural credit cooperatives and PSB in the PRC which have entered into bancassurance agreements with us are the main distribution channel for our life and health insurance products. The TWPs from our sales of life and health insurance products through bancassurance partners represented approximately 26.3%, 28.7%, 24.4% and 21.7% of our total TWPs in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, and 79.8%, 76.7%, 69.4% and 59.9% of the TWPs from our life and health insurance businesses in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. Our bancassurance arrangements are generally for a term of one to three years and are non-exclusive. We may not be able to maintain our current arrangements on acceptable terms upon their expiration, and we may not be able to secure new bancassurance partners, which will significantly affect our competitiveness and profitability.

The commercial banks which distribute our bancassurance products are subject to banking supervision and regulation in the PRC, while we are subject to insurance supervision and regulation in the PRC. Regulatory changes affecting the bancassurance business and distribution of bancassurance products could materially affect our relationship and arrangements with these banks or restrict our ability to further expand our bancassurance arrangements. For example, on November 1, 2010, the CBRC issued the Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks (關於進一步加强商業銀行代理保險業務合規銷售與風險管理的通知), or Notice No. 90. Under Notice No. 90, individual branches of commercial banks are generally not permitted to cooperate with more than three insurance companies to carry out bancassurance business, and insurance companies are not permitted to have on-site representatives at commercial bank branches to sell their insurance products. As a result, our bancassurance products are being sold primarily by the bank staff who usually have less knowledge of our products or are less experienced than our sales representatives. On March 7, 2011, the CIRC and the CBRC jointly issued the Guidelines on Regulating the Bancassurance Business of Commercial Banks (商業銀行代理保險業務監管指引), or the Bancassurance Guidelines, which provide that (i) generally, bancassurance agreements must be entered into between a commercial bank and an insurance company at the headquarter level, or at the first tier branch level with written authorization from the respective headquarters, in which case the bancassurance agreements must be promptly registered with the relevant headquarters; and (ii) bancassurance commissions must be paid by the first tier branches of insurance companies to the first or second tier branches of commercial banks, and preferably by the headquarters of insurance companies to the headquarters of commercial banks. The Bancassurance Guidelines also provide that existing bancassurance agreements between insurance companies and banks that do not comply with the Bancassurance Guidelines must be renegotiated to comply with the Bancassurance Guidelines by March 31, 2011. As a result, these regulations may affect our ability to further expand our bancassurance arrangements with commercial banks. For more information regarding the Bancassurance Guidelines, see the section entitled "Supervision and Regulation — Insurance Agents and Insurance Brokers — Ancillary Insurance Agency Organizations — Bancassurance."

Although the total number of our bancassurance branches and outlets as of June 30, 2012 increased from the total number as of December 31, 2011, we cannot assure you such number will not decrease in the future. The number of our effective bancassurance branches and outlets as of June 30, 2012 decreased from the number as of December 31, 2011, and such number may continue to decrease in the future. The TWPs generated from our bancassurance channels in life and health insurance businesses in 2011 decreased from 2010, and such TWPs may continue to decrease in the future.

Any termination of, disruption to, or any other adverse change to, our relationship with the banks with which we have entered into bancassurance agreements, the formation of any exclusive partnership between these banks and any of our competitors, or a lack of experienced representatives at the bank outlets, could significantly reduce our product sales and our growth opportunities. In addition, as the bancassurance market becomes increasingly competitive, banks could demand higher commission rates, which would increase our costs of sales and materially reduce our profitability. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects could be materially and adversely affected if our cross-selling activities are not successful.

We intend to expand our business with our existing customers and increase our revenues by expanding our cross-selling efforts. We cannot assure you, however, that our cross-selling activities will be successful. In particular, the applicable PRC regulatory framework allows for the regulators to oversee and review our cross-selling activities, and licensing is required for certain cross-selling activities. If our cross-selling activities are deemed to have violated any cross-selling regulations or any other laws or regulations in the PRC, our cross-selling activities may be adversely affected, we may be subject to relevant legal liabilities and our reputation may be harmed, all of which may have a material adverse effect on our business and prospects. In addition, we may need to significantly upgrade our existing information technology systems in order to enable us to better understand and predict the behavioral patterns of our customers. We cannot assure you that our efforts in this regard will be successful.

Volatility in the PRC and other securities markets could result in lower returns or losses on our investment assets.

Volatility in stock markets in the PRC and other areas may affect our profitability, financial position and dispositions of equity securities and equity-linked assets. A decline in stock markets may lead to a reduction of unrealized gains in such assets or result in unrealized or realized losses, impairments, and a reduction of realized gains upon the disposition of such assets, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. As of June 30, 2012, approximately 11.0% of our total assets, or RMB71.19 billion, were invested in security investment funds and stocks, 48.8%, or RMB34.72 billion, of which were invested in stocks listed on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange, and we cannot assure you that we have not suffered or will not suffer significant impairments or other losses on our investments since June 30, 2012. Stock markets are subject to volatility for a variety of reasons, including political, economic and social conditions, among others. These and other factors may from time to time result in significant price volatility, unexpected losses and lack of liquidity in stock markets. For example, the SSE Composite Index, a major stock exchange index in the PRC, closed at a low of 1,706.70 points on November 4, 2008, representing a 69.0% decline from its peak of 5,497.90 points on January 14, 2008, and then rebounded by 103.4% to close at 3,471.44 points on August 4, 2009, but declined again afterwards. The SSE Composite Index closed at 2,014.73 points as of the Latest Practicable Date, which represented a decline of 9.5% from 2,225.43 points at the close of June 29, 2012, the last trading day prior to June 30, 2012. A significant decrease in the prices of the listed stocks that we have invested in, or that our portfolio investment funds have invested in, could materially reduce the value of our investment portfolio.

As of June 30, 2012, approximately 32.1% of our total assets were invested in bonds, of which approximately 10.2% were government bonds, approximately 56.0% were bonds issued by onshore financial institutions, and approximately 33.8% were bonds issued by companies that are not financial institutions in the PRC market. Debt securities markets are also subject to volatility. For example, the all-bond index published by the China Central Depositary & Clearing Co., Ltd., a major debt securities market index in the PRC, closed at a low of 113.83 points on January 4, 2008 and then rebounded by 18.5% to close at 134.83 points on September 2, 2010, but declined again afterwards, and started to rise since September 2011. As of the Latest Practicable Date, the all-bond index was 142.23. A significant decline in debt securities markets in the PRC or elsewhere could negatively affect the value of our debt securities and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our investment portfolio is subject to liquidity risk which could decrease its value.

Some of our investments may not have sufficient liquidity as a result of a lack of market makers, market sentiment and volatility, and the availability and cost of credit. Due to the significant size of some of our fixed income investments relative to the trading volume of the relevant types of investment in relevant markets, our ability to sell certain bonds without significantly depressing market prices, or at all, may be limited. As a large institutional investor in the PRC, we may also hold significant positions in many of the listed stocks that we directly invest in, and any decision to sell or any perception in the market that we intend to sell could adversely affect the liquidity and market price of such security and, in turn, our returns on investments in such security. We also hold privately placed fixed income securities, private equity investments and real estate investments. If we are required to dispose of these or other potentially illiquid assets on short notice due to significant insurance claims to be paid, surrenders and withdrawals of existing life and health insurance policies or other reasons, we could be forced to sell such assets at prices significantly lower than the prices we have recorded in our consolidated financial statements. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have limited experience investing in certain asset classes that have only recently been permitted by the CIRC and may have limited experience investing in other asset classes that may be permitted in the future.

The CIRC has in recent years significantly expanded the scope of permitted investments for PRC insurance companies. We are now permitted to invest our insurance funds in areas such as infrastructure debt investment plans, unsecured bonds, shares of unlisted companies, real estate, bank financing products, trust plans, financial derivatives and overseas investments, and may be permitted by the CIRC to invest in additional new asset classes in the future. When making investments in these asset classes, we may face new and heightened risks due in part to our limited experience in investing in such asset classes. The risk and liquidity profiles of these new asset classes are significantly different from those of the asset classes that we traditionally invest in, and investments in these asset classes may increase the overall risk exposure of our investment portfolio. Our lack of investment experience in certain new asset classes could reduce our investment returns and cause our investment returns to fall below expectations, which could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

Regulatory actions and legal proceedings against us could cause us reputational harm and have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to extensive regulation by PRC and overseas regulatory authorities in each of the markets where we conduct our business, and, from time to time, we may be subject to regulatory or legal proceedings. Responding to these regulatory or legal proceedings, regardless of their ultimate outcome, is time-consuming and expensive and can divert the time and effort of our senior management from our business. Moreover, our provisions for regulatory or legal proceedings may be inadequate. Given the uncertainties and complexity of many of these regulatory or legal proceedings, their outcome generally cannot be predicted with any reasonable degree of certainty.

We are subject to periodic examinations by the CIRC, the PBOC and other PRC governmental authorities, including tax, industry and commerce administration and audit authorities relating to our compliance with PRC laws and regulations. The regulators may impose penalties and/or sanctions on us for non-compliance. From January 1, 2009 to June 30, 2012, as a result of violations of PRC laws and regulations, we were subject to a total number of 246 administrative penalties of revocation of business permits, confiscation of illegal gains, suspension of new businesses for a certain period of time and administrative fines with an amount of more than RMB100,000 in each case by various PRC regulatory authorities (including without limitation the CIRC and its local branches, the PBOC and its local branches and the SAFE). Among these penalties, the total amount of administrative fines with an amount of more than RMB100,000 in each case and illegal gains confiscated was approximately RMB37.703 million. For details of the penalties, see the section entitled "Business — Legal and Regulatory Proceedings." We believe that these penalties have no material impact on our overall operating results.

From May 2010 to July 2010, the National Audit Office of the People's Republic of China, or the NAO, conducted a routine audit, or the 2009 NAO Audit, on the assets, liabilities and profits and losses of our Company and our six subsidiaries and 18 branches for 2009 and discovered certain issues relating to the business operations of several subsidiaries and branches. We have promptly undertaken corrective actions and held the responsible persons strictly accountable. For details of the 2009 NAO Audit, see the section entitled "Business — Legal and Regulatory Proceedings." We believe that the issues identified in, and penalties and/or sanctions arising from, the audits conducted by the NAO have no material impact on our overall operating results. However, future examinations by PRC regulatory authorities may result in penalties and/or sanctions, or issuance of negative reports or opinions, that could have a material adverse effect on our business, financial condition, results of operations and prospects. These government examinations may also result in negative publicity, which could significantly harm our corporate image and reputation.

Any fraud, sales misrepresentation, money laundering and other misconduct committed by our employees, agents and distribution partners could result in violations of laws and regulations by us and subject us to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us. In particular, since 2006, the State Council and various PRC regulatory authorities, including the CIRC, have intensified their efforts to combat commercial bribery in the PRC. While we are implementing measures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering and other misconduct, we may not be able to timely detect or prevent such fraud, sales misrepresentation, money laundering or other misconduct, which could harm our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able effectively to implement centralized management and supervision of our subsidiaries, branches, affiliates or equity investees, or ensure consistent application of our strategies and policies throughout the Group.

Our insurance, asset management and other businesses are conducted by our subsidiaries and through our branches, affiliates and equity investees. PICC P&C is a public company listed on the Hong Kong Stock Exchange. Although we owned approximately 68.98% of the shares of PICC P&C as of the Latest Practicable Date, PICC P&C and its management are required to discharge their duties to all shareholders, including its public shareholders. Our other major subsidiaries also have other shareholders holding significant portions of equity interests of such subsidiaries and have a certain degree of management autonomy. See the section entitled "History and Corporate Structure." We may not be able to ensure that the Group's strategies and policies are implemented effectively and consistently within each subsidiary, branch, affiliate and equity investee. In addition, due to the large number of our subsidiaries, branches, affiliates and equity investees, their broad geographic distribution and limitations in our information systems and other factors, we have not always been able to effectively detect or prevent on a timely basis operational or management problems at these subsidiaries, branches, affiliates or equity investees, and information available to and received by our management may not be accurate, timely or sufficient for our management to manage risks and plan for and respond to market and other changes in our operating environment. If we are unable effectively to implement our centralized management and supervision of our subsidiaries, branches, affiliates or equity investees, or apply our strategies and policies consistently throughout our Group, our business, financial condition, results of operations and prospects could be materially and adversely affected and our reputation could suffer.

Our risk management and internal control systems, as well as the risk management tools available to us, may not be adequate or effective in identifying or mitigating risks to which we are exposed.

We have been devoted to establishing risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we have been dedicated to continuously improving these systems. See the section entitled "Business — Risk Management." However, due to the inherent limitations in the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control, and information communication, our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or against all types of risks. Many of our methods for managing risk exposure are based upon observed historical market behavior or statistics. These methods may not accurately predict future risk exposure, which can be significantly greater than what our historical measures may indicate. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us. Such information may not be accurate, complete or properly evaluated. Moreover, the information and experience data that we rely on may quickly become obsolete as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future. In addition, insurance companies typically utilize various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate risk. See the section entitled "Supervision and Regulation." Therefore, the risk management tools available to us are limited, which in turn limits our risk management capability and effectiveness. As a result, our risk management methods and techniques may not be effective and we may be unable to take timely and appropriate measures to manage our risks.

We are mainly in the business of being paid to accept certain risks and provide relevant protection. Our employees and agents who conduct our business, including management, sales and product managers, sales agents and investment professionals, among others, do so in part by making decisions that expose us to risks. These decisions include setting underwriting guidelines and standards, product design and pricing, investment decisions, and pursuit of business opportunities, among others. In addition, our employees and agents may make decisions beyond their scope of authority and that exposes us to excessive risks. Although we endeavor, in the design and implementation of our compensation and incentive plans and internal control system, to avoid giving our employees and agents incentives to take excessive risks, they may make decisions that expose us to risks regardless of the structure of our compensation and incentive plans and internal control system. Similarly, although we employ controls and procedures designed to monitor business decisions of our employees and agents and prevent them from taking excessive risks, due to the large size of our operations and the large number of our branches, we cannot assure you that these controls and procedures may always be effective. If our employees and agents take excessive risks or make intentional or unintentional mistakes, the impact of those risks or mistakes could have a material adverse effect on our business, financial condition, results of operations and prospects.

As the regulatory framework of the PRC insurance industry continues to be liberalized and the PRC insurance market continues to evolve, we are likely to offer a broader and more diversified range of insurance products and invest in a significantly wider range of assets in the future. The diversification of our insurance product offerings and investments will require us to continue to enhance our risk management and internal control capabilities. Our failure to timely adapt our risk management and internal control policies and procedures to our developing business could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failures of or inadequacies in our information technology systems could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business depends heavily on the ability of our information technology systems to timely process a large number of transactions across vast geographic areas and numerous product lines. In particular, transaction processes have become increasingly complex and the volume of transactions continues to increase. The proper functioning of our financial controls, accounting, customer database, customer service and other data processing systems, including those relating to underwriting and claims processing functions, actuarial and risk management, together with the communications systems linking our headquarters, branches, sales and service outlets and main information technology centers, is critical to our operations and to our ability to compete effectively. Our business activities would be materially disrupted in the event of a partial or complete failure of any of these information technologies or communications systems. These failures could be caused by, among others, hardware failure, software program errors, computer virus attacks, Internet failure, conversion errors due to system upgrading or system relocation, failure successfully to implement ongoing information technology initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems at our existing and future facilities. Many of these events are wholly or partially outside of our control. Although we back up our business data regularly and have an emergency disaster recovery center located at a site different from our production data center, any material disruption to the operation of our information technology systems could have a material adverse effect on our business.

In addition, we are in the process of establishing an information infrastructure based on two separate information centers, the South Information Center and North Information Center. While the construction of the South Information Center was completed in April 2011 and is available for operation, we are still preparing for the construction of the North Information Center and expect to put it into operation by the end of 2015. We have not established an information technology system featuring mutual-support and mutual-backup and will not be able to achieve a long distance real-time system backup capability prior to the commencement of operation of the North Information Center. See the section entitled "Business — Information Technology — Features." Our failure promptly to address these problems could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or our failure to comply with regulatory requirements, which could have a material adverse effect on our business operations, customer service and risk management, among others. This could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We update our information technology systems and introduce new information technology systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new information technology systems may not be able to achieve the projected processing capacity and availability, and may also not be able to meet the needs of our business scale and business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in our inability to perform, or prolonged delays in performing, critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business operations, customer service and risk management, among others. This could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our business depends on our ability to attract and retain our senior management, high-quality employees and individual sales agents, and the loss of their services could have a material adverse effect on our business, financial condition, results of operations and prospects.

The success of our business to a large extent depends on the continued service of our senior management and various professionals and specialists, including actuaries, information technology specialists, investment managers and finance professionals, legal professionals, risk management specialists, underwriting and claim settlement personnel and sales staff, as well as our individual sales agents. As a result of ever-increasing market competition, the market demand and competition for experienced management personnel and insurance professionals and specialists has intensified. Our business and financial condition could suffer if we are unable to retain our senior management, including the senior management and operating management of our Company and our major subsidiaries including PICC P&C, PICC Life, PICC Health and PICC AMC, or other high-quality personnel, including management in professional departments of business, finance, investment and information technology in our Company and our major subsidiaries, or cannot adequately and timely replace them upon their departure. Moreover, we may be required to increase substantially the number of such personnel in connection with any future growth plans, and we may face difficulties in doing so due to the intense competition in the PRC insurance industry for such personnel. Our failure to retain or replace competent personnel could materially impair our ability to implement any plan for growth and expansion. Competition for high-quality employees and individual sales agents among insurance companies and other business institutions may also require us to increase compensation for employees and commission for individual sales agents, which would increase operating costs and reduce our profitability.

We do not possess the relevant land use right certificates or building ownership certificates for some of our properties and certain of our lessors do not possess relevant title certificates for some of our leased properties, and we may be required to seek alternative premises for some of our properties or business sites.

As of June 30, 2012, we held 7,014 properties with an aggregate gross floor area of approximately 7,547,000 square meters in the PRC. Among these properties, there were 1,768 properties with an aggregate gross floor area of approximately 941,700 square meters with respect to which we did not have the relevant land use right certificates and/or building ownership certificates. We are in the process of communicating closely with the local land and property management authorities to obtain the relevant land use right certificates and building ownership certificates that we do not currently hold. See the section entitled "Business — Properties." However, we may not be able to obtain certificates for all of these properties due to title defects or for other reasons, which may adversely affect our ownership rights in respect of these properties. If we were forced to relocate any of the operations we conduct on the affected properties, we may suffer disruptions in such business operations and incur additional costs.

In addition, as of June 30, 2012, we leased from third parties outside of our Group 4,511 properties with an aggregate gross floor area of approximately 1,470,000 square meters in the PRC, primarily as business premises for our subsidiaries and branches. Among these properties, 2,495 properties with an aggregate gross floor area of approximately 643,000 square meters were leased from third-party lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners to sublet such properties. As a result, such leases may be invalidated. With respect to approximately 71.4% of the aggregate gross floor area of properties covered by such defective leases, the relevant lessors have confirmed that they hold legal rights to let such properties and undertaken to indemnify us for losses arising from their defective legal titles or other rights to such properties. In addition, we may not be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of being challenged or were not renewed upon expiration, we may need to seek alternative premises, which may lead to disruptions in our business operations and cause us to incur additional costs relating to such relocations. Furthermore, as at June 30, 2012 lease agreements for 4,099 properties with an aggregate gross floor area of approximately 1,265,000 square meters that we have leased from third-party lessors had not been registered with the relevant PRC authorities. These properties accounted for 86.1% of properties we have leased from independent third-party lessors in terms of the aggregate gross floor area as of June 30, 2012. Although the lack of registration of the lease agreements may not affect the legality of such lease agreements, we may suffer penalties charged by relevant PRC authorities.

We face possible infringement of our intellectual property rights and may inadvertently infringe upon third party intellectual property rights.

Our insurance business and asset management business rely on our trademarks, domain names, and database and software that we have developed in-house. Although we endeavor to protect our intellectual property rights, third parties may infringe upon or misappropriate these rights. We may need to resort to litigation or other proceedings to enforce our intellectual property rights. This could result in substantial costs and diversion of resources and could materially disrupt our business and reduce our profitability. Our efforts to protect and enforce our intellectual property rights may not be successful, which could have a material adverse effect on our prospects and our ability to compete.

We have from time to time been subject to claims brought by third parties for infringement of their intellectual property rights. Any such claims and any resulting litigations or other proceedings could result in significant expense and liability for damages as well as negative impact on our reputation. If we were found to have infringed or misappropriated third-party intellectual property rights, we could in some circumstances be enjoined from providing certain products or services to our customers or from utilizing and benefiting from certain methods, processes or software programs. Alternatively, we could be required to enter into costly licensing arrangements with third parties or be required to incur significant costs to implement alternative arrangements. Any of these scenarios could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our two largest shareholders are able to exercise significant influence over us and may not act in the best interests of us or our other shareholders.

Our two largest shareholders, the MOF and the NSSF, will own approximately 72.45% and 10.88%, respectively, interest in our Company immediately following the completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. In accordance with our Articles of Association and applicable laws and regulations, the MOF alone, or together with the NSSF, will have the ability to exercise, directly or indirectly, a controlling influence over our business, including matters relating to:

- management, business strategies and policies;
- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of directors and supervisors;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to the Articles of Association.

The interests of the MOF and/or the NSSF may not be aligned with our or our other shareholders' interests. As a result, the MOF and/or the NSSF may take actions that other shareholders may not agree with or that are not in our or our other shareholders' best interests.

Our ability to pay dividends and meet other obligations depends on dividends and other payments from our subsidiaries, which are subject to contractual and other obligations.

We are a holding company and, with the exception of certain investment activities, do not conduct any significant business operations on our own. As a result, we depend upon dividends and other distributions from our operating subsidiaries for substantially all of our cash flow. Most of our assets are held by these subsidiaries. Our liquidity and ability to pay interest and expenses, meet our obligations and pay dividends are dependent upon the flow of funds from these subsidiaries. We cannot assure you that these subsidiaries will generate sufficient funds to support dividend payments and other distributions in an amount sufficient to meet our cash requirements and pay dividends.

Our ability to pay dividends or make other payments may be further restricted by covenants contained in agreements governing our current or future debt. In addition, our subsidiaries may incur debts to third parties, the terms of which may restrict our ability to obtain dividend payments or other distributions from the applicable subsidiaries. Our and our subsidiaries' ability to pay dividends may also be restricted by regulatory authorities. See the sections entitled "Supervision and Regulation" and Appendix VI — "Summary of Articles of Association — Dividends and Other Methods of Profit Distribution."

RISKS RELATING TO THE PRC INSURANCE INDUSTRY

The recent rapid growth of the PRC insurance market may not be sustainable.

The PRC insurance market was the second largest in Asia and the sixth largest worldwide in 2011 in terms of total premiums according to the Sigma Report 2012. We expect the insurance market in the PRC to continue to expand and the insurance penetration and insurance density to continue to rise with the continued growth of the PRC economy, the reform of the social welfare system and the formation of favorable demographic patterns in the PRC. Our judgments regarding the anticipated drivers of such growth and their impact on the PRC insurance industry are prospective, which may not be consistent with actual developments. In addition, the PRC insurance industry may not be free from systemic risks, including risks related to macroeconomic conditions and financial system stability. Consequently, the growth and development of the PRC insurance industry may not be sustainable.

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

We face intense competition from both domestic and foreign-invested insurance companies. Competition in the insurance industry is affected by a number of factors, including brand recognition and the reputation of the provider of services and products, distribution network and easy access to services and service personnel, pricing and quality of services, product design and diversification, financial strength, high-quality and stable professional team and information technology capabilities. Some of our competitors also have competitive strengths based on operating experience, capital base and product diversification. Our primary competitors are large scale P&C and life and health insurance companies and various types of asset management entities in the insurance and financial markets. Recently, more insurance companies with backgrounds in particular industries and established with capital from enterprises in those industries, and regional insurance companies founded with regional state-owned capital, have entered the PRC insurance market, creating even greater competition with respect to industry-specific and regional insurance resources.

In addition, we face potential competition from commercial banks, which have been permitted to invest in, or form alliances with, insurance companies to offer insurance products and services that compete against those offered by us. Large commercial domestic banks, such as Bank of China, Bank of Communications and China Construction Bank, had invested in insurance companies as of December 31, 2011. Closer integration between the insurance and banking sectors may potentially better align their economic interests and increase incentives for banks to distribute insurance products and services of their insurance business affiliates and partners instead of ours. Such potential competitors may further increase the competitive pressures we expect to face, especially in our bancassurance business.

In recent years, financial institutions in the PRC have expanded their efforts to develop new types of investment products in response to the increasing public demand for diversified financial investments. The rules on equity investment funds under PRC laws and regulations have been more practicable, which have led to a greater availability and variety of financial investment products. These products may be more attractive to the public and could materially reduce the sale of some of our insurance products that offer similar investment features.

Our failure to respond effectively to these various competitive pressures could result in a decrease of market share and cause us to incur losses on some or all of our activities and to experience lower growth. A decline in our competitive position could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in market interest rates could have a material adverse effect on our business and profitability.

The profitability of some of our products and our returns on investment are highly sensitive to interest rate fluctuations. Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) could reduce our investment returns and spread and thus materially and adversely affect our insurance businesses and investment returns, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects. Our spread, which is the difference between the actual investment returns of our insurance products' reserves and the assumed pricing rates of our insurance products, is a key source of net profit for our life and health insurance businesses.

A decline in interest rates could not only result in an increase in the value of our existing fixed income assets calculated based on fair value, but could also result in reduced returns on investment from our newly added fixed income assets and thus materially reduce our profitability. During periods of declining interest rates, our average investment yield may be affected as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with new investments carrying lower yields, thus reducing our investment margins and investment income. Lowering assumed pricing rates could help offset decreases in investment margins on some life and health insurance products. However, our ability to lower these rates could be limited by competition and may not match the timing or magnitude of changes in investment yields, which would reduce or eliminate the profit margins on our products. Accordingly, declining interest rates could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects and significantly reduce our profitability.

An increase in interest rates could also negatively affect our profitability. An increase in interest rates could not only result in an increase in investment returns on our newly added fixed income assets, but could also result in reduced value of our existing fixed income assets calculated based on fair value. We may not be able to replace, in a timely manner, the existing fixed income assets in our investment portfolio with higher yielding assets needed to fund our life and health insurance policies that offer higher rates of return. We, therefore, may have to accept a lower spread and, thus, lower profitability. While the increased investment yield will increase the returns on investment from newly added assets in our investment portfolios, surrenders and withdrawals of existing insurance policies may increase as policyholders may seek to buy products with perceived higher returns. These surrenders and withdrawals may result in cash payments by us requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, potentially resulting in realized investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a potential decrease in net income.

We use the value-at-risk, or VaR, methodology to measure the expected possible loss in respect of interest rate risk in our fixed-income assets. VaR is the potential maximum loss in fair value of the trading portfolio under normal market conditions over a defined time horizon with a specified confidence level. Our VaR calculation of fixed-income assets is made based on the assumption of a normal distribution and seeks to measure the estimated impact on financial instruments with 10-day reasonable market fluctuations and with a 99% confidence level based on historical market data of fixed-income investments from the 250 trading days in the past. Using the VaR technique and based on the assumptions above, the VaR of our fixed-income assets was RMB436 million, RMB1,519 million, RMB1,161 million and RMB772 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. For details of the impact of the changes in interest rate on our profit during the Track Record Period, see the section entitled "Financial Information — Quantitative and Qualitative Disclosure about Market Risk" and "Appendix I — Note 46(3) Market risk — Interest rate risk."

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, the PBOC reduced the benchmark interest rate on one-year term deposits several times during the Track Record Period, from 4.14% at the begining of 2008 to 2.25% at the end of 2008, and maintained such benchmark interest rate at 2.25% until October 2010, in an effort to stimulate the domestic economy. From October 2010 to July 2011, in an effort to rein in inflation, the PBOC raised the benchmark interest rate on one-year term deposits from 2.25% to 3.5%. On both June 8 and July 6, 2012, the PBOC reduced the benchmark interest rate on one-year term deposits by 0.25%. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The limited amounts and types of long-term fixed income products in the PRC capital markets and the legal and regulatory requirements on the types and ratios of investments that insurance companies are permitted to make could severely limit our ability to closely match the duration of our assets and liabilities.

Like other insurance companies, we seek to manage interest rate risk by matching, to the extent commercially practicable, the average duration of our investment assets and the corresponding insurance policy liabilities they support. Matching the duration of our assets to the corresponding liabilities reduces our exposure to changes in interest rates, because the effect of the changes could largely be offset against each other. However, restrictions under the PRC

Insurance Law and related regulations on the types and ratios of assets in which we may invest, as well as the limited amounts and types of long-term investment assets in the PRC markets capable of matching the duration of our liabilities, may result in a shorter duration of assets than liabilities with respect to certain of our investment accounts. See the section entitled "Supervision and Regulation — Use of Insurance Funds." Moreover, the PRC capital markets do not currently provide adequate financial derivative products for us to hedge our interest rate risk. We expect that our exposure to interest rate risk will continue in the foreseeable future due to our dependence on the PRC capital market for our investments and the resulting inability to match the durations of our assets and liabilities more closely. Our exposure to interest rate risk may worsen in the future if we successfully expand our life and health insurance businesses as planned because the term of life and health insurance products are generally longer than those of P&C insurance products. We cannot assure you that the investment restrictions imposed on insurance companies in the PRC may be further eased in the future and the sizes and types of long-term fixed income products available in the PRC securities market may increase in the future. Our failure to closely match the duration of our assets to that of the corresponding liabilities will continue to expose us to risks related to interest rate changes, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Concentrated policy surrenders in our insurance businesses may cause us to dispose of our investment assets, and the illiquidity of certain investment assets could prevent us from selling them at commercially favorable prices in a timely manner, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Under normal circumstances, it is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impact, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, or loss of customer confidence in the insurance industry due to the severe or perceived weakening of the financial strength of one or more insurance companies, may trigger concentrated surrenders of insurance policies. For example, the recent downturn in the global economy and adverse market conditions have resulted in an increase in the surrender of our life insurance policies. If this were to occur, we would have to dispose of investment assets to cover the significant amount of surrender payments. However, some of our investment assets, such as investments categorized as held-to-maturity debt securities and equity investments in private companies, have low liquidity, and we may experience reduced liquidity for other investment assets which are typically liquid, if concentrated surrenders occurred during a market downturn. We may be unable to sell our investment assets at favorable prices or in a timely manner to cover the significant level of surrender payments, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our businesses are extensively regulated, and changes in laws and regulations could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our insurance business, asset management business and other businesses are subject to extensive regulations. The CIRC is the regulatory authority of the PRC insurance industry and has the authority to impose regulatory sanctions on non-complying insurance companies. The amendments to the PRC Insurance Law promulgated in 2009 have also afforded more protections to policyholders.

The terms and premium rates of certain insurance products are subject to regulation. Changes in these regulations may affect the profitability of these insurance products. In addition, the CIRC regulations require insurance companies to maintain minimum solvency margin ratios. See the section entitled "Supervision and Regulation."

The qualification of shareholders investing in PRC insurance companies are also subject to regulation. The PRC Insurance Law and certain other regulations promulgated by the CIRC provide certain qualifications for equity investors in PRC insurance companies. For details of the investment qualifications, see the section entitled "Supervision and Regulation — Insurance License — Qualification of shareholders Investing in Insurance Companies." In addition, if an investor holds 5% or more of the issued shares of a listed PRC insurance company, such as our Company after the Listing, through open market purchases on a stock exchange, such insurance company must report such holding to the CIRC for approval within five days after the occurrence of such fact and the CIRC has the authority to require the investor who fails to meet the relevant qualifications to dispose of its shares.

Failure to comply with any of the laws and regulations to which we are subject could result in fines, restrictions on our business operations or expansion or, in extreme cases, revocation of our business licenses, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. As some of the laws and regulations to which we are subject are relatively new, there is uncertainty regarding their interpretation and application. See the section entitled "Supervision and Regulation." In addition, the regulators regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in the interpretation or application thereof, are often made for the benefit of the insured parties, which may materially increase our direct and indirect compliance and other expenses and have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in demand for motor vehicles in the PRC and the continuing change in the implementation of compulsory motor vehicle liability insurance in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

In 2009, 2010, 2011 and the six months ended June 30, 2012, we derived approximately 50.7%, 50.5%, 51.4% and 46.9%, respectively, of our GWPs from motor vehicle insurance products. The significant contribution to our GWPs from motor vehicle insurance products in recent years has been largely driven by the rapid growth in consumer demand for motor vehicles in the PRC. We cannot assure you that the rapid growth in consumer demand for motor vehicles in the PRC will continue in the future. As a result of the high percentage of premiums derived from motor vehicle insurance products, adverse changes in consumer demand for motor vehicles in the PRC and any unfavorable change of government policies which affect such demand could have a material adverse effect on our business, financial condition, results of operations and prospects.

The growth of our motor vehicle insurance business in terms of GWPs is also attributable, to a significant extent, to the introduction of compulsory motor vehicle liability insurance in the PRC on July 1, 2006. The CIRC in 2008 increased the maximum liability coverage of compulsory motor vehicle liability insurance and decreased the basic premium rates for this insurance covering certain types of motor vehicles. We suffered operating losses of RMB1,224 million, RMB3,320 million and RMB4,035 million from the compulsory motor vehicle liability insurance product in 2009, 2010 and 2011, respectively. Our loss ratio for this product was 82.9%, 87.5% and 87.6% in 2009, 2010 and 2011, respectively, and such loss ratio may increase over time if the basic premium rates do not increase. In part due to the CIRC's adjustments to maximum liability coverage and basic premium rates for compulsory motor vehicle liability insurance in 2008 and the relevant provisions which enable drivers with a favorable driving history to enjoy discounts of up to 30% in premium rates for compulsory motor vehicle liability insurance, our overall premium rates for compulsory motor vehicle liability insurance may decrease, whereas our claims and related costs in connection with our offering of this insurance product may increase.

To further explore and optimize the pricing mechanism of compulsory motor vehicle liability insurance and to reasonably match the premium rates of such insurance with the associated risks, the CIRC approved a pilot program to localize the pricing of compulsory motor vehicle liability insurance in Jiangsu Province in October 2010. However, detailed implementation plans for this pilot program had not been promulgated as of the Latest Practicable Date. We believe that, if this pilot program is successfully implemented and extended to further regions in the PRC in the future, we will be able to localize the pricing of compulsory motor vehicle liability insurance based on features of risks associated with compulsory motor vehicle liability insurance businesses in different regions in the PRC, which will improve results of operations of our compulsory motor vehicle liability insurance businesses. However, uncertainties exist as to whether this pilot program will be implemented or what its effects would be if implemented. We cannot assure you that this pilot program will be successful or extended to a wider region in the PRC. Any potential further regulatory changes affecting the compulsory motor vehicle liability insurance in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects.

Catastrophic events, which are covered by our insurance, could materially increase our liabilities for claims by policyholders and affect our reinsurance availability.

Both our P&C insurance business and our life and health insurance businesses expose us to risks of liabilities for insurance claim payments relating to catastrophic events, which are covered by our insurance. Catastrophes can be caused by various natural hazards, including earthquakes, typhoons, floods, draught, windstorms, hailstorms, severe weather, fires and explosions. Catastrophes can also be man-made, such as terrorist attacks and industrial or engineering accidents. Certain catastrophes are covered by our insurance, i.e. insurable catastrophes. In addition, our life and health insurance businesses are exposed to the risk of catastrophic mortality and illness, such as a pandemic or other event that causes a large number of hospitalizations and deaths. For example, significant influenza pandemics have occurred three times in the last century, and in 2003 an outbreak of severe acute respiratory syndrome infected over 5,000 individuals and caused over 300 deaths in China. Neither the likelihood, timing, nor the severity of a future pandemic can be predicted. In our group insurance operations, a localized catastrophic event that affects the workplace of one or more of our group insurance customers could cause a significant loss due to mortality or morbidity claims. Catastrophes could also result in losses in our investment portfolios, due to, among others, the failure of our counterparties to perform their obligations or significant volatility or disruption in the financial markets, and could in turn have a material adverse effect on our business, financial condition, results of operations and prospects. We have experienced, and will likely in the future experience, losses related to catastrophic events covered by our insurance that could materially reduce our revenues and net income. The extent of our losses from catastrophes is a function of their frequency and severity. For example, in part as a result of the occurrence in certain regions in the PRC of the freezing rain, snowstorm and other severe winter weather in early 2008, and the typhoons and floods in south China in 2008 and 2010, our total claims incurred and benefits paid in 2008 and 2010 increased significantly compared to prior years. In addition, catastrophic events, such as rainstorms, floods and typhoons, generally occur more frequently during the second half of each year in China, which have resulted, and will likely result in the future, in an increase of total claims and claim payments during such periods compared to the first half of each year.

The frequency and severity of catastrophes covered by our insurance are inherently unpredictable. Although we establish reserves after an assessment of potential losses relating to catastrophes covered by our insurance that have taken place, we cannot assure you that such reserves would be sufficient to pay for all related claims. In addition, although we enter into catastrophic reinsurance arrangements to reduce our catastrophe loss exposure, due to limitations in the underwriting capacity and terms and conditions of the reinsurance market as well as inherent difficulties in assessing our exposure to catastrophes, such reinsurance may not be sufficient to adequately cover our losses. Recently, particularly in our P&C insurance business, catastrophes affecting risks insured by us have occurred with greater frequency or severity than had historically been the case. Due to such increased frequency and severity of catastrophic events covered by our insurance and the adverse impact of the global financial crisis in 2008 and 2009 on some reinsurance companies as well as the major earthquake in Japan in 2011, we have experienced increased costs or other more stringent terms and conditions in our reinsurance arrangements. As a result, if catastrophic events covered by our insurance continue to occur with greater frequency and severity than has historically been the case, claims arising therefrom could materially reduce our profits and cash flows and materially and adversely affect our financial condition and results of operations.

Adverse changes in the reinsurance markets could have a material adverse effect on our business, financial condition, results of operations and prospects, and we are exposed to the risk that our reinsurers may not perform their obligations.

As part of our overall risk management strategy, we cede a portion of the insured risks we underwrite to a number of PRC and international reinsurance companies to reduce the underwriting risk of our various business segments, in particular our P&C insurance business. Under a reinsurance contract, the assuming reinsurer becomes liable to us to the extent of the risk ceded although we remain liable to the insured as the insurer. See the sections entitled "Business — P&C Insurance — Reinsurance" and "Business — Life and Health Insurance — Reinsurance".

The supply and prices of reinsurance are global and inelastic. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly in different periods of time. Currently, the market price of reinsurance has been increasing worldwide, affected by various factors. As a result, we may be unable to (i) maintain our current reinsurance coverage, (ii) obtain additional reinsurance coverage in the event our current reinsurance coverage is exhausted by a catastrophic event, or (iii) obtain other reinsurance coverage in adequate amounts at acceptable rates. We may be unable to obtain sufficient reinsurance to cover losses in the future, and we may not be able to obtain the reinsurance we require in a timely or cost-effective manner. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our net income. Accordingly, although we seek to adopt various measures to reduce the costs of our reinsurance, we may still be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could materially restrict our ability to underwrite future business or result in the assumption of more risk with respect to the retention amounts under those policies we issue.

Reinsurance may not protect us completely against losses due to the credit risk that our reinsurers may not perform their obligations. Although a reinsurer is liable to us to the extent of the risks reinsured, we remain liable for those transferred risks if the reinsurer cannot meet its obligations. Our reinsurers may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy, operational failure, fraud or other reasons. We are also subject to the risk that our rights against our reinsurers may not be enforceable in all circumstances. As a result, although we seek reinsurance arrangements only with reputable and creditworthy reinsurers, a default by a reinsurer to which we have material exposure could expose us to significant losses and therefore have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

The PRC's political, economic and social conditions could affect our business, financial condition, results of operations and prospects.

We conduct most of our business in the PRC, and substantially all of our assets are located, and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects, are, to a significant degree, subject to political, economic and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including without limitation, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC Government. The PRC Government also has significant oversight over the economic growth of the PRC by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. Although the PRC Government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The PRC Government has the power to implement macroeconomic control measures affecting its economy. The PRC Government has implemented various measures in an effort to control the growth and structure of certain industries and limit inflation. For example, in response to slower economic growth in the PRC in part as a result of the global financial crisis and economic slowdown from September 2008 to mid 2010, the PRC Government implemented a series of macroeconomic measures and adopted a moderately loose monetary policy, which included announcing an economic stimulus package in the amount of RMB4 trillion (approximately US$586 billion) and reducing benchmark interest rates. The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be effective in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measures reduce the disposable income of the overall population who purchase insurance products, such measures may have a material adverse effect on our business, financial condition, results of operations and prospects.

Though the PRC has been one of the world's fastest growing economies in recent years, as measured by GDP growth, the PRC may not be able to sustain such a growth rate. Since the global financial crisis and subsequent economic slowdown, the GDP growth in the PRC has slowed down. In March 2012, the PRC Government reduced its 2012 annual GDP growth target to 7.5% from 8.0%. If the PRC economy experiences a decrease in growth rate, the unfavorable business environment and economic condition for our customers could significantly reduce demand for our insurance products and services, and our business, financial condition, results of operations and prospects could be materially and adversely affected. Moreover, an economic slowdown in the PRC could materially and adversely affect the securities markets in the PRC and Hong Kong, which could significantly reduce the value of, and the income generated by, our investment portfolio.

The PRC Government's implementation of macroeconomic control measures to manage inflation may affect future demand for insurance products and the deployment of insurance funds.

The inflation rate in the PRC reached 6.5% in July 2011, which was the highest inflation rate since July 2008. In order to restrain excessive increases in the consumer price index (the "CPI"), the PRC Government has recently implemented a series of control measures, especially monetary policies, including comprehensive and alternating use of quantitative and price instruments as well as macro-prudential policy tools. In particular, PBOC, the central bank of the PRC, raised the Renminbi deposit reserve ratio applicable to financial institutions with deposit businesses six times by 3% in total, and raised deposit and loan benchmark interest rates of financial institutions three times in 2011. In addition, PBOC also commenced frequent open market operations and implemented the dynamic adjustment mechanism of differential reserves to impose overall control on financing levels in the PRC. Following the above-mentioned control measures, the inflation rate in the PRC dropped to 1.7% in October 2012. The PBOC also lowered the Renminbi deposit reserve ratio applicable to financial institutions by 0.5% in December 2011, February 2012 and May 2012, respectively, and lowered the Renminbi deposit benchmark interest rate in June and July 2012, respectively, to achieve a soft landing of the economy.

Inflation in the PRC is affected by various factors. Although inflation has fallen recently, it may not be possible to completely eliminate it rapidly, if at all. International large-scale commodity prices are fluctuating with great uncertainty, and external factors are still affecting commodity prices in the PRC. The increase in labor costs and prices of resource products in the PRC will cause the PRC CIP to continue to increase in the long-term. In addition, the economic stimulus measures adopted by the PRC Government in 2008 and 2009 continue to have an impact on the economy, such as a substantial expansion of investment, numerous construction projects and the pressure of inherent economic expansion and inflation.

A high level of inflation and the macroeconomic control measures adopted by the PRC Government to manage inflation may affect the PRC insurance industry in three respects: (i) China's economic growth may be adversely affected, increasing the cost of some enterprises and lowering their profit margins and thus reducing consumption and demand for insurance products; (ii) in light of the high inflation rate, investors may turn to other financial products with high risks and high yields to maintain their currency purchasing power, rather than insurance products with relatively low risks where the investment return may not be able to offset the inflation during a short period of time, including, in particular, investment-linked insurance products; and (iii) the governmental measures to control liquidity may have a negative impact on the capital markets, which may in turn reduce the investment returns of deployed insurance funds, especially the investment returns of existing assets. The above-mentioned situations could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

Substantially all of our revenues and expenses are denominated in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on H Shares.

Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to undertake current account foreign exchange transactions, including payment of dividends in foreign currency without prior approval from the SAFE.

However, in the future, the PRC Government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of H Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. In July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. From July 2008 to June 2010, the Renminbi traded within a narrow range against the U.S. dollar. Since June 2010, the Renminbi has appreciated against the U.S. dollar, from approximately RMB6.83 per U.S. dollar to RMB6.29 per U.S. dollar as of the Latest Practicable Date. It is difficult to predict how Renminbi exchange rates may change going forward. With an increased floating range of the Renminbi's value against foreign currencies, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

Certain of our assets are denominated in foreign currencies such as the U.S. dollar. In addition, the proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. In 2010 and 2011, our currency exchange loss was approximately RMB410 million and RMB424 million, respectively. Although we may manage our exchange rate risk through settlements of foreign exchange, currency derivatives and other measures, we cannot assure you that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, H Shares in foreign currency terms.

The PRC legal system has uncertainties that could limit the legal protections available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC Government has promulgated laws and regulations that deal with economic matters, including securities regulations, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law.

However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve substantial uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and our Company, our directors, supervisors or senior officers or holders of Domestic Shares arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. A claimant may elect to submit a dispute to an arbitration organization in Hong Kong or the PRC. Awards that are made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any holder of H Shares to enforce an arbitral award, and we cannot assure you that any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award would succeed.

In addition, according to the PRC Insurance Law and the related regulatory rules, the change of any shareholder holding more than 5% of a joint stock limited insurance company's shares is subject to the CIRC's approval. In the event that an investor holds more than 5% of the issued shares of a listed insurance company, such as our Company after the Listing, through open market purchases on a stock exchange, such insurance company is required to report to the CIRC for approval within five days of the change in shareholding. The CIRC has the right to request investors who do not meet these requirements to transfer their shares. As a result, shareholders holding more than 5% of the issued shares of a listed insurance company may be requested to transfer their shares as a result of their non-compliance with the CIRC's requirements and may not be able to exercise shareholders' rights otherwise attached to such shares.

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

We are a company organized under the laws of the PRC, and substantially all of our business, assets and operations are located in the PRC. In addition, a majority of our directors, supervisors and executive officers reside in the PRC, and substantially all of the assets of such directors, supervisors and executive officers are located in the PRC. As a result, it may not be possible to effect service of process within the United States, Hong Kong or elsewhere outside the PRC upon us or such directors, supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws. Moreover, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in the PRC or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not agree to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

Although our Company will be subject to the Listing Rules and the Hong Kong Takeovers Code after the listing of H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions against violations of the Listing Rules and must rely on the Stock Exchange or the SFC to enforce its rules. The Hong Kong Takeovers Code does not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Payment of dividends is subject to restrictions under PRC laws and regulations.

Under PRC laws, dividends may only be paid out of distributable profits. Distributable profits are after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any replenishment of accumulated losses and allocations to statutory funds as well as optional funds that we are required to make. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years. Payment of dividends by us is also regulated by relevant PRC insurance laws and regulations. Any insurance company that has a solvency margin ratio of not higher than 150% is required to use the lower of (1) distributable profits calculated pursuant to the Accounting Standards on Business Enterprises and (2) residual consolidated earnings calculated pursuant to the Rules on Preparation of Report on Solvency Margin of Insurance Companies as the basis for its profit distribution. In addition, the CIRC may restrict any insurance company that has a solvency margin ratio lower than 100% from paying dividends. See the section entitled "Supervision and Regulation — Solvency Margin Ratio."

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individual holders of H Shares are subject to PRC individual income tax on dividends received from us. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No.45 (關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知) issued by the SAT on June 28, 2011, we are required to withhold taxes from dividend payments to non-PRC resident individual holders of H Shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders of H Shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. See the section entitled "Appendix IV — Taxation and Foreign Exchange — Taxation — The PRC" for details. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on March 30, 1998, income of individuals derived from the transfer of shares in listed enterprises is exempt from individual income tax. As of the Latest Practicable Date, no legislation had expressly provided that income of non-PRC resident individual holders of H Shares derived from sale or other disposition of H Shares is subject to individual income tax, and in practice the PRC tax authorities had not collected individual income tax on such income. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to further reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. See the section entitled "Appendix IV — Taxation and Foreign Exchange — Taxation — The PRC" for details. As the Enterprise Income Tax Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares or dividend payments received from us will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, no public market for H Shares existed. We have made an application to the Stock Exchange for the listing and trading of H Shares. However, a listing on the Stock Exchange does not ensure that there will be an active public market for H Shares after the Global Offering. If an active public market for H Shares does not develop after the Global Offering, the market price and liquidity of H Shares may be materially and adversely affected.

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable; the characteristics of the A Share and H Share markets are different.

We intend to conduct an offering of A Shares in the PRC and list A Shares on a PRC stock exchange, which may occur shortly after the Global Offering. We currently expect our A Share Offering to comprise not more than 4,598,806,000 A Shares prior to exercise of an over-allotment option, not more than 5,288,626,000 A Shares upon full exercise of the over-allotment option.

The Global Offering and the A Share Offering are two separate and independent offerings, and neither offering is conditional upon the other. If for any reason we do not proceed with the A Share Offering as proposed, or if the number of A Shares offered in the A Share Offering is reduced or the actual issue price for A Shares is not within the estimated price range of the A Share Offering, the Global Offering may nevertheless proceed as described in this prospectus. Due to differences in the timetables and market practices for the Global Offering and the A Share Offering, you will not be notified of the final issue price or final size of the A Share Offering, and you will not be notified of any delay or termination of the A Share Offering, prior to the deadline for lodging applications under the Hong Kong Public Offering.

Future sales or perceived sales of a substantial number of our shares in public markets, including any future A Share Offering, or the exchange of shares of PICC Life held by its shareholders to our Shares could have a material adverse effect on the prevailing market price of H Shares and dilute our shareholders' H Share holdings.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our shareholders would experience dilution in their holdings upon issuance or sale by our Company of additional equity or equity-linked securities in future offerings. If additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing shareholders, the percentage ownership of such shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable. See the section entitled "A Share Offering." Such A Share Offering could comprise not more than 4,598,806,000 A Shares prior to exercise of an over-allotment option and not more than 5,288,626,000 A Shares upon full exercise of the over-allotment option, resulting in a substantial increase in the number of our securities in issue following the A Share Offering.

A certain number of our Shares (including without limitation 29,987,990,898 Shares held by the MOF and 3,813,238,785 Shares held by the NSSF upon the completion of the Global Offering, assuming no exercise of the H Share Over-allotment Option) currently outstanding are and/or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section entitled "Share Capital — Lock-Up Periods" and "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings." After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of those Shares could negatively impact the market price of H Shares and our ability to raise capital in the future.

Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Domestic Shares may convert their Domestic shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. A class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Subject to the approval by the relevant regulatory authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange will also need to comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, which Shares may then trade on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of H Shares in the market and could negatively impact the market price of H Shares.

In order to raise additional capital to support the further development of PICC Life's business, our Company, PICC P&C, PICC AMC and other shareholders of PICC Life entered into the Capital Increase and Reformation Agreement of PICC Life on May 30, 2007, which set out terms of increase in registered capital, reformation, scope of business, rights and obligations of promoters of PICC Life. Pursuant to the Capital Increase and Reformation Agreement of PICC Life, all shareholders of PICC Life are entitled to exchange their shares of PICC Life into shares of our Company upon or after the listing of our Company at a share exchange price to be agreed between our Company and each of these shareholders. No further details on the terms of share exchange, including the share exchange price, the basis of determination of the share exchange price, the consideration involved, the expected timing, the exercise period or the expiry date, were specified in the Capital Increase and Reformation Agreement of PICC Life. As of the Latest Practicable Date, none of these shareholders had requested to exchange their shares of PICC Life into shares of our Company and none of the terms of share exchange had been agreed. Furthermore, the exercise of the exchange rights by these shareholders will be subject to PRC laws, the relevant regulations of the PRC securities regulatory authorities and the rules of the stock exchange on which our Shares are listed. There remain a number of uncertainties as to whether any such share exchange rights may be exercisable, including uncertainties as to (i) whether these shareholders intend to exchange their shares of PICC Life into our Shares upon or after the Listing, (ii) whether these shareholders and our Company would agree on the share exchange price, (iii) whether our shareholders would approve the exercise of the exchange rights by these shareholders in general meetings or (iv) whether the relevant regulatory authorities would approve the exchange of the shares of PICC Life held by these shareholders into our Shares upon or after the Listing. The Company will ensure that any such exchange will comply with the Listing Rules and any requirements of the Hong Kong Stock Exchange. If other shareholders successfully exchange their shares of PICC Life into our Shares upon or after the Listing, the supply of our Shares in the market will be further increased, which will in turn negatively impact the market price of H Shares. In addition, holders of H Shares would experience immediate dilution in their holding upon such conversion.

As the Offer Price of H Shares is expected to be higher than our net tangible book value per share, we expect purchasers of H Shares in the Global Offering will experience immediate dilution in net tangible asset value. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

The Offer Price of H Shares is expected to be higher than the net tangible asset value per share of the outstanding shares issued to our existing shareholders immediately prior to the Global Offering. Consequently, we expect purchasers of H Shares in the Global Offering will experience an immediate dilution in net tangible asset value of HK$2.07 per H Share (assuming an offer price of HK$3.73 per share for H Shares, being the mid-point of our indicative Offer Price range and assuming that the H Share Over-allotment Option is not exercised), and our existing shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share for their shares. If the underwriters exercise their H Share Over-allotment Option or if we issue additional Shares in the future, purchasers of H Shares may experience further dilution in shareholdings.

The embedded value and the value of one year's new business of our life and health insurance businesses are each calculated based on a number of assumptions and may vary significantly as those assumptions change.

The information set forth in the section entitled "Embedded Value" includes an estimate of the embedded value of our life and health insurance businesses (excluding any value attributed to future new business) and an actuarially determined estimate of the value of one year's new business of our life and health insurance businesses. The estimates of the value of in-force business of our life and health insurance businesses and the value of one year's new business of our life and health insurance businesses have been prepared by Deloitte. The related report of Deloitte is set forth in Appendix III to this prospectus. The calculation of these values necessarily makes numerous assumptions with respect to, among others, industry performance, general business and economic conditions, investment returns, reserving standards, taxation, life expectancy, business growth and other matters, many of which are beyond our control. Specifically, the related report of Deloitte makes certain assumptions regarding risk discount rates, investment returns, mortality, morbidity, lapses and surrenders, expense ratio, commissions, policyholder dividends and tax rates, among others. As the related report of Deloitte is making forward-looking assumptions, actual future experience may differ from the assumptions used in the calculations, and these differences may be material. Consequently, the estimates of the embedded value and the value of one year's new business of our life and health insurance businesses may be highly uncertain.

Since our actual market value is determined by investors based on a variety of information available to them, the embedded value and the value of one year's new business of our life and health insurance businesses should not be construed to be a direct reflection of our actual market value and performance, and should not be construed to have any correlation with the price of H Shares. For these reasons, you should only consider the embedded value and the value of one year's new business of our life and health insurance businesses after careful evaluation of all of the risks described in this prospectus, including the risks described in this section. In addition, our life and health insurance businesses made up approximately 36.2% of our overall business as of June 30, 2012 in terms of TWPs and approximately 32.1% in terms of GWPs. The inclusion of these values in this prospectus should not be regarded as a representation by us, Deloitte, the Underwriters or any other person of our future financial condition and results of operations.

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

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

Since there is expected to be a gap of five Hong Kong business days between pricing and trading of Offer Shares, holders of Offer Shares are subject to the risk that the price of Offer Shares could fall during the period before trading of Offer Shares begins.

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

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in connection with the Global Offering in making your investment decision regarding H Shares. We do not accept any responsibility for the accuracy or completeness of any data reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in the Global Offering. Prospective investors in H Shares are reminded that, in making their decisions as to whether to purchase H Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any data other than that contained in this prospectus and the Application Forms.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to our Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable inquiries, that, to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

APPROVAL OF THE CIRC AND THE CSRC

The CIRC and the CSRC have given their approval for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange on May 14, 2012 and June 20, 2012, respectively. In granting such approval, neither the CIRC nor the CSRC accepts any responsibility for the financial soundness of our Company or the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

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

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Underwriters' Representatives. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Purchase Agreement is expected to be entered into on or about November 30, 2012, subject to agreement on the Offer Price among us and the Underwriters' Representatives (on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed between the Underwriters' Representatives (on behalf of the Underwriters) and us, the Global Offering will not proceed. Further details about the Underwriters and the underwriting arrangements are contained in the section entitled "Underwriting."

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, including (i) the Offer Shares; (ii) any H Shares which may be issued or sold pursuant to the exercise of the H Share Over-allotment Option and (iii) the H Shares converted from state-owned shares which are to be held by the NSSF. Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on December 7, 2012.

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

H Share Register and Stamp Duty

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

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

Professional Tax Advice Recommended

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

Registration of Subscription, Purchase and Transfer of H Shares

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

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

(ii) agrees with us, each of our shareholders, Directors, Supervisors, managers and senior officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and senior officers, agree with each of our shareholders to refer all disputes and claims concerning the Company's business on the basis of the rights or obligations provided for in the Articles of Association or in the PRC Company Law or other relevant laws and administrative regulations to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See Appendix VI — "Summary of Articles of Association";

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

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

H SHARE OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the H Share Over-allotment Option and stabilization are set forth in the sections entitled "Structure of the Global Offering — H Share Over-allotment Option" and "Underwriting — Stabilization," respectively.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE OF THE GLOBAL OFFERING

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

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into US dollars and of Hong Kong dollars into US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be converted into any Hong Kong dollar or US dollar amounts or the Hong Kong dollar amounts could actually be converted into any US dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars, of Renminbi into US dollars and of Hong Kong dollars into US dollars have been made at the rate of RMB0.81 to HK$1.00, the PBOC Rate prevailing on November 16, 2012, RMB6.24 to US$1.00 and HK$7.75 to US$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on November 16, 2012, respectively. Further information on exchange rates is set forth in Appendix IV — "Taxation and Foreign Exchange."

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of the PRC nationals, entities (including certain of our subsidiaries), departments, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand , one million or a hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
WU Yan (吴焰), Chairman	Block 6, Kangleli Xiaoqu, Xuanwu District, Beijing, PRC	Chinese
WANG Yincheng (王銀成), Vice President	No. 13, Block 3, Citichamp Palace, Haidian District, Beijing, PRC	Chinese
LI Liangwen (李良温)	No. 5, Guanyingyuan Xiqu, Xicheng District, Beijing, PRC	Chinese
Non-Executive Directors		
CAO Guangsheng (曹廣生)	No. 306, North Block of Building A3, Sanlihe East Road, Xicheng District, Beijing, PRC	Chinese
LIU Yeqiao (劉野樵)	No. 1003, Building 7, Qiaojianli, Haidian District, Beijing, PRC	Chinese
QI Shaojun (齊少軍)	No. 38-1, Gongnong Street, Chaoyang District, Changchun, PRC	Chinese
ZHANG Hanlin (張漢麟)	Room 201, Building 6, Heshiyuan, Yuanmingyuan, East Road, Haidian District, Beijing, PRC	Chinese
Independent Non-Executive Directors		
XIANG Huaicheng (項懷誠)	No. 9 Yuyuantan South Road, Haidian District, Beijing, PRC	Chinese
LAU Hon Chuen (劉漢銓)	Severn Hill House No. 6, No. 4 Severn Road, Hong Kong	Chinese
DU Jian (杜倹)	Unit 202, Door 1, Building 3, Block 5, Sanlihe First District, Xicheng District, Beijing, PRC	Chinese
CAI Weiguo (蔡衛國)	Unit 701, No. 8 Senmiao Apartment, Pingshan Road, Hexi District,Tianjin, PRC	Chinese
XU Dingbo (許定波)	No. E2-201, Tomson Golf Villas, 1 Longdong Avenue, Shanghai, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
LIN Fan (林帆), Chairman of the Board of Supervisors	No. 19, Enji Garden, A1 Wanshou Road, Haidian District, Beijing, PRC	Chinese
XU Yongxian (許永現)	Room 1503, Building 11, Yiyuanju, No.4 Cuiwei Road, Haidian District, Beijing, PRC	Chinese
YAO Bo (姚波), Supervisor representative of the employees of our Company	No. 1101, North Block, No. A3 Sanlihe East Road, Xicheng District, Beijing, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
25th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Joint Sponsors	China International Capital Corporation Hong Kong Securities Limited 25th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	HSBC Corporate Finance (Hong Kong) Limited 1 Queen's Road Central Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong|
Joint Bookrunners and Joint Lead Managers	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 25th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Deutsche Bank AG, Hong Kong Branch 52/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

ABCI Securities Company Limited
Room 701, 7/F
One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
34/F, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

ICBC International Capital Limited
(in the capacity as a Joint Bookrunner only)
37/F, ICBC Tower
3 Garden Road
Hong Kong

ICBC International Securities Limited
(in the capacity as a Joint Lead Manager only)
37/F, ICBC Tower
3 Garden Road, Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
(in relation to the Hong Kong Public Offering)
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

J.P. Morgan Securities plc
(in relation to the International Offering)
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
(in the capacity as a Joint Bookrunner only)
2 King Edward Street
London EC1A 1HQ
United Kingdom

Merrill Lynch Far East Limited
(in the capacity as a Joint Lead Manager only)
15/F, Citibank Tower
3 Garden Road
Hong Kong

Daiwa Capital Markets Hong Kong Limited
Level 28
One Pacific Place
88 Queensway
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50th Floor, Citibank Tower, Citibank Plaza
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Legal Advisors to Our Company

As to Hong Kong and United States laws:
Davis Polk & Wardwell
18th Floor, The Hong Kong Club Building
3A Chater Road, Hong Kong

As to PRC law:
King & Wood Mallesons Lawyers
40th Floor, Office Tower A, Beijing Fortune Plaza
7 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020, PRC

Legal Advisors to the Underwriters

As to Hong Kong law:
Slaughter and May
47th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to United States law:
Sullivan & Cromwell
28th Floor
Nine Queen's Road Central
Hong Kong

As to PRC law:
Jun He Law Offices
20th Floor, China Resources Building
8 North Jianguomenbei Avenue
Beijing 100005, PRC

Reporting Accountant

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Actuarial Consultants

Deloitte Consulting (Shanghai) Co. Ltd, Beijing Branch
8/F Deloitte Tower, The Towers, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, PRC

Receiving Banks	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33/F ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered Office	69 Dongheyan Road Xuanwu District(1) Beijing, China
Headquarters	28 Qinghua West Road Haidian District Beijing, China, 100084
Principal Place of Business in Hong Kong	15/F Floor, Guangdong Investment Tower 148 Connaught Road, Central Hong Kong
Company's Website	www.picc.com.cn (The information contained in this website does not form part of this prospectus)
Company Secretary	TAI Chi Shan Psyche Hong Kong Solicitor
Authorized Representatives	WU Yan Block 6, Kangleli Xiaoqu Xuanwu District, Beijing, PRC LI Liangwen No. 5, Guanyingyuan Xiqu Xicheng District, Beijing, PRC
Audit Committee	XU Dingbo (Chairman) CAO Guangsheng LAU Hon Chuen
Nomination and Remuneration Committee	XIANG Huaicheng (Chairman) DU Jian XU Dingbo LIU Yeqiao QI Shaojun
Strategy and Investment Committee	WU Yan (Chairman) XIANG Huaicheng CAO Guangsheng ZHANG Hanlin

(1) The State Council has in 2010 formally agreed to establish a new Xicheng District in Beijing, merging the original Xicheng District and Xuanwu District.

CORPORATE INFORMATION

Risk Management Committee	CAI Weiguo (Chairman) WANG Yincheng LI Liangwen LIU Yeqiao QI Shaojun
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	Bank of China Limited 1 Fuxingmennei Street Xicheng District Beijing, PRC
Compliance Advisor	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Habour View Street Central, Hong Kong

The information presented in this section is derived from various official or publicly available sources, unless indicated otherwise. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Underwriters, our or their affiliates or advisers or any other party involved in the Global Offering, and no representation is given as to its accuracy. This section contains discussions of Original Premiums Income and TWPs data compiled by the CIRC based on unaudited data reported by the PRC insurance companies, which differ from our IFRS financial data presented elsewhere in this prospectus. We have included TWPs data of life and health insurance in this section because such data provides meaningful comparison with data in previous years when the accounting treatment had not been changed pursuant to Interpretation No. 2.

OVERVIEW

The PRC insurance market was the second largest in Asia and the sixth largest worldwide in terms of total premiums in 2011, according to the *Sigma Report 2012*. According to the data published by the CIRC, the total Original Premiums Income in the PRC in 2011 reached approximately RMB1.43 trillion, of which approximately RMB461.8 billion was from P&C insurance business and approximately RMB972.1 billion was from life and health insurance businesses.

The PRC insurance market has been one of the fastest-growing insurance markets worldwide in the last ten years. According to the data published by the CIRC, between 2006 and 2011, Original Premiums Income received by the PRC P&C insurance companies increased at a CAGR of 24.8%, and TWPs received by the PRC life and health insurance companies increased at a CAGR of 22.1%, respectively. Key favorable factors that have driven the rapid expansion of the PRC insurance market include rapid economic growth of the PRC, continued wealth accumulation, demographic and family structure changes, the PRC Government's emphasis on the development of the insurance industry, and diversified insurance products and services provided by insurance companies. These factors have contributed to an increase in insurable assets and the Chinese consumers' purchasing power and willingness to buy insurance products, as well as the long-term steady and healthy development of the PRC insurance industry.

HISTORY AND DEVELOPMENT OF THE PRC INSURANCE INDUSTRY

In October 1949, The People's Insurance Company of China (中國人民保險公司) was established upon the approval of the Government Administration Council of the PRC, engaging in various insurance businesses nationwide. The People's Insurance Company of China ceased its domestic insurance business and focused on insurance business concerning foreign interests from 1959 to 1979 and gradually resumed its domestic insurance business beginning in 1979.

In 1988, Shenzhen Ping An Insurance Company (深圳平安保險公司) was established as a local joint stock insurance enterprise, which was the predecessor of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司). In 1991 the insurance business segment of Bank of Communications Limited was spun off as China Pacific Insurance Co., Ltd. (中國太平洋保險公司) which was the predecessor of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司). In 1992, American International Assurance Company gained approval to establish its first PRC branch in Shanghai and since then foreign-invested insurance companies have taken an active role in the development of the PRC insurance industry. In 1996, the People's Insurance Company of China was renamed The People's Insurance Company (Group) of China (中國人民保險(集團)公司) upon the decision of the State Council and the approval of the People's Bank of China, and established three insurance subsidiaries in the PRC: Zhongbao Property Insurance Company Limited (中保財產保險有限責任公司), Zhongbao Life Insurance Company Limited (中保人壽保險有限責任公司) and Zhongbao Reinsurance Company Limited (中保再保險有限責任公司). After The People's Insurance Company (Group) of China was further reorganized upon the approval of the State Council in 1998, Zhongbao Property Insurance Company Limited became a legal person and inherited the brand and name of The People's Insurance Company of China (中國人民保險公司). In July 2003, upon the consent of the State Council and the approval of the CIRC, The People's Insurance Company of China established PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) and was renamed PICC Holding Company (中國人保控股公司). In the same year, PICC Holding Company established PICC Asset Management Company Limited (中國人保資產管理有限公司) as the first insurance asset management company in the PRC. In the same year, PICC Property and Casualty Company Limited became the first PRC state-owned financial enterprise listed overseas when it was listed on the Main Board of the Hong Kong Stock Exchange with the stock code of 2328.HK. Subsequently, China Life Insurance Company Limited (中國人壽保險股份有限公司), Ping An Insurance (Group) Company of China, Ltd., China Pacific Insurance (Group) Co., Ltd. and New China Life Insurance Company Ltd. (新華人壽保險股份有限公司) were also listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Since the beginning of 2002, the PRC has removed restrictions on business operations of foreign-invested insurance companies. As of December 31, 2011, there were ten insurance group holding companies, 60 P&C insurance companies, 62 life and health insurance companies, eight reinsurance companies and 2,554 insurance agency companies in the PRC according to the *Annual Report of China Insurance Market*.

In 1983, the State Council promulgated the PRC Regulations on Property Insurance Contracts (中華人民共和國財產保險合同條例), which was the first regulation on P&C insurance contracts in the PRC. In 1985, the State Council promulgated the Provisional Regulations Governing the Administration of Insurance Enterprises (保險企業管理暫行條例), which was the first overall regulation on the PRC insurance industry. The drafting of the first insurance law began in the early 1990s, and the Standing Committee of the National People's Congress of the PRC enacted the PRC Insurance Law in 1995, which provided a solid legal basis for the healthy, orderly and rapid development of the PRC insurance industry afterwards. Since 2000, the legal regulatory system of the PRC insurance industry has been further strengthened and improved. In each of 2002 and 2009, the PRC Insurance Law was amended twice to further improve the basic code of conduct and regulatory regime governing commercial insurance in the PRC. Currently, the PRC has a legal regime for the insurance industry centered on the PRC Insurance Law and based on administrative rules and regulations, supplemented by regulatory documents, and covering the main areas of insurance operations and supervision.

The PBOC was the regulatory authority of the PRC insurance industry until the CIRC was established by the State Council in 1998 to regulate the PRC insurance market. Currently, the CIRC has various agencies in provinces, municipalities, autonomous regions and designated cities nationwide. In 1997, the first PRC National Insurance Industry Convention (全國保險行業公約) was signed to strengthen and improve self-discipline and mutual-supervision in the PRC insurance industry, and it has promoted normative and orderly competition within the PRC insurance market. In 2001, the Insurance Association of China was established, which is a national self-regulatory organization for the PRC insurance industry. Upon the approval of the State Council, the CIRC joined the International Association of Insurance Supervisors and the International Organization of Pension Supervisors in 2005. In 2006, the International Association of Insurance Supervisors held its annual meeting in Beijing, China for the first time, signifying that PRC insurance supervision had become central to international insurance supervision and that the PRC had been playing an increasingly important role in the field of international cooperation of insurance supervision.

CURRENT CONDITION OF THE PRC INSURANCE MARKET

Market Size

The PRC insurance market has been expanding rapidly in recent years, making it one of the fastest growing insurance markets worldwide. In 2011, the total premiums from the non-life insurance (including accident and health insurance) business in the PRC were approximately US$87.3 billion, and the PRC was the second largest non-life insurance (including accident and health insurance) market in Asia and the sixth largest worldwide in terms of total premiums, according to the *Sigma Report 2012*. In 2011, the total premiums from the life insurance (excluding accident and health insurance) business in the PRC were approximately US$134.5 billion, and the PRC was the second largest life insurance (excluding accident and health insurance) market in Asia and the fifth largest worldwide in terms of total premiums, according to the *Sigma Report 2012*. The total premiums from non-life insurance (including accident and health insurance) business in the PRC grew at a CAGR of 27.7% between 2006 and 2011, compared to 12.4% in Asia, 5.6% in Europe and 1.4% in North America over the same period, in each case as reported in the *Sigma Reports*. The total premiums from life insurance (excluding accident and health insurance) business in the PRC expanded at a CAGR of 24.5% between 2006 and 2011, compared to 9.4% in Asia, -0.1% in Europe and 0.6% in North America over the same period, in each case as reported in the *Sigma Report*.

The table below sets forth the total premiums received by all PRC insurance companies from 2006 to 2011, in each case as reported in the *Sigma Report*:

	2006	2007	2008	2009	2010	2011
	(US$ in billions, except growth rates)					
Non-life insurance[(1)]	25.7	33.8	45.0	53.9	71.6	87.3
Growth rate	25.2%	31.5%	33.1%	19.8%	33.0%	21.9%
Life insurance[(2)]	45.0	58.7	95.8	109.2	143.0	134.5
Growth rate	13.7%	30.3%	63.3%	13.9%	31.0%	-5.9%

Source: Sigma Report 2012, 2011, 2010, 2009 and 2008

(1) Including accident and health insurance.

(2) Excluding accident and health insurance.

Level of Development

While the size of the PRC insurance market scale has experienced rapid growth, it is still at the initial stage of development and insurance penetration and insurance density remain relatively low when compared with developed markets. According to the *Sigma Report 2012*, The insurance penetration of the non-life insurance (including accident and health insurance) market and the life insurance (excluding accident and health insurance) market in 2011 was 1.2% and 1.8%, respectively, in the PRC, compared with 2.2% and 8.8%, respectively, in Japan and 4.5% and 3.6%, respectively, in the United States, in each case as reported in the *Sigma Report 2012*. According to the *Sigma Report 2012*, the insurance density of the non-life insurance (including accident and health insurance) market and the life insurance (excluding accident and health insurance) market in 2011 was US$64 and US$99, respectively, in the PRC, compared with US$1,031 and US$4,138, respectively, in Japan and US$2,130 and US$1,716, respectively, in the United States.

The following table sets forth economic indicators, as well as insurance penetration and insurance density for the non-life insurance (including accident and health insurance) and the life insurance (excluding accident and health insurance) markets, for the PRC and other selected countries and areas in 2011:

	Economic indicator			Non-life insurance(1)			Life insurance(2)		
Market	Nominal GDP	Nominal GDP per capita	GDP (% real change per annum from 2010 to 2011)	Premiums volume	Insurance penetration	Insurance density	Premiums volume	Insurance penetration	Insurance density
	(US$ in billions)	(US$)		(US$ in billions)		(US$)	(US$ in billions)		(US$)
PRC	7,296	5,350	9.3%	87.3	1.2%	64	134.5	1.8%	99
United States	14,957	47,755	1.7%	667.1	4.5%	2,130	537.6	3.6%	1,716
Japan(3)	5,940	46,845	-0.7%	130.7	2.2%	1,031	524.7	8.8%	4,138
Germany	3,574	43,745	3.4%	131.3	3.6%	1,578	113.9	3.2%	1,389
France	2,778	42,607	1.7%	98.4	3.3%	1,403	174.8	6.2%	2,638
United Kingdom	2,420	38,535	0.8%	109.5	3.1%	1,188	210.1	8.7%	3,347
India(3)	1,763	1,430	6.8%	12.2	0.7%	10	60.4	3.4%	49
South Korea(3)	1,124	22,939	3.6%	51.2	4.6%	1,045	79.2	7.0%	1,615
Switzerland	636	80,506	1.9%	28.5	4.5%	3,591	35.1	5.5%	4,421
Taiwan	461	19,785	4.6%	14.3	3.1%	614	64.1	13.9%	2,757
Hong Kong	243	34,225	5.1%	3.3	1.4%	462	24.6	10.1%	3,442

Source: Sigma Report 2012

(1) Including accident and health insurance.

(2) Excluding accident and health insurance.

(3) Financial year from April 1, 2011 to March 31, 2012.

Geographic Variation

The PRC insurance market demonstrates considerable geographic variation in terms of distribution of Original Premiums Income. According to data published by the CIRC, the top ten provinces or municipalities in terms of Original Premiums Income contribution in 2011 accounted for 63.8% of the Original Premiums Income generated in the PRC insurance market, 62.2% of the Original Premiums Income in the PRC P&C insurance market and 64.5% of the Original Premiums Income in the PRC life and health insurance market for that year. According to the data published by the National Bureau of Statistics of China, the total population of these regions collectively accounted for approximately 49.7% of the population in the PRC as of December 31, 2011.

The following tables set forth the top ten provinces or municipalities in the PRC in terms of Original Premiums Income contribution, insurance penetration and insurance density in 2011:

Province/ municipality	Premiums Income generated from the P&C insurance businesses		Premiums Income generated from the life and health insurance businesses		Original Premiums Income generated from the insurance businesses	
	(RMB in billions)	percentage	(RMB in billions)	percentage	(RMB in billions)	percentage
Guangdong	51	11.0%	107	11.0%	158	11.0%
Jiangsu	38	8.2%	82	8.4%	120	8.4%
Shandong	33	7.2%	70	7.2%	104	7.2%
Zhejiang	39	8.4%	49	5.1%	88	6.1%
Henan	16	3.5%	68	7.0%	84	5.9%
Beijing	23	5.0%	59	6.1%	82	5.7%
Sichuan	23	4.9%	55	5.7%	78	5.4%
Shanghai	23	5.1%	52	5.3%	75	5.3%
Hebei	22	4.8%	51	5.2%	73	5.1%
Liaoning	19	4.0%	34	3.5%	53	3.7%
Total	**287**	**62.2%**	**627**	**64.5%**	**914**	**63.8%**

Source: CIRC

Province/ municipality	P&C insurance penetration(1)	Life and health insurance penetration(1)	Total insurance penetration(1)
Beijing	1.45%	3.68%	5.13%
Shanghai	1.22%	2.71%	3.92%
Sichuan	1.07%	2.63%	3.70%
Shanxi	1.02%	2.26%	3.29%
Xinjiang	1.21%	1.93%	3.14%
Chongqing	0.82%	2.30%	3.11%
Henan	0.60%	2.48%	3.08%
Hebei	0.92%	2.10%	3.02%
Guangdong	0.96%	2.03%	3.00%
Anhui	0.95%	1.92%	2.86%

Source: CIRC, National Bureau of Statistics of China and bureaus of statistics in each province and municipality

(1) Insurance penetration means premiums income as a percentage of GDP.

Province/municipality	P&C insurance density[1]	Life and health insurance density[1]	Total insurance density[1]
	(RMB)	(RMB)	(RMB)
Beijing	1,152	2,915	4,067
Shanghai	994	2,214	3,208
Zhejiang	710	900	1,609
Tianjin	554	1,009	1,563
Jiangsu	481	1,038	1,519
Guangdong	483	1,020	1,503
Liaoning	426	772	1,198
Fujian	406	756	1,162
Shandong	345	730	1,075
Chongqing	280	789	1,068

Source: CIRC, National Bureau of Statistics of China and bureaus of statistics in each province and municipality

(1) Insurance density means premiums income per capita, calculated based on the resident population in a country or an area.

Inland regions of the PRC grew faster than the comparatively developed coastal regions of the PRC in terms of the CAGR of premiums income from 2006 to 2011, but had comparatively lower insurance density and insurance penetration, which presents greater potential to develop insurance businesses. The following table sets forth the top ten provinces or municipalities in terms of the CAGR of premiums income from 2006 to 2011[1]:

Province/municipality	CAGR of Original Premiums Income generated from P&C insurance business	CAGR of TWPs generated from life and health insurance businesses	CAGR of premiums income
Tibet	25.3%	73.4%	29.9%
Chongqing	27.6%	30.5%	29.7%
Henan	28.0%	28.4%	28.3%
Qinghai	27.5%	28.5%	28.0%
Inner Mongolia	39.8%	20.5%	27.7%
Sichuan	29.0%	27.2%	27.7%
Hubei	23.9%	28.7%	27.6%
Hainan	26.7%	25.9%	26.2%
Hunan	29.7%	25.0%	26.1%
Shaanxi	27.7%	25.5%	26.1%

Source: CIRC

(1) The CIRC publishes on its website TWPs of the PRC life and health insurance companies for the periods prior to December 31, 2010 as "Original Premiums Income." The calculation of CAGR of the life and health insurance businesses from 2006 to 2011 above is based on TWPs to be comparable. The premiums income data in this table is the sum of Original Premiums Income generated from P&C insurance businesses and TWPs generated from life and health insurance businesses.

Market Share and Concentration

According to data published by the CIRC, as of June 30, 2012, there were 60 P&C insurance companies and 63 life and health insurance companies in total in the PRC insurance industry, including 21 foreign-invested P&C insurance companies and 25 foreign-invested life and health insurance companies. According to the data published by the CIRC, the top five PRC P&C insurance companies held an aggregate market share of 74.7% in terms of Original Premiums Income in the PRC P&C insurance market, and the top five PRC life and health insurance companies held an aggregate market share of 70.4% in terms of TWPs in the PRC life and health insurance market in the six months ended June 30, 2012. During the same period, the foreign-invested P&C insurance companies held an aggregate market share of 1.2% in terms of Original Premiums Income in the PRC P&C insurance market, and the foreign-invested life and health insurance companies held an aggregate market share of 3.9% in terms of TWPs in the PRC life and health insurance market.

The following table sets forth the market shares in terms of Original Premiums Income in the PRC P&C insurance market in 2011, according to data published by the CIRC:

P&C Insurance: Market share

Rank	Company	Market share
1	PICC Property and Casualty Company Limited	36.3%
2	Ping An Property & Casualty Insurance Company of China	17.4%
3	China Pacific Property Insurance Co., Ltd	12.9%
4	China United Property Insurance Company	4.4%
5	China Life Property & Casualty Insurance Company Limited	3.4%
6	China Continent Property & Casualty Insurance	3.4%
7	Sunshine Property and Casualty Insurance Co., Ltd	2.8%
8	China Export and Credit Insurance Corporation	2.1%
9	Tianan Insurance Co., Ltd of China	1.6%
10	AB Property & Casualty Insurance	1.5%
	Others	14.1%
	Total	**100.0%**

Source: CIRC

The following table sets forth the market shares in terms of TWPs in the PRC life and health insurance market in 2011, according to data published by the CIRC:

Life and Health Insurance: Market share(1)

Rank	Company	Market share
1	China Life Insurance Company Ltd.	29.6%
2	Ping An Life Insurance Company of China Limited	16.4%
3	New China Life Insurance Co., Ltd	8.8%
4	China Pacific Life Insurance Co., Ltd	8.7%
5	PICC Life Insurance Company Limited	7.6%
6	Taikang Life Insurance Co., Ltd	7.5%
7	Taiping Life Insurance Co., Ltd	2.9%
8	Sino Life Insurance Co., Ltd	2.2%
9	Sunshine Life Insurance Co., Ltd	1.7%
10	Union Life Insurance Co., Ltd.	1.0%
	Others	13.8%
	(Including: PICC Health Insurance Company Limited	0.9%)
	Total	**100.0%**

Source: CIRC

(1) Excluding China Life Insurance (Group) Company and the pension insurance companies in the PRC.

The following table sets forth the market shares in terms of Original Premiums Income, in the PRC P&C insurance market in the six months ended June 30, 2012 according to data published by the CIRC:

P&C Insurance: Market share

Rank	Company	Market share
1	PICC Property and Casualty Company Limited	36.0%
2	Ping An Property & Casualty Insurance Company of China	17.4%
3	China Pacific Property Insurance Co., Ltd	12.5%
4	China United Property Insurance Company	4.8%
5	China Life Property & Casualty Insurance Company Limited	4.0%
6	China Continent Property & Casualty Insurance	3.2%
7	Sunshine Property and Casualty Insurance Co., Ltd	2.5%
8	China Export and Credit Insurance Corporation	1.8%
9	Tianan Insurance Co., Ltd of China	1.5%
10	Yongan Property Insurance Company Limited	1.3%
	Others	14.9%
	Total	**100.0%**

Source: CIRC

The following table sets forth the market shares in terms of TWPs, in the PRC life and health insurance market in the six months ended June 30, 2012 according to data published by the CIRC:

Life and Health Insurance: Market share[(1)]

Rank	Company	Market share
1	China Life Insurance Company Ltd	28.90%
2	Ping An Life Insurance Company of China Limited	16.79%
3	New China Life Insurance Co., Ltd.	8.63%
4	China Pacific Life Insurance Co., Ltd	8.60%
5	PICC Life Insurance Company Limited	7.49%
6	Taikang Life Insurance Co., Ltd	6.78%
7	Taiping Life Insurance Co., Ltd	2.93%
8	Sino Life Insurance Co., Ltd	2.40%
9	Sunshine Life Insurance Co., Ltd	1.53%
10	China Post Life Insurance Company Limited	1.25%
	Others	14.71%
	(Including: PICC Health Insurance Company Limited	1.16%)
	Total	100.00%

Source: CIRC

(1) Excluding China Life Insurance (Group) Company and the pension insurance companies in the PRC. The data of Sino-Conflux Insurance Company Ltd. is not available.

Product and Business Structure

Motor vehicle insurance products and commercial property insurance products are the main types of insurance products in the PRC P&C insurance market. According to the *Annual Report of China Insurance Market* (中國保險市場年報), motor vehicle insurance products, commercial property insurance products, agricultural insurance products, liability insurance products and credit insurance products accounted for 73.3%, 6.9%, 3.6%, 3.1% and 2.4%, respectively, of premiums income in the PRC P&C insurance market in 2011.

Participating insurance products are the main types of insurance products in the PRC life and health insurance market. According to the *Annual Report of China Insurance Market*, participating insurance products, traditional life insurance products, and health and accident insurance products accounted for 80.2%, 9.9% and 9.0%, respectively, of the premiums income in the PRC life and health insurance market in 2011. The main types of participating insurance products in the market provide not only insurance protection but also investment returns, which have accommodated Chinese consumers' need for insurance products with investment features and thus have been favored by Chinese consumers. However, the development of traditional life insurance products has been slowing down compared to participating insurance products. The maximum assumed pricing rate for traditional life insurance products has been 2.5% since June 30, 1999 pursuant to regulatory requirements, which are still effective as of the date of this prospectus. Due to the sensitivity of pricing for mid- to long-term traditional life insurance products to the assumed pricing rate, such regulatory requirements have led to relatively high prices for traditional life insurance products, constrained the development of customers' demand for such products and led to the slow development of the market for traditional life insurance. Traditional life insurance products accounted for 9.9% of the premiums income in the PRC life and health insurance market in 2011, which decreased significantly from 24.7% in 2006. In terms of payment methods of insurance premiums, according to the data published in the *Yearbook of China's Insurance*

(中國保險年鑒), new business premiums generated from single premium products accounted for over 70% of total life and health insurance new business premiums in the PRC from 2006 to 2011, while new business premiums generated from regular premium products only accounted for less than 30% of total life and health insurance new business premiums in the PRC during the same period. Single premium products refer to insurance products with a single one-off premium payment while regular premium products refer to insurance products with regular periodic premium payments. This clear tendency to favor single premium products represents the Chinese consumers' increasing awareness of uncertainty of future income and expenses during the social transformation of the PRC and the priority they assign to actual present purchasing power during product selection.

Utilization of Insurance Funds

According to the data published by the National Bureau of Statistics of China and the *Annual Report of China Insurance Market*, insurance funds have grown rapidly along with the rapid development of the PRC insurance industry, representing a CAGR of approximately 25.5% from 2006 to 2011. The aggregate balance of insurance fund deployment in the PRC reached RMB5.5 trillion as of December 31, 2011.

The following table sets forth the balance of insurance funds and the investment returns of the PRC insurance industry from 2006 to 2011:

Year	Insurance Funds (RMB in 100 millions)	Investment Returns
2006	17,785	5.80%
2007	26,648	12.17%
2008	30,553	1.91%
2009	37,417	6.41%
2010	46,047	4.84%
2011	55,474	3.57%

Source: National Bureau of Statistics of China and Annual Report of China Insurance Market

According to the *Annual Report of China Insurance Market*, approximately 47.1% of insurance funds were invested in debt securities, approximately 32.0% in bank deposits, approximately 6.9% in stocks and approximately 5.3% in securities investment funds as of December 31, 2011. The investment return of the PRC insurance industry was 3.57% in 2011.

The CIRC has gradually expanded the scope of the utilization of insurance fund for PRC insurance companies and continuously promoted reform of the insurance assets management regime. In recent years, the CIRC promulgated various important rules and regulations to further expand the scope of insurance fund deployment. Currently, the scope of insurance fund deployment includes bank deposits, debt securities, stocks, securities investment funds, real estate, infrastructure projects, equity interests in private companies, bank financing products, trust plans, financial derivatives and offshore investments. The further expansion of the scope of permitted investments for PRC insurance companies has created a need for greater investment capabilities and risk management capabilities within insurance companies. See the section entitled "Supervision and Regulation — Use of Insurance Funds." As of December 31, 2011, there were 11 insurance asset management companies in the PRC.

Key Drivers of the PRC Insurance Industry's Development

The PRC insurance industry has experienced continued rapid development in recent years. According to the data published by the National Bureau of Statistics of China and the CIRC, between 2006 and 2011, Original Premiums Income received by the PRC P&C insurance companies increased at a CAGR of 24.8%, and TWPs received by the PRC life and health insurance companies increased at a CAGR of 22.1%, respectively, the insurance penetration in the PRC increased to 3.0% and insurance density in the PRC increased to RMB1,064 from 2006 to 2011. According to the projection of the Outline of the 12th Five-year Development Plan for the PRC Insurance Industry (中國保險業"十二五"發展規劃綱要) published by the CIRC, the PRC insurance industry continues to develop rapidly and its growth rate is expected to be higher than the nominal GDP growth rate in the PRC from at least 2011 to 2015, if not longer. The Original Premiums Income of the PRC insurance industry is expected to reach RMB3 trillion, the insurance penetration is expected to reach 5.0% and insurance density is expected to reach RMB2,100 in 2015. The aggregate assets of the insurance industry are expected to reach RMB10 trillion by the end of 2015. The key drivers of the PRC insurance industry's rapid development include the following:

Rapid development of the PRC economy and substantial increase of insurable assets

The PRC has become one of the world's major economies. According to the data published by the International Monetary Fund, the PRC's nominal GDP reached approximately US$7.3 trillion and ranked second worldwide in 2011, representing a CAGR of approximately 21.9% from 2006 to 2011, while the average for all countries in the world was estimated to be approximately 7.1% for the same period. The continuous rapid growth of the PRC's nominal GDP has promoted the rapid accumulation of social wealth and domestic insurable assets, which are the most important drivers of the growth of the insurance business.

The following table sets forth the nominal GDP of the PRC and other selected countries or regions from 2006 to 2011:

	Nominal GDP						
	2006	2007	2008	2009	2010	2011	CAGR from 2006 to 2011
	(US$ in billions)						
BRIC							
China	2,713	3,494	4,520	4,991	5,930	7,298	21.9%
Brazil	1,089	1,366	1,650	1,622	2,143	2,493	18.0%
India	908	1,153	1,251	1,254	1,598	1,676	13.0%
Russia	990	1,300	1,661	1,223	1,487	1,850	13.3%
European and American Countries							
United States	13,377	14,029	14,292	13,939	14,527	15,094	2.4%
Germany	2,905	3,329	3,641	3,307	3,286	3,577	4.2%
France	2,260	2,587	2,843	2,632	2,563	2,776	4.2%
United Kingdom	2,448	2,814	2,657	2,181	2,263	2,418	-0.3%
Switzerland	391	434	503	492	528	636	10.2%
Asian Countries or Areas							
Japan	4,357	4,356	4,849	5,035	5,488	5,869	6.1%
Korea	952	1,049	931	834	1,015	1,116	3.2%
Hong Kong	190	207	215	209	224	243	5.1%
Singapore	146	178	190	186	227	260	12.3%

Source: International Monetary Fund

As a result of the rapid growth of the PRC economy, the number of motor vehicles has increased considerably, and the demand for motor vehicle insurance has similarly increased. According to the data published by the National Bureau of Statistics of China, the number of private motor vehicles in the PRC increased from 49.85 million in 2006 to 105.78 million in 2011, representing a CAGR of 16.2%. According to the data published by the China Association of Automobile Manufacturers, in 2009, 2010 and 2011, the aggregate sales volumes of motor vehicles in China were 13.60 million, 18.10 million and 18.51 million. The PRC ranked first worldwide in terms of motor vehicle sales volume in 2009, 2010 and 2011. A sharp increase in motor vehicle sales has stimulated the demand for motor vehicle insurance in the PRC. According to the *Yearbook of China's Insurance*, the premiums income generated from motor vehicle insurance products in 2011 reached RMB350.5 billion, and the CAGR from 2006 to 2011 was approximately 25.9%. However, the per capita ratio of motor vehicles in the PRC is still lower than that in developed countries. According to *WardsAuto,* a motor vehicle industry magazine published in the United States, in 2010, the average number of motor vehicles per person worldwide was approximately 1 to 6.75, i.e. every 6.75 persons owned a motor vehicle. The ratio was approximately 1 to 1.3 in the United States, approximately 1 to 1.7 in France, Japan and the United Kingdom, and approximately 1 to 17.2 in the PRC. As the number of motor vehicles is increasing in the PRC, there is great potential for growth in demand for motor vehicle insurance products.

The substantial increase in the number and assets of enterprises has also stimulated the demand for commercial property insurance products. According to the data published by the National Bureau of Statistics of China, the number of enterprises with an annual revenue of more than RMB5 million has increased from 301,961 in 2006 to 452,872 in 2010. As of December 31, 2010, the aggregate assets of such enterprises were approximately RMB59.3 trillion, representing a CAGR of approximately 19.5% from 2006. According to the *Fortune* Global 500, the number of PRC companies listed in the ranking increased from 22 in 2006 to 79 in 2012. The continued expansion of the scale and the rapid development of the businesses of PRC enterprises have accelerated the increased development of a series of relevant insurance products including commercial property insurance products and liability insurance products, among others, and have provided large growth potential for the PRC P&C insurance market. According to the *Yearbook of China's Insurance*, the premiums income generated from commercial property insurance products in 2011 was approximately RMB33.0 billion, and the CAGR from 2006 to 2011 was approximately 15.8%. The increase in the number and scale of enterprises is expected to stimulate demand for commercial property insurance products, and this trend is expected to continue in the future.

The continued fast growth in fixed assets investment has promoted the rapid accumulation of fixed assets in the PRC and has increased the demand for all types of property insurance products and construction insurance products. According to the data published by the National Bureau of Statistics of China, aggregate fixed assets in the PRC increased from RMB11.0 trillion in 2006 to RMB27.8 trillion in 2010, representing a CAGR of 26.1%. In 2010, fixed assets investment in the PRC in all types of infrastructure including (i) transportation, storage and postal services, (ii) water conservancy, environmental protection and public facilities management, and (iii) sanitary, social security and social welfare grew rapidly from 2006 to 2010 at CAGRs of approximately 25.5%, 32.1%, and 28.8%, respectively. The PRC real estate industry has also maintained rapid development. The total fixed assets investment in real estate in the PRC in 2010 was RMB6.5 trillion. The completed gross floor area of construction grew from approximately 2,125 million square meters in 2006 to approximately 3,043 million square meters in 2010. The growth in fixed assets investment has stimulated demand for a series of relevant insurance products such as construction, liability, commercial property and household property insurance products. Along with the accelerating economic growth and urbanization in the PRC, fixed assets investment is expected to maintain its rapid growth rate, and there is thus expected to be a substantial increase in the demand for insurance products.

The rapid growth of the PRC import and export trade has increased demand for cargo insurance, export credit insurance, hull insurance and other insurance businesses. According to the *Serial Report of the Economic and Social Accomplishments during the 11th Five-year Plan* (「十一五」經濟社會發展成就系列報告) published by the National Bureau of Statistics of China, the total volume of imports and exports from 2006 to 2010 amounted to US$11.7 trillion, which increased by 160% as compared to the volume from 2001 to 2005. The volume of freight traffic increased from 20.3 billion tonnes in 2006 to 32.4 billion tonnes in 2010 in China, representing a CAGR of 12.3%. The proportion of mechanical products and high technology products in the total export volume increased from 56.0% and 28.6% at the end of the 10th Five-year Plan to 59.2% and 31.2% in 2010, respectively. Non-financial offshore direct investment in 2010 was US$59 billion, the CAGR of which during the 11th Five-year Plan was 36.9%. Furthermore, according to data published by the China Association of the National Shipbuilding Industry, in 2011 the PRC ranked first worldwide in terms of completion quantity, new orders and withheld orders for shipbuilding. The fast growth of ship building industry and the large vessel population have provided abundant resources for hull insurance businesses. According to the *Yearbook of China's Insurance*, in 2011, the premiums income generated from credit insurance, cargo insurance and hull insurance products were approximately RMB11.5 billion, RMB9.8 billion and RMB5.6 billion, respectively, the CAGRs of which from 2006 to 2011 were 32.1%, 11.9% and 14.9%, respectively.

The rapid development of the financial service industry has generated a significant demand for financial business-related insurance products. Benefiting from the rapid development of the PRC economy, the financial service industry is an example of the significant growth of the service industry. According to the data published by the PRC National Bureau of Statistics and the PBOC, the contribution to GDP by the financial sector in 2006 was RMB809.91 billion and increased to RMB2,098.06 billion in 2010, representing a CAGR of 26.9%. In particular, the RMB loan business provided by financial institutions such as banks was one of the most important financial businesses. The total amount of the RMB loan business reached RMB54.8 trillion and the CAGR was 19.5% from 2006 to 2011. To optimize financing structure and diversify credit risks, banks usually request borrowers to purchase insurance for loan collaterals, which has created large demand for insurance products related to financial services. For example, with respect to individual housing mortgages, banks will require housing purchasers who apply for personal loans to purchase housing mortgage insurance products in order to protect the interests of both lenders and borrowers. With respect to agricultural loans, in order to enhance borrowers' ability to deal with risks and preserve credit assets, the China Banking Regulatory Commission encourages them to obtain insurance for loan collateral and offers them preferential loan terms.

The rapid development of the PRC economy has also driven the increase of per capita GDP and the continued accumulation of wealth, which have in turn promoted demand for life and health insurance products and increased life and health insurable assets. According to the *Research on the Development of China Insurance Industry* (中國保險業發展研究) published by the Economic Science Press, based on international experience, as a country's per capita GDP reaches US$3,000, it is expected to experience rapid insurance business development. As of December 31, 2011, the PRC's per capita GDP exceeded US$5,000. Chinese citizens' consumption patterns have been moving towards quality of life improvements such as retirement protection, healthcare, culture and education, and travelling. According to the data published by the Economist Intelligence Unit, China's wealthy population has continued to increase; the percentage of families with annual household incomes of over US$5,000 in the PRC increased from 13.9% in 2006 to 59.6% in 2011, and the number of such families reached 240 million in 2011; the percentage of families with annual household incomes of over US$10,000 in the PRC increased from 2.3% in 2006 to 19.6% in 2011, and the number of such families reached 79 million in 2011. In particular, the recent accumulation of wealth by rural residents has also stimulated consumption and is expected to further improve their purchasing capacity in the life and health insurance market. The significant increase in demand for insurance-related consumption and in the size of the wealthy population in the PRC is expected to provide solid support for the rapid development of the PRC life and health insurance market.

The coordinated development of urban and rural areas and the modernization of agriculture have brought new development opportunities and broader market for rural insurance business

The urbanization of rural areas and the construction of new villages has stimulated the development of agriculture and the demand for insurance products related to farmers' life security. Being a sustained driver for economic development, urbanization is expected not only significantly to improve the living standards of the rural population but also to change the existing urban-rural dual economic and social structures and the means of agricultural production and the way of rural living. The continued progress achieved in urbanization and the accelerating migration of the rural population to small towns have created more population with insurance purchasing power, thus providing new development opportunities for the insurance industry in the County Areas. During the initial stage of urbanization, the population of farmers whose land had been expropriated and migrant workers increased significantly. The insurance mechanism is able to play an important role in solving problems such as social security for farmers entering urban areas and further enhancing the protection for people such as farmers whose land had been expropriated and migrant workers. For example, with respect to the deployment of compensation funds for farmers who have lost their land, if land expropriation compensation funds can be deployed properly so that part of the compensation funds are transformed into long-term basic social security benefits, the interests of farmers whose land has been expropriated can be further protected.

The PRC Government has adopted various policies to develop the "Sannong" economy, including encouraging the development of agricultural insurance, which has provided policy support for the development of agriculture-related insurance products. According to the *Yearbook of China's Insurance*, premiums income generated from agricultural insurance products increased from RMB850 million in 2006 to RMB17.4 billion in 2011, representing a CAGR of approximately 83.0%. There were approximately 169 million insured farmers in 2011 compared to approximately 49.809 million in 2007. The agricultural insurance coverage in the PRC has been expanded from five primary food crops including rice to cover forestry, rapeseed plants and other cash crops. The scope of insurance coverage has also been expanded from farming and breeding to rural housing and agricultural machinery. In addition, the agricultural insurance business has also covered more regions. The covered regions of small amount rural insurance business promoted by the CIRC increased from nine provinces, autonomous regions or directly-administered municipalities in 2008 to 24 provinces, autonomous regions or directly-administered municipalities in 2010. The agricultural insurance market is expected to continue to expand as the "Sannong" economy continues to grow. The Central Working Conference of the PRC proposed the forest tenure system reform in 2009, which was another major change in the system by which rural areas operate. Due to the high risks in forestry, the availability of insurance mechanism in reducing risks is very important to the development of forestry. The forest tenure reform has made specific provisions for the forest insurance system with fiscal subsidy, focusing on strengthening the forestry support and protection system and initiating forest insurance premium subsidies on a trial basis. This has brought new opportunities for the development of forestry insurance. According to the *Serial Report of the Economic and Social Accomplishments during the 11th Five-year Plan*, as of December 31, 2009, the PRC had 305.90 million hectares and 195.45 million hectares of woodlands and forests, respectively. In connection with this reform, forestry insurance is expected to play an important support and protection role in facilitating the development of modern forestry and safeguarding the harmony and stability of rural society.

Along with the ongoing industrialization and the continued advancement of technology in the agriculture sector in the PRC, the agriculture, forestry, animal husbandry and fishing industries in the PRC have experienced comprehensive and rapid development and the industrial structure of the PRC has continued to improve. The transformation of traditional agriculture into modern agriculture has been accelerated. Although modern agriculture is characterized by large-scale and intensive production which increase production efficiency, such characteristics have also led to greater concentration of risks. An effective insurance protection mechanism is expected to play an even more important role in modern agriculture risk management. According to the data published by the National Bureau of Statistics of China, in 2011, the production of cash crops relating to agricultural insurance products, such as tea, oil plants and sugar crops, were 1.62 million tonnes, 32.79 million tonnes and 125.20 million tonnes, respectively. At the end of 2011, the inventory of live pigs in the PRC was about 470 million. The continued development in agriculture has generated a large amount of insurable assets and provided broad opportunities for the development of agricultural insurance.

The growth of social wealth and the change in social structure have continuously improved purchasing power and the willingness to purchase insurance products; effective insurance demand has continued to increase

The profitability of PRC enterprises have gradually improved, and corporate wealth has accumulated rapidly, enabling PRC enterprises' purchasing power and willingness to purchase insurance products to increase significantly. According to the data published by the National Bureau of Statistics of China, as of December 31, 2010, the aggregate revenue and gross profit of PRC enterprises which had an annual revenue of more than RMB5 million were RMB69.8 trillion and RMB5.3 trillion, respectively, CAGRs of which from 2006 to 2010 were approximately 22.1% and 28.4%, respectively. China is a country where catastrophes frequently occur, and flood, typhoon and other extreme weather, earthquake and other catastrophes may cause considerable economic losses to enterprises. According to the data published by the National Bureau of Statistics of China, the economic losses directly caused by catastrophes in 2011 in the PRC amounted to RMB309.6 billion. As operations of enterprises become increasingly complex and the disclosure of catastrophe information becomes increasingly transparent as promoted by the PRC Government, fire, mining accidents, food safety and other liability accidents may result in significant losses to the business operations and reputation of enterprises. In view of the large number of catastrophes and accidents, PRC enterprises have paid more attention to risk diversification, management and control and their awareness of risk prevention has been continuously improved. According to a report published by the East Asia and Pacific Disaster Risk Management Team of the World Bank in December 2010, it is estimated that the PRC P&C insurance coverage ratio was merely about 5%, and most of the P&C policyholders were industrial and commercial enterprises. Currently, the PRC commercial property insurance market is far from mature and has great development potential.

The rapid growth of income of Chinese residents, especially among the large rural population, has increased the capacity of families and individuals to purchase insurance products. According to the data published by the National Bureau of Statistics of China, in 2011, the per capita annual disposable income of urban households was RMB21,810, and the per capita annual net income of rural households was RMB6,977. The CAGR of per capita annual net income of rural households from 2006 to 2011 was 14.2%, exceeding the 13.2% CAGR of per capita annual disposable income of urban households for the same period, and represents a potential increase in rural residents' needs and consumption capabilities for insurance products. China has a high deposit ratio. In the past, Chinese families usually deposited a substantial portion of their savings in banks. The accumulation of wealth and continuous development of financial markets have gradually strengthened Chinese residents' awareness of wealth management. In recent years, as the PRC financial market and insurance market have developed and become more mature, Chinese residents have become increasingly familiar with financial and insurance products. Insurance products, especially life and health insurance products, are favored by consumers as they incorporate both risk protection and wealth management functions, and their use as a substitute for bank deposits is increasing. More and more Chinese consumers are choosing insurance products with investment and wealth management features, such as participating insurance products and universal insurance products, to generate higher returns as well as to prevent risks.

The change in demographic and family structures has resulted in growing demand for a social security function. According to the data published by the National Bureau of Statistics of China, as of December 31, 2011, the population aged 65 and above was approximately 123 million, which accounted for 9.1% of the total population of the PRC. The average family size decreased from 3.44 persons to 3.10 persons from 2001 to 2010. During the same period the old dependency ratio, i.e., the ratio of population aged 65 and above to working-age population aged 15 to 64, increased from 10.1% to 11.9%, and there could be less working-age population supporting more aging population in the future. The downsizing of family size and aging population with fewer children have weakened the family protection function, aggravated the burden of the income earners to support the elderly population, and resulted in greater demand for social protections. The transformation of demographic and family structures have increased the willingness of more and more Chinese residents to purchase protection insurance products, pension funds or retirement plans. Such a trend is expected to drive the continued long-term growth of life and health insurance products and pension products.

The acceleration of population aging and the change in family structure and social structure in modern society have also changed the cultural traditions of family support to the elderly population and as a result PRC society is becoming more familiar with long-term care. According to the data published by the China National Committee on Ageing (the "CNCA"), the percentage of empty-nest household elderly population in 2010 was 49.3%. According to the CNCA, there were 33 million elderly population in aggregate that need various long-term care. According to a survey in the Strategy of Social Security System Reform in China (中國社會保障改革與發展戰略) published by the People's Publishing House, 75.1% of the children of aged people desire to participate in long-term care insurance products themselves, 74.5% of the children of aged people desire to purchase long-term care insurance products for their parents, and 53.2% of aged people desire to purchase such insurance products. The long-term care insurance market is expected to have a great development potential.

The PRC Government emphasizes and supports the development of the Insurance Industry through favorable policies and increased government expenditure

The PRC Government emphasizes the development of the PRC insurance industry. The State Council promulgated the Some Opinions of the State Council on the Reform and Development of the Insurance Industry (國務院關於保險業改革發展的若干意見), or the Insurance Industry Opinions, in June 2006 and provided ten detailed opinions on the PRC insurance industry. The Insurance Opinions indicated that the three major functions of the insurance industry are economic compensation, fund-raising and social management, and acknowledged that the insurance industry is a significant component of the PRC financial system and social welfare system. The Insurance Opinions also launched a series of measures to expedite the development and reform of the insurance industry and set out an overall goal for the development and reform of the insurance industry, including to establish a modern insurance industry with a comprehensive market system, extensive service coverage, integrity in operations, sufficient solvency margin, strong competitiveness, and balanced development in terms of speed, quality and efficiency of development.

The PRC Government has also encouraged the promotion and innovation of certain specific insurance products and adopted relevant detailed and practicable measures. For example, liability insurance was specifically mentioned in the Insurance Industry Opinions, in which it promoted the development of liability insurance business, improving safety in production and emergency response system and encourages the insurance industry to participate in peace-building. Moreover, the Insurance Opinions indicated that industries such as coal mining shall adopt mandatory liability insurance on a trial basis and such liability insurance shall be expanded to high-risk industries, public areas and domestic and foreign travelling, among others, once experience is accumulated through the trials. The Insurance Opinions also encourages the further development of liability insurance business through market operations, policy guidance, government support and legislation requirements, among others. With respect to the government medical insurance reform, the CPC Central Committee and the State Council announced a comprehensive reform plan through the Opinions of the CPC Central Committee and the State Council on Deepening the Health Care System Reform (中共中央國務院關於深化醫藥衛生體制改革的意見) in 2009, encouraging enterprises and individuals to participate in commercial insurance and various types of supplementary insurance schemes to address needs beyond basic medical care. The PRC Government has been encouraging commercial insurance enterprises to develop various health insurance products in order to satisfy increasingly diversified demands. The PRC Government also purchases medical care services and entrusts qualified commercial insurance entities to provide various types of medical care management services. In March 2012, the State Council promulgated the Plan and Implementation Scheme to Further Reform the Medical and Health System during the 12th Five-year Plan Period ("十二五"期間深化醫藥衛生體制改革規劃暨實施方案), encouraging the use of basic medical care insurance funds to purchase commercial critical-illness insurance. In August 2012, relevant authorities jointly issued the Guidance on Implementation of Critical-illness Insurance Covering Urban and Rural Residents (關於開展城鄉居民大病保險工作的指導意見), stating that the critical-illness insurance covering both urban and rural residents shall comprise basic medical care insurance and commercial insurance, i.e. commercial insurance agencies shall provide critical-illness insurance utilizing the funds set aside from the surplus of urban resident medical care insurance funds and new rural cooperative medical care insurance funds. Such model has been implemented in Taicang City, Jiangsu Province on a pilot basis since 2011 and has achieved certain improvements so far. Meanwhile, commercial insurance companies have been proactively participating in the establishment of the current medical care system, which significantly promotes the development of commercial health insurance. In addition, the PRC Government has been endeavoring to promote pension system reform by gradually establishing a multiple-layer social welfare and protection regime and providing basic social pension products, enterprise annuity products and commercial pension products. The PRC Government also supports the development of enterprise annuity products and commercial pension products by further increasing tax concessions. In order to promote the development of supplemental pension insurance and supplemental medical insurance through tax benefits, in June 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Enterprise Income Tax Policies on Supplemental Pension Insurance Premiums and Supplemental Medical Insurance Premiums (關於補充養老保險費、補充醫療保險費有關企業所得稅政策問題的通知), which states that the supplemental pension insurance premiums and supplemental medical insurance premiums that an employer pays for its employees shall be deductible from its taxable income, provided that each of such premiums do not exceed 5% of the employees' total salaries. In addition, the pilot scheme for the income tax-deferred pension insurance is expected to be carried out in areas including Shanghai and Guangdong Province. The tax benefit provided by the income tax-deferred pension is expected to significantly increase individuals' demands for commercial pension products and to facilitate the development of the commercial pension insurance market and the improvement of the social welfare system.

According to the PRC's *National 12th Five-Year Guidelines (國家「十二五」規劃綱要)* promulgated in March 2011, the PRC Government is expected to continue to promote the soundness and sustainability of the PRC insurance market by encouraging the development of agricultural insurance business, expanding the coverage and scope of agricultural insurance subsidies, enlarging the scope of insurance services, actively developing liability insurance and credit insurance businesses, exploring catastrophe insurance business, developing innovative distribution channels, regulating the insurance agency markets and promoting the development of the reinsurance market as well as developing a sound and healthy insurance system.

The fiscal revenue of the PRC Government has rapidly increased in recent years, and the government expenditure closely related to social welfare have grown rapidly as well. The fiscal revenue of the PRC Government reached RMB10.4 trillion in 2011. The CAGR of the fiscal revenue of the PRC Government from 2006 to 2011 was approximately 21.8%. In 2011, government expenditure in healthcare and social housing in the PRC were RMB636.7 billion and RMB382.2 billion, respectively, and increased by 32.5% and 60.8%, respectively, as compared to 2010. Meanwhile, the central and provincial governments have further increased government expenditure to support the development of "Sannong" and enhanced supportive and favorable policies to the farmers so as to improve rural production and life. In 2011, the government expenditure for agriculture, forestry and water conservancy by the central government was RMB989 billion, and increased by 21.7% as compared to 2010. Simultaneously with increasing government expenditure, governments of all levels have also made use of the insurance mechanism to promote the protection provided by governmental subsidies and improve the methods of serving society, so as to improve to the extent possible the efficiency of allocation of fiscal resources. The PRC Government has continued to enhance the governmental subsidies of agricultural insurance, increasing the percentage of subsidies and expanding the coverage of subsidies. For example, the subsidies on premiums of reproductive sow insurance and rural housing insurance have enabled supportive and favorable funding for farmers to cover more people and achieve economy of scale. The rural housing insurance business in Zhejiang Province is a good example. Since Zhejiang government promoted the rural housing insurance business in the entire province in 2006, local governments in the PRC have promoted the development of rural housing insurance business. In addition, Zhanjiang government of Guangdong Province and other local governments have expanded the social management function of insurance and the services those governments provide by involving commercial insurance companies in the medical care system reform. The PRC Government's encouragement to expand the service scope of insurance products has increased the premiums income for commercial insurance companies, on the one hand, and has increased people's awareness of risk control and insurance, on the other hand.

Insurance regulatory regime has been gradually improved, promoting healthy and sustainable development of the insurance industry

Gradual improvements in the insurance regulatory regime have promoted the rapid development of the PRC insurance industry. Since its establishment in 1998, the CIRC has promulgated various regulations and other regulatory documents to regulate the operations of P&C insurance companies, life and health insurance companies and insurance agency companies. Originally the CIRC set out strict review and approval procedures for the terms and rates of insurance products. The CIRC promulgated the regulatory standards for solvency margin in 2000; amended the PRC Insurance Law to enhance the protection of insured parties, to loosen the restrictions on terms and rates of insurance products and to remove the restrictions on mandatory reinsurance in 2002; commenced the plain language requirement for insurance policy terms and standardization of insurance policies in 2004; and emphasized the importance of solvency margin at a level of the comprehensive risk management of the whole company and added the regulatory requirement for dynamic solvency margin testing in 2008. In addition, the CIRC promulgated Guideline No. 70 on August 29, 2008 to regulate the P&C insurance market, prevent and resolve risks and protect consumers, among other purposes. During the same year, the Ministry of Finance promulgated Interpretation No. 2, requiring companies with both A shares listed on a PRC stock exchange and H shares listed on the Hong Kong Stock Exchange to recognize, measure and report the same transactions with the same accounting policies and estimates. The MOF and the CIRC have subsequently promulgated relevant regulations including the Regulations on the Accounting Treatment of Insurance Contracts (保險合同相關會計處理規定), the Circular on the Issues Relevant to the Insurance Industry's Implementation of the Interpretation No. 2 of the Accounting Standards for Business Enterprises (關於保險業實施《企業會計準則解釋第2號》有關事項的通知) and the Circular on the Insurance Industry's Implementation of the Interpretation No. 2 of the Accounting Standards of Business Enterprises (關於保險業做好《企業會計準則解釋第2號》實施工作的通知). The PRC insurance industry has started to adopt Interpretation No. 2 and its relevant regulations since the preparation of 2009 financial reports. The PRC Insurance Law further amended in 2009 further enhances the protection of insured parties, improves the regulatory regime, and expands the scope of insurance fund deployment for insurance companies. In 2012, the CIRC continued to promote the reform on regulation of terms and premium rates of commercial motor vehicle insurance. On February 23, 2012, the CIRC promulgated the Circular on Strengthening the Control over the Insurance Terms and Premium Rates of Commercial Motor Vehicle Insurance (關於加強機動車輛商業保險條款費率管理的通知) to further improve the regulation of the terms and premium rates of commercial motor vehicle insurance and gradually establish market-oriented mechanisms on terms and premium rates. The Notice expands the role and responsibilities of insurance companies in establishing and implementing terms and premium rates of commercial motor vehicle insurance. In addition to continuously improving the existing insurance regulatory regime, the CIRC has also introduced innovations including establishing a relatively comprehensive categorized regulatory regime covering both the insurance companies and their branches; strengthening the cooperation with regulators in home countries of foreign investors in foreign-invested insurance companies; and promulgating the working guidelines on informatization for insurance companies and promoting the informatization of its own regulatory activities, among others. Consequently, the PRC has gradually developed an insurance regulatory regime that is in line with the PRC's market economy with Chinese characteristics and international standards by forming a three-tier insurance regulatory regime that incorporates solvency margin, corporate governance and market behavior.

As the regulatory regime has continued to improve, PRC insurance regulatory standards have significantly developed. With respect to regulation of insurance companies' solvency margin, the CIRC applies among others, rigid constraints and timely monitors insurance companies' solvency margins through various risk-prevention measures including stress testing and regulatory warnings. These measures have effectively reduced the industry operation risks and improved the industry operation protection regime. With respect to corporate governance, the CIRC has clearly indicated the directions and goals for insurance companies' corporate governance and enhanced the regulation of risk management, internal control and compliance management, which have functioned well. During the establishment of corporate governance standards, corporate internal governance has been enhanced, corporate operations systems have been improved, and the capability to implement sound corporate governance has improved. With respect to the supervision and regulation of market behavior, the CIRC has been improving the existing regulations, promulgating new polices, as well as enhancing inspections, including specified inspection, priority inspection and comprehensive inspection, to regulate the insurance companies' market behaviors and maintain market order. With respect to insurance fund deployment, the CIRC has been proactively monitoring insurance companies' solvency margins and market behaviors while prudently expanded the scope of insurance fund deployment. Since July 2012, the CIRC promulgated ten new rules, including the Interim Measures on Bonds Investment with Insurance Funds (保險資金投資債券暫行辦法), the Interim Measures on the Administration of Entrusted Investment with Insurance Funds (保險資金委托投資管理暫行辦法), the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds (關於保險資金投資股權和不動產有關問題的通知), the Interim Measures for the Insurance Asset Allocation Management (保險資產配置管理暫行辦法), the Circular on Issues Concerning the Insurance Assets Management Companies (關於保險資產管理公司有關事項的通知), the Circular on the Investment of Insurance Funds in the Relevant Financial Products (關於保險資金投資有關金融產品的通知), the

Interim Regulations on Administration of the Infrastructure Debt Investment Plans (基礎設施債權投資計劃管理暫行辦法), the Implementing Rules of the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法實施細則), the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (保險資金參與金融衍生產品交易暫行辦法) and the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading (保險資金參與股指期貨交易規定). Such new rules have, on the basis of effective risk management, further increased the categories and expanded the scope of permitted investment for PRC insurance companies, increased the incentives and flexibility of insurance assets allocation, and further promoted the marketization of regulation on insurance funds deployment. Currently the scope of insurance fund deployment for PRC insurance companies has been expanded and such scope includes bank deposits, debt securities, stocks, securities investment funds, real estate, infrastructure projects, equity interests in private companies, bank financing products, trust plans, financial derivatives and offshore investments, among others. In addition, the CIRC also emphasized consumer protection, regulating market operations, as well as continuously educating consumers with insurance knowledge. The CIRC has enhanced its supervision and regulation of product development, sales, after-sales services, claim appeals and information disclosure to promote the healthy development of the insurance industry.

Increasingly diversified insurance products, services and distribution channels and balanced development of risk protection and wealth management

In order to satisfy the increasing demands for higher quality and more diversified insurance products, PRC insurance companies have sought to continue to develop innovative products and services. The variety of insurance products as well as the quality of insurance services have continued to improve. In addition to the continuous efforts in exerting the advantages of traditional sales channels such as individual insurance agents, direct sales and bancassurance, the telephone sales channel has developed rapidly and new sales models such as online sales that accord with the consumption habits of younger generations have also been explored. Different sales channels have complemented each other and developed together.

After many years of development, the PRC insurance market continues to grow and expand and the number of PRC insurance companies continues to increase. The increasing competition has driven insurance companies to have higher standards of products and services. Only the insurance companies that continuously innovate their products and optimize service quality can survive. With increasing competition in the industry, rapid globalization and diversification of consumer needs, the PRC insurance companies have improved operation skills and the PRC insurance industry has shown trends of informationalized operations and professional management. By increasing information technology innovations, improving the application of database processes, improving pricing and underwriting capability, and using a variety of advanced communications and information technology means to provide sales and claim payment services, PRC insurance companies have continuously optimized the quality of customer service. Meanwhile, PRC insurance companies continue to strengthen their professional management. They have introduced more sophisticated pricing mechanisms and product design processes and adopted more reasonable methods of underwriting and claim payment management to enhance their internal control management and decision-making capabilities to meet consumers' diversified insurance needs, in order to transform from an insurance-premium-growth-oriented model to a management-efficiency-growth-oriented model.

Meanwhile, the financial features of insurance products continue to increase, among which life and health insurance products continue to evolve from traditional protection products to "protection plus savings" products and "protection plus investment" products. Investment and wealth management products with protection features are expected to meet domestic consumers' increasingly diversified financial needs more effectively. The insurance market and financial market are expected to further integrate, with the insurance industry playing an increasingly important role in the diversification process of wealth management. The scope of competition among PRC insurance companies is expected to expand, thereby leading to more direct competition and cooperation relationship with financial companies that operates outside of the traditional insurance businesses. In the future, insurance companies are expected to further enhance their comprehensive financial service capabilities, create unified and centralized back-office support platforms and integrated marketing service systems through integration of internal resources, gradually achieving more integrated operations and ultimately increasing the core competitiveness of comprehensive insurance groups. Meanwhile, insurance companies are expected to continue to improve their asset management platforms and take advantage of the opportunities from the expanded investment channels to improve investment capabilities and efficient asset allocation. Leveraging the strength of professional insurance asset management, insurance companies are also expected to continue to expand the scale of managed funds and the proportion of business contribution from them, enhance the advantages of comprehensive insurance and financial services, satisfy the need for diversified wealth management services, and gradually achieve the coordinated development of risk protection and wealth management.

Overview

The insurance industry is heavily regulated in the PRC. The CIRC is the regulatory authority supervising the insurance industry. The legal provisions governing insurance activities within the territories of the PRC consist principally of the PRC Insurance Law, the administrative rules, regulations and other regulatory documents promulgated pursuant to the PRC Insurance Law.

Initial Status of the Regulatory Framework

In 1983, the State Council promulgated the PRC Regulations on the Property Insurance Contracts (中華人民共和國財產保險合同條例), which was the first regulatory document on matters relating to PRC property insurance contracts. In 1985, the State Council promulgated the Provisional Regulations Governing the Administration of Insurance Enterprises (保險企業管理暫行條例), which was the first regulatory document on the comprehensive administration of the PRC insurance industry. The first insurance law, Insurance Law of the People's Republic of China (中華人民共和國保險法), or the PRC Insurance Law, was promulgated and implemented by the Standing Committee of the NPC in 1995. This statute established a solid legal foundation for the healthy, regulated and rapid development of the insurance industry in the PRC.

The principal contents of the 1995 PRC Insurance Law include:

- *Supervisory and enforcement powers of the regulatory authority.* The PBOC, the then regulatory authority, was given broad supervisory powers over the insurance industry pursuant to the PRC Insurance Law;

- *Insurance contracts.* The policyholder and the insurer enter into insurance contracts in compliance with the principles of fairness and mutual benefits, consensus through negotiations, and on voluntary basis without causing harm to social and public interests. The policyholder shall have insurance benefits in respect of the insurance objectives. The PRC Insurance Law made provisions on the formation, performance and termination of insurance contracts, the notification obligations of both contracting parties, exemption of duties and mandatory provisions. Special provisions were also enacted for property insurance contracts and life and health insurance contracts;

- *Licensing management of insurance companies and insurance intermediaries.* Insurance companies and insurance intermediaries shall obtain business licenses from the relevant government regulatory authority. The PRC Insurance Law also set out requirements such as the minimum registered capital, form of organization and qualification of senior management;

- *Separating operations of life and health insurance businesses and property insurance business.* The PRC Insurance Law classified insurance operations into two categories; one category comprised life and health insurance businesses such as life insurance, health insurance and accidental injury insurance, whereas the other category comprised P&C insurance business such as property insurance, liability insurance and credit insurance. An insurer shall not concurrently engage in both P&C insurance business and life and health insurance businesses;

- *Insurance operational rules.* The PRC Insurance Law established reserves and solvency requirements for insurance companies, imposed restrictions on investment authorizations, established compulsory reinsurance requirements, and put in place a reporting system to enhance the supervision of insurance companies by the insurance regulatory authority;

- *Regulation on insurance products.* The PRC Insurance Law authorized the financial regulatory administrative authority to formulate the basic insurance terms and premium rates for major categories of commercial insurance; and
- *Regulation on market conduct.* The PRC Insurance Law provides for sanctions against fraudulent and other unlawful conducts by market participants.

The 2002 Amendments to the PRC Insurance Law

The PRC Insurance Law was amended on October 28, 2002. Primary amendments include:

- carry out the undertakings made upon accession into the WTO, gradually phasing out the compulsory reinsurance requirements and allowing more foreign insurance companies to enter the insurance industry of China;
- allowing property and casualty insurance companies to offer accidental injury insurance and short-term health insurance products;
- greater freedom for insurance companies to develop insurance products;
- broader investment channels for insurance companies, including allowing the funds of insurers to be used for establishment of enterprises in the insurance industry; and
- increased penalties for misconducts in the insurance market.

The 2009 Amendments to the PRC Insurance Law

On February 28, 2009, the Standing Committee of the NPC promulgated the further amended PRC Insurance Law. The revised PRC Insurance Law was effective from October 1, 2009. In order to adapt to changes in the PRC insurance industry and to enhance protection of the insured's interests, a series of significant amendments were made to the PRC Insurance Law during this revision, including:

- *Enhanced legal requirements for insurance contracts.* The PRC Insurance Law further refined the relevant requirements for insurance contracts to enhance protection for the benefit of the insured, expressly setting out the rights and obligations of the parties participating in insurance activities, which mainly include the express requirements on the conditions to the formation of insurance contracts and their effective time, the limitation on the termination right of insurers to an insurance contract on the basis of non-compliance with the full disclosure obligation by the policyholder, the obligation of the insurer to indicate and explain the contents of insurance contracts and disclaimer clauses in insurance policies and the invalidity of standard contractual clauses. The PRC Insurance Law also refined the provisions on, amongst other things, the specific procedure and timing for claims settlement by insurers, the computation standard for P&C insurance claims and the compensation procedures for liability insurance;
- *Enhancement on the basic mechanism and rules of the insurance industry.* Major improvements included enhancement to the forms of organization of insurance companies, granting statutory status to insurance organizations under the mutual and co-operating systems, stricter requirements on the conditions for establishing insurance companies and qualification requirements for senior management officers, broadening of business scope and channels for the application of funds for insurance companies, enhancing management over insurance intermediaries, as well as improvements to risk avoidance in the insurance industry and the market exit mechanism for insurance companies;

- *Stronger self-regulation for the industry.* The PRC Insurance Law confirmed the legal status of insurance industry associations to maximize the effect of industry self-regulation on developing regulation environment of the insurance industry;
- *Enhanced insurance supervision.* The supervisory principles and supervisory duties of the insurance regulatory authority were expressly set out, and increased supervisory means and measures of the insurance regulatory authority (including site inspection, regulatory consultation, restricted exit from China for senior management officers of insurance companies in circumstances of material risks, and other restrictive measures such as application to judicial authority for prohibition of disposition of properties) were introduced; and
- *Further clarification on legal liabilities.* The PRC Insurance Law provided further clarifications on the legal liabilities with respect to certain new offences.

Since the promulgation of the PRC Insurance Law in 1995, the insurance regulatory management authority had published a series of departmental rules and regulations and other regulatory documents pursuant to the PRC Insurance Law, and created a legal system with the PRC Insurance Law as its core, whilst departmental rules and regulations served as the main body and regulatory documents as supplements, which basically covered insurance operations and supervision.

CIRC

The CIRC was established on November 18, 1998. According to the Notice relating to the Establishment of the China Insurance Regulatory Commission of the State Council (國務院關於成立中國保險監督管理委員會的通知), the CIRC is an institution directly under the State Council that performs administrative management functions authorized by the State Council and imposes uniform supervisory administration over the insurance market in accordance with the laws and regulations. The major tasks of the CIRC include preparing policies and regulations in relation to commercial insurance, as well as industry development plans, conducting supervisory administration and providing business guidelines on the operational activities of insurance enterprises in compliance with the laws, maintaining an orderly insurance market, administering investigations and punishment of insurance enterprises that violate the laws, protecting the interests of the insured; cultivating and developing the insurance market, promoting reform of the insurance industry, enhancing the insurance market system, facilitating fair competition among insurance enterprises; establishing the assessment and warning systems for risks in the insurance market, avoidance and mitigation of risks in the insurance market, facilitating stable and sound operation of insurance enterprises and healthy development of businesses.

According to the Notice relating to the Principal Responsibilities, Internal Organization and Personnel Establishment of the China Insurance Regulatory Commission published by the General Office of the State Council (國務院辦公廳關於印發中國保險監督管理委員會主要職責內設機構和人員編制規定的通知), the principal responsibilities of the CIRC include:

- preparing principles and policies for the development of the insurance industry; formulating industry development strategies and plans; drafting laws and regulations for the supervision and regulation of the insurance industry and formulating internal rules and regulations of the insurance industry;

- examining and approving the establishment of insurance companies and their branches, insurance groups and insurance holding companies; jointly approving the establishment of insurance asset management companies with the relevant authorities; examining and approving the establishment of representative offices by overseas insurance institutions; examination and approval of the establishment of insurance intermediaries such as insurance agencies, insurance brokerages, loss adjustment companies and their respective branches; examining and approving the establishment of overseas insurance institutions by domestic insurance and non-insurance institutions; examining and approving the merger, split, alteration and dissolution of insurance institutions and deciding on the takeover and designation of acceptance; participating in and organizing the bankruptcy and liquidation proceedings of insurance companies;
- examining and confirming the qualifications of senior management officers in various types of insurance institutions; setting the basic qualification standards for insurance practitioners;
- examining and approving the clauses and premium rates of insurance lines that relates to social and public interests, statutory mandatory insurance lines and newly developed life and health insurance lines; filing of the insurance terms and premium rates of the other insurance lines;
- supervising the solvency and market conduct of insurance companies; managing the insurance guarantee funds and monitoring the insurance security deposits; formulating the relevant rules and regulations on the basis of laws and policies of the PRC Government on insurance fund utilization, and supervising the utilization of funds by insurance companies;
- conducting business supervision on insurance industry with fiscal subsidy and mandatory insurance; supervising organizational forms and operations such as captive insurance and mutual insurance; centralizing the administration of insurance industry associations and organizations such as the Insurance Association of China and The Insurance Institute of China;
- investigating into and imposing penalties on illegal acts and misconducts of insurance institutions and practitioners such as unfair competition according to the law and direct or disguised engagement in insurance business by non-insurance institutions;
- supervising overseas insurance institutions established by domestic insurance and non-insurance institutions;
- establishing the standards for information systems of the insurance industry; establishing insurance risk-assessment, risk-warning and risk-monitoring systems; tracking, analyzing, monitoring and forecasting the operating conditions of the insurance market; unifying compilation of statistical data and reports for the national insurance industry and their publication in accordance with relevant regulations; and
- other duties commissioned by the State Council.

Insurance License

The CIRC successively promulgated the Administrative Regulations for Insurance Companies (保險公司管理規定) in 2000, 2004, and 2009. Under the PRC Insurance Law, the Administrative Regulations for Insurance Companies currently in force and other relevant rules and regulations, in order to engage in the insurance business, an insurance company must submit an application to commence business with the CIRC and obtain an insurance business permit from the CIRC.

An insurance company is entitled to obtain such insurance business permit, subject to and including, amongst many others, the following conditions:

- shareholders of the insurance company must comply with requirements of PRC laws, administrative regulations and certain conditions announced by the CIRC;
- the articles of association of the insurance company must comply with the requirements of the PRC Insurance Law and the PRC Company Law;
- the minimum amount of registered capital of the insurance company must not be less than RMB200 million, which must be paid-in capital;
- directors, supervisors and senior management officers of an insurance company must have professional qualifications required by the CIRC;
- the insurance company must have a sound organizational structure and management system;
- the insurance company must have established sound rules for business operations, accounting, compliance, risk control, asset management, anti-money laundering and other systems;
- the insurance company must have specific business development plans and formulate medium-term and long-term asset disposition plans according to asset-liability matching principles and other relevant principles;
- the insurance company must have legal business premises and meet the prescribed standards for safety and firefighting facilities. Its business premises and office equipment must accommodate its business development plans. Its information system infrastructure must meet the CIRC requirements; and
- the insurance company must comply with PRC laws, administrative regulations and other requirements of the CIRC.

Qualification of shareholders Investing in Insurance Companies

Equity investments in any insurance companies established in the PRC must comply with the PRC Insurance Law, the Administrative Regulations for Insurance Companies, and the Administrative Measures on Equity of Insurance Companies (保險公司股權管理辦法), promulgated by the CIRC and effective as of June 10, 2010.

Those making equity investment in insurance companies must be enterprises within the PRC or overseas financial institutions meeting the conditions as prescribed in the above-mentioned laws and regulations, except for those purchasing the shares of listed insurance companies through stock exchanges. Equity investments in insurance companies shall comply with the other requirements stipulated by the CIRC if the CIRC so stipulates.

Equity interest held or capital contribution in any insurance company by a single shareholder (including its related parties) shall not exceed 20% of its registered capital. Prior approval must be obtained from the CIRC if the equity interest held or capital contribution by a single shareholder (including its related parties) in any insurance company exceeds 20% of its registered capital.

An overseas financial institution must satisfy the following requirements for its investment in an insurance company:

- having a stable and sound financial condition and having been profitable for the past three consecutive accounting years;
- having total assets of not less than US$2 billion at the end of the preceding year;

- its long-term credit rating having been given grade A or above by international rating agencies for the past three consecutive years;
- having no record of material non-compliance for the past three consecutive years;
- having complied with prudent regulatory indicators as required by its resident financial regulatory authorities; and
- having met other criteria as required by laws, administrative regulations and the CIRC.

A major shareholder who holds 15% or more of the equity interest of an insurance company, or less than 15% of the equity interest of an insurance company but controls the insurance company directly or indirectly, must also satisfy the following criteria:

- having the ability to continue capital contribution and having been profitable for the past three consecutive accounting years;
- having relatively strong financial strength with net assets of not less than RMB200 million; and
- having a good reputation and a leading position in its industry.

If an investor holds 5% or more of the issued shares of a listed insurance company through a stock exchange, the insurance company must report it to the CIRC for approval within five days after the occurrence of such matter. The CIRC has the authority to require a transfer of all shares of any shareholder who fails to meet the required qualification criteria.

Paid-in Capital

Under the Administrative Regulations for Insurance Companies, the minimum registered capital as well as the paid-in capital for the establishment of an insurance company is RMB200 million. Insurance companies that are established with the minimum RMB200 million registered capital must increase their registered capital by RMB20 million for each branch office they apply for initial establishment in each province, autonomous region or directly-administered municipality of the PRC outside their business origin. Insurance companies with a registered capital of RMB500 million or more may set up branches without increasing their registered capital as long as they have Adequate Solvency as defined by the CIRC.

Insurance Group Companies

In accordance with the Measures for the Administration of Insurance Group Companies (Tentative) (保險集團公司管理辦法(試行)) promulgated by the CIRC and effective as of March 12, 2010, insurance group companies refer to those companies that are formed upon approval of the CIRC and registered in accordance with the law with the words "insurance group" or "insurance holding" in their names, and which exert control, joint control or material impact on their member companies.

In accordance with the Measures for the Administration of Insurance Group Companies (Tentative), the establishment of an insurance group company shall meet the following conditions:

- having qualified investors and appropriate equity structure, and the investors jointly control more than 50% of the shares in each of two or more insurance companies;
- of the insurance companies controlled by the investors, at least one engaged in insurance businesses for more than six years and has been profitable for the last three consecutive years, with net assets of no less than RMB1 billion and total assets of no less

than RMB10 billion. The solvency of the insurance companies controlled by the investors satisfies the requirements of the CIRC and the insurance companies have sound corporate governance structure and internal control systems, and have committed no material violations of laws or regulations in the latest three years;

- having a minimum registered capital of RMB2 billion;
- having directors, supervisors and senior management officers who meet the eligibility requirements set forth by the CIRC;
- having a well-established governance structure, sound organizational structure, effective risk management and internal control management systems;
- having business premises and office equipment commensurate with its business development; and
- other conditions as specified by laws, administrative regulations and the CIRC.

The aforementioned conditions may be appropriately relaxed upon approval by the CIRC in case of mergers and acquisitions for the purpose of restructuring to mitigate risks.

Corporate Governance

In accordance with the PRC Company Law, the PRC Insurance Law, the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (Tentative) (關於規範保險公司治理結構的指導意見(試行)) promulgated by the CIRC and effective as of January 5, 2006, the Interim Measures on the Administration of Independent Directors of Insurance Companies (保險公司獨立董事管理暫行辦法) promulgated by the CIRC and effective as of April 6, 2007, the Opinions on Regulating the Articles of Association of Insurance Companies (關於規範保險公司章程的意見) promulgated by the CIRC and effective as of October 1, 2008, the Guidelines on the Operation of the Board of Directors of Insurance Companies (保險公司董事會運作指引) promulgated by the CIRC and effective as of October 1, 2008 and other relevant laws, regulations and other regulatory documents, insurance companies must establish a corporate governance structure under which management and supervisory powers and responsibilities are divided among the shareholders' general meetings, the board of directors, the board of supervisors and senior management. Insurance companies must appoint independent directors at a certain ratio, and establish an audit committee and a nomination and remuneration committee of the board of directors. They are also required to establish a board of supervisors to oversee and supervise the board of directors, senior management and other management officers and to review and supervise the company's financial activities. Insurance companies must clarify the ratio between executive directors, non-executive directors and independent directors on their boards in their articles of association and comply with detailed guidelines on the appointment and removal of directors, director's qualifications and appraisal of directors.

Pursuant to the Guiding Opinions on Regulating the Corporate Governance Structure of Insurance Companies (Tentative), insurance companies are required to establish an audit department, a risk management department and a compliance department. Insurance companies are required to set up an internal management system in respect of related transactions and file with the CIRC. Material resolutions at shareholders' general meetings and board of directors' meetings of insurance companies must be reported to the CIRC within 30 days after passing. The board of directors of an insurance company is required to submit its internal control evaluation report, risk assessment report and compliance report to the CIRC each year. The CIRC may conduct on-site inspection in respect of the corporate governance practices of insurance companies. The Opinions on Regulating the Articles of Association of Insurance Companies regulates the basic contents of the articles of association of an insurance company and specifies the procedures for formulating and amending these articles.

Pursuant to the Administration of Directors, Supervisors and Senior Management Officers Qualifications of Insurance Companies (保險公司董事、監事和高級管理人員任職資格管理規定) promulgated by the CIRC and effective as of April 1, 2010, the CIRC and its agent have adopted a reporting and approval system with respect to the qualification of directors, supervisors and senior management officers of insurance companies. Pursuant to the Administration on the Audit of Directors and Senior Management Officers of Insurance Companies (保險公司董事及高級管理人員審計管理辦法) promulgated by the CIRC and effective as of January 1, 2011, audits of chairmen, general managers and persons-in-charge of audit should be conducted by external auditors. Audits of chairmen and general managers of insurance subsidiaries and insurance asset management companies of an insurance group can be conducted by the audit department of the group while audits of other senior management officers can be conducted by the in-house audit department of the insurance company or external auditors.

Pursuant to the Interim Measures on the Administration of Independent Directors of Insurance Companies, an insurance company must have at least two qualified independent directors on its board by June 30, 2007. An insurance company must cause its independent directors to account for at least one-third of the board of directors within one year after its total assets exceed RMB5 billion. Independent directors must be elected and replaced at shareholders' general meetings. In addition to the duties required by the PRC Company Law and other applicable laws and regulations, an independent director has the duty to carefully review the following matters: material related transactions, nomination, appointment and removal of directors, appointment and dismissal of senior management officers of the head office, salary and compensation of directors and senior management officers of the head office, profit distribution proposals and material transactions that are not covered by the operational plans, as well as other issues that may have a material effect on the insurance company, the insured or interests of its minority shareholders.

Internal Control, Compliance and Risk Management

Pursuant to the Principal Rules for the Internal Control of Insurance Companies (保險公司內部控制基本準則) promulgated by the CIRC and effective as of January 1, 2011, an insurance company must establish and implement an internal control system with an internal control infrastructure, internal control procedures and internal control assurance. Internal control covers sales control, operational control, infrastructure management control, funds utilization control and controls of other aspects of the company's operation. An insurance company must establish an internal control organizational system with clear division of labor, clear working lines, cooperation and highly efficient execution which the board of directors should ultimately be responsible for, the management should directly lead, the internal control function departments should coordinate, the internal audit department should examine and supervise, and the business units should primarily be responsible for.

Pursuant to the Working Rules for the Accounting of Insurance Companies (保險公司財會工作規範) promulgated by the CIRC and effective as of July 1, 2012, the chairman and general manager of an insurance company should be responsible for regulatory compliance of the company's work related to accounting and the truthfulness and completeness of the company's accounting information. An insurance company must have a person-in-charge of finance in place. The person-in-charge of finance is directly accountable to the board of directors and general manager of the company. An insurance company must establish an internal supervisory system for accounting under which the chairman (or general manager) shall be held responsible and there is a clear division of duties among the accounting department, internal audit department and board of supervisors of the company. The employment or removal of any accounting firm by an insurance company which provides annual audit services to the insurance company must be reported to the CIRC. An insurance company is required to establish firewalls between its subsidiaries in respect of funds and must not allow cross use of funds or disguised cross use of funds.

Pursuant to the Guidelines on Internal Audits of Insurance Companies (Tentative) (保險公司內部審計指引(試行)) promulgated by the CIRC and effective as of July 1, 2007, an insurance company must establish an internal audit system relevant to and appropriate for the company's governance structure, management and control model and the nature and scope of its business, in which the fee budget, business management and performance review must be relatively independent of each other. An insurance company must establish an audit committee under the board of directors and have in place an officer-in-charge of auditing matters and provide enough internal audit personnel. The internal audit department must conduct a thorough evaluation of the comprehensiveness, reasonableness and effectiveness of the company's internal control system each year and issue an internal control evaluation report.

Pursuant to the Guidelines for Compliance Management of Insurance Companies (保險公司合規管理指引) promulgated by the CIRC and effective as of January 1, 2008, and the Notice on Relevant Matters Relating to the Enforcement of the Guidelines for Compliance Management of Insurance Companies (關於《保險公司合規管理指引》具體適用有關事宜的通知) promulgated by the CIRC and effective as of April 18, 2008, the board of directors, supervisors (or board of the supervisors) and the general manager of an insurance company are charged with powers and duties concerning management of an insurance company's compliance matter. In addition, an insurance company is required to have a person-in-charge of compliance matter who is responsible to the general manager and the board of directors. An insurance company is required to set up a compliance management department in its head office. The duties of the person-in-charge of compliance matter and the compliance department include formulating and updating compliance policies and annual compliance risk management proposals, organizing and cooperating with departments and branches of the insurance company to formulate and update compliance handbooks for specific positions, identifying, evaluating and reporting compliance risks, drafting compliance reports, offering compliance trainings, and performing other compliance duties.

Pursuant to the Risk Management Guidance for Insurance Companies (Tentative) (保險公司風險管理指引(試行)) promulgated by the CIRC and effective as of July 1, 2007, an insurance company must establish a risk management structure that is under the direct leadership of the insurance company's senior management and for which the board of directors is ultimately responsible for. An insurance company may establish a risk management committee under the board of directors to be responsible for risk management. In the absence of a risk management committee, the audit committee shall bear the relevant responsibilities. An insurance company is required to establish a risk management department or a designated department to be generally responsible for matters related to risk management.

Pursuant to the Guidelines for Life and Health Insurance Companies' Implementation of Comprehensive Risk Management (人身保險公司全面風險管理實施指引) promulgated by the CIRC and effective as of October 24, 2010, life and health insurance companies must establish a comprehensive risk management system covering all business units, which the board of directors is ultimately responsible for and is directly led by the management with the support of a risk management institution and coordination from all related departments. A company shall formulate its risk management plan based on its risk preference, development strategy and risk tolerance, coupled with risk assessment and quantitative analysis. In addition, the company shall minimize its market risk, credit risk and liquidity risk through asset liability matching management. Life and health insurance companies should establish a comprehensive risk pre-warning system in order to timely discover and mitigate risks in business operations. They should also periodically analyze the effects of the design and performance of the company's comprehensive risk management system and establish and improve an internal risk reporting and communication mechanism in order to ensure the implementation and effectiveness of the comprehensive risk management system.

According to the Guidelines for Compensation Management Rules of Insurance Companies (Tentative) (保險公司薪酬管理規範指引(試行)) promulgated by the CIRC and effective as of July 19, 2012, the compensation of an insurance company shall be made up of the following four parts:

- basic compensation;
- merit-based compensation;
- welfare income and allowances and subsidies; and
- medium-term and long-term incentives.

The welfare income and allowances and subsidies paid in cash by an insurance company to its directors, supervisors and senior management each year shall not exceed 10% of their basic compensation. For insurance companies with inadequate solvency, the CIRC will restrict the compensation paid to their directors, supervisors and senior management in accordance with the relevant regulatory provisions on solvency.

An insurance company shall prescribe the rules on the deferred payment of merit-based compensation in its compensation management rules, and promote consistency between the time limit for payment and the amount of payment each year for the merit-based compensation with the risk profile of corresponding businesses. Deferred payment shall be implemented for merit-based compensation to the directors, supervisors, senior management and staff members holding key positions in an insurance company. Insurance companies shall determine the payment term of merit-based pay in accordance with the duration of risk. In principle, such merit-based compensation shall be spread over a period of three years or more.

According to the Guidelines on the Information System Security Management of Insurance Companies (Tentative) (保險公司信息系統安全管理指引(試行)) promulgated by the CIRC on November 16, 2011:

- an insurance company is the entity responsible for the security of its information system. Its legal representative or principal person-in-charge will be the first responsible person for the security of the insurance company's information system;
- the information working committee of an insurance company should set up a specialized information security working body for the overall coordination of analysis and decision making on matters related to the security of the company's information system. One or more senior management officers of the insurance company should be appointed to be responsible for the information security unit and as the person directly responsible for the security of the information system;
- one or more central computer room(s) and disaster recovery computer room(s) (hereinafter referred to as the "computer rooms") should be set up according to the need of information system development. The computer rooms should be located within the PRC (not including Hong Kong, Macau and Taiwan). The construction of the computer rooms should be in compliance with the relevant national standards and requirements of regulatory departments. If the computer rooms of an insurance

company is subcontracted, the insurance company must ensure that the computer rooms provided by the subcontractor(s) are in compliance with the said standards and requirements, and there are independent operating space and stringent safety measures; and

- a sound information system should be established to develop, operate and maintain the management organizational system, and a comprehensive system and operating procedures should be formulated to ensure the existence of an independent process, separated from human labour.

Related Transactions

The PRC Insurance Law requires an insurance company to establish rules on the management of related party transactions and information disclosure. The controlling shareholders, de facto controlling persons, directors, supervisors and senior management officers of an insurance company are not allowed to impair the interests of the insurance company through related transactions. Pursuant to the Interim Provisions on Related Transactions of Insurance Companies (保險公司關聯交易管理暫行辦法) promulgated and effective as of April 6, 2007 and Notice on the Issues concerning the Implementation of the Interim Provisions on Related Transactions of Insurance Companies (關於執行《保險公司關聯交易管理暫行辦法》有關問題的通知) thereafter promulgated by the CIRC on October 14, 2008, an insurance company is required to formulate policies on related transactions and file such policies with the CIRC. An insurance company is also required to report its material related transactions to the CIRC within 15 working days of their occurrence. Material related transactions are defined as (i) a single transaction with a single related party involving an amount of more than RMB5 million and no less than 1% of the net assets of the insurance company as of the end of the preceding year, or (ii) transactions with a single related party in a fiscal year involving an accumulated amount of more than RMB50 million and more than 10% of the net assets of the insurance company as of the end of the preceding year.

Furthermore, we will also need to comply with the relevant requirements of the Listing Rules relating to, among other things, connected transactions.

Protection of Consumer Rights

The Circular on Strengthening the Protection of Insurance Consumer Rights (關於做好保險消費者權益保護工作的通知) promulgated by the CIRC on January 17, 2012 provides that insurance companies should strengthen their existing rules and regulations in respect of consumer rights protection, improve information disclosure to protect insurance consumers' right to know; provide an unobstructed complaint channel; protect the right to claims of insurance consumers, improve disputes mediation and settlement mechanisms to resolve any disputes over insurance contracts in an effective manner with the focus on improving the quality of motor vehicle insurance claims settlement and resolving problems of misrepresentation in the sale of life and health insurance products.

Property and Casualty Insurance Claims Settlement

The Opinion on Improving the Service Quality of Property and Casualty Insurance Claims Settlement (關於加強和改進財產保險理賠服務質量的意見) promulgated by the CIRC on January 17, 2012 provides that all property and casualty insurance companies should: further improve the management and organization of claims settlement such as mechanisms and processes and enhance the efficiency of case handling; exert greater efforts in the construction of information systems in order to achieve effective management and control of the entire process of claims settlement; strengthen the collection of data on claims settlement; and make timely disclosure of information on standards, procedures and deadlines of claims settlement services and enhance the transparency and creditability of claims settlement.

Pursuant to the Guidelines for the Administration of Motor Vehicle Insurance Claims Settlement (機動車輛保險理賠管理指引) promulgated by the CIRC on February 21, 2012, insurance companies are required to establish complete and unified systems of claims settlement management, claims management, data management and operational support management in respect of motor vehicle insurance. Insurance companies are required to ensure allocation of sufficient resources in service sites, service tools, information systems and personnel for claims settlement, and those failing to meet these requirements should reduce their pace of business development and control the scale of their business.

Pursuant to the Circular on the Strengthening of the Management of Claims Settlement of Agriculture Insurance (關於加強農業保險理賠管理工作的通知) promulgated by the CIRC on January 12, 2012, insurance companies must effectively strengthen on-site investigation in respect of agriculture insurance, accurately determine the loss amounts of insurance subjects, scientifically determine the level of loss of insurance objects, accurately conduct adjustment of claim amounts according to contract terms, guarantee timely payment of compensation, and establish a system of pre-payment of compensation.

Misleading Sales in the Life and Health Insurance Businesses

The CIRC promulgated the Circular on Issues Concerning Comprehensive Rectification for Misleading Sales within the Life and Health Insurance Industry (關於人身保險業綜合治理銷售誤導有關工作的通知) on February 14, 2012, requiring that life and health insurance companies may not exaggerate the returns on any insurance products. Life and health insurance companies must strictly separate insurance products from other financial products such as bank savings and may not conduct sales of insurance products by confusing them with bank savings products or bank financial products. Life and health insurance companies are not allowed to conceal any material contents of any contracts. Life and health insurance companies are forbidden to falsify any client information and must guarantee accurate and complete content of information disclosure and are not allowed to provide any unilateral or false product information to insurance clients. Life and health insurance companies should sufficiently carry out work related to the warning of risks.

Scope of Business Activities

The PRC Insurance Law regulates the scope of business activities of insurance companies. Insurance companies must conduct insurance business activities within the scope approved by the CIRC in accordance with the law. Insurance companies must not concurrently engage in life and health insurance businesses and P&C insurance business. However, with the approval of the CIRC, a P&C insurance company may engage in accidental injury insurance and short-term health insurance businesses. With the approval of the CIRC, an insurance company may also engage in other insurance-related businesses. Insurance companies may also engage in ceding reinsurance business and assuming reinsurance, subject to the CIRC approval.

Under the Interim Administrative Regulations for Foreign Exchange of Insurance Business (保險業務外匯管理暫行規定) jointly promulgated by the SAFE and the CIRC and effective as of November 1, 2002, an insurance company may engage in foreign exchange insurance or other foreign exchange businesses with the approval from SAFE or its local branches.

Investment Type Insurance Business of Property and Casualty Insurance Companies

According to the Circular on Further Strengthening the Administration of Investment Type Insurance Business of Property and Casualty Insurance Companies (關於進一步加強財產保險公司投資型保險業務管理的通知) promulgated by the CIRC and effective as of April 28, 2012, investment type P&C insurance products (hereinafter referred to as "investment type insurance products") refer to insurance products which combine insurance functions with fund utilization functions. For investment type insurance products a P&C insurance company uses the investment capital paid by policyholders to its investment type insurance products for fund operation, withdraws insurance premium and undertakes insurance liability according to the insurance contract, and then pays the investment capital and the income thereof to the policyholders or the insured. The aforementioned policyholders and insured shall be natural persons instead of legal persons. If the solvency margin ratio of a property and casualty insurance company as of the end of the most recent quarter is less than 150%, the company shall immediately stop the sale of investment type insurance products and report the relevant situation and the measures it has taken to the CIRC within five business days. The sales scale of a single investment type insurance product shall not exceed 30% of the total usable quota of the investment type insurance products of a P&C insurance company. The total sales of all investment type products expiring in the same quarter shall not exceed 30% of the total usable quota of the investment type insurance products of a P&C insurance company.

Small-sum Life and Health Insurance Businesses

Pursuant to the Plan for the Comprehensive Promotion of Small-sum Life and Health Insurance (全面推廣小額人身保險方案) promulgated by the CIRC and effective as of June 12, 2012, small-sum life and health insurance shall serve the following nationwide low-income group:

- permanent residents in rural areas of townships (towns) and administrative villages below county level; and
- low-income group and groups entitled to preferential treatment enjoying the minimum living guarantee in towns and migrant workers without registered permanent residence in towns.

Pursuant to the Plan for the Comprehensive Promotion of Small-sum Life and Health Insurance, the requirements on small-sum life and health insurance products include:

- the types of small-sum life and health insurance products shall be confined to ordinary life insurance, accidental injury insurance, illness insurance and medical insurance;
- the amount of small-sum life and health insurance products shall not be less than RMB10,000 and not more than RMB100,000. The amount of term life insurance, and health insurance other than supplementary medical insurance combined with new rural cooperative medical care, shall not be more than RMB50,000. The insurance period of small-sum life and health insurance products shall not be less than one year and not more than five years. The term of group insurance shall be one year;
- the design of small-sum life and health insurance products shall take into consideration in the actual situation of low-income groups to ensure low prices, simple and clear terms, minimal liability exclusions and simple underwriting and claims procedures; and
- all relevant documents and promotional materials of small-sum life and health insurance products shall highlight the words or images of "small-sum life and health insurance" or "small-sum."

Security Deposits

An insurance company is required by the PRC Insurance Law to make a security deposit which amount to 20% of its registered capital into a bank designated by the CIRC. Such security deposit shall not be used for any purposes other than settling the debts of such insurance company during liquidation proceedings.

Pursuant to the Measures for the Administration of Security Deposits of Insurance Companies (保險公司資本保證金管理辦法) promulgated by the CIRC and effective as of July 7, 2011:

- insurance companies should choose more than two commercial banks as security deposit banks. Such security deposit banks should meet the following criteria: (i) being a national PRC commercial bank; (ii) having not less than RMB20 billion net assets at the end of the immediately preceding year; (iii) their capital adequacy ratio and non-performing asset ratio are in compliance with the relevant requirements of banking industry regulatory authorities; (iv) having a sound corporate governance structure, internal audit and control system and risk control system; (v) having no related party relations with the insurance companies; and (vi) having no records of material non-compliance in the past two consecutive years;
- insurance companies should deposit the security deposits with the designated security deposit banks located in its place of residence, municipalities, cities with economic planning directly supervised by the State Council, or provincial capitals;
- insurance companies must open a separate account for the retention of the security deposits;
- insurance companies should enter into a "security deposit saving agreement" with the headquarters or first-tier branch of the banks for deposit or withdrawal of any security deposits. The parties to such agreement cannot cancel the agreement without approval of the CIRC;
- during the term of deposits, insurance companies are not allowed to change the nature of the security deposits; and
- security deposits are not allowed to be used for mortgage financing.

Pursuant to the Notice on Relevant Issues regarding Deposit and Withdrawal of Security Deposits of Insurance Group (Holding) Companies and Mutual Insurance Companies (關於保險集團(控股)公司、相互制保險公司資本保證金提存有關問題的通知) promulgated by the CIRC on August 12, 2008, insurance group (holding) companies that have no direct insurance operations or insurance liabilities may elect not to withdraw security deposit.

Insurance Guarantee Fund

In accordance with the Administrative Measures on Insurance Guarantee Fund (保險保障基金管理辦法) jointly promulgated by the CIRC, the MOF and the PBOC and effective as of September 11, 2008, as well as the Notice on Certain Matters Relating to Insurance Guarantee Fund (關於繳納保險保障基金有關事項的通知) promulgated by the CIRC and starting from January 1, 2009, insurance companies must pay the insurance guarantee fund with respect to insurance businesses within the scope of remedy of the insurance guarantee fund:

- 0.8% of the premium income, in the case of non-investment type P&C insurance product, or 0.08% of the revenue, in the case of an investment type P&C insurance product with guaranteed yield, or 0.05% of the revenue in the case of an investment type P&C insurance product without guaranteed yield;

- 0.15% of the revenue in the case of life insurance product with guaranteed yield, or 0.05% of the revenue in the case of life insurance product without guaranteed yield;
- 0.8% of the premium income in the case of short-term health insurance product, or 0.15% of the premium income in the case of long-term health insurance product; and
- 0.8% of the premium income, in the case of a non-investment type accidental injury insurance product, or 0.08% of the revenue in the case of an investment type accidental injury insurance product with guaranteed yield, or 0.05% of the revenue in the case of an investment type accidental injury insurance product without guaranteed yield.

An insurance company may suspend the payment of the insurance guarantee fund if:

- the balance in the insurance guarantee fund of P&C insurance companies amounts to 6% or more of its total assets; or
- the balance in the insurance guarantee fund of life and health insurance companies amounts to 1% or more of its total assets.

To the extent the ratio of the insurance guarantee fund balance of an insurance company to its total assets falls below the respective percentage aforementioned due to a decline in the insurance guarantee fund balance or the increase in total assets, the insurance company resumes its obligation to pay the insurance guarantee fund automatically.

Reserves

Pursuant to requirements of the PRC Accounting Standards for Business Enterprises No. 25 - Original Insurance Contracts (企業會計準則第25號 – 原保險合同) and the PRC Accounting Standards for Business Enterprises No. 26 - Reinsurance Contracts (企業會計準則第26號 – 再保險合同) promulgated by the MOF and effective as of January 1, 2007, the Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative) (保險公司非壽險業務準備金管理辦法(試行)) and the Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative) (保險公司非壽險業務準備金管理辦法實施細則(試行)) promulgated by the CIRC and effective as of January 15, 2005, insurance companies must make allocations to the following reserves:

- *Life insurance (excluding accidental injury insurance and short-term health insurance) liability reserves and long-term health insurance reserves*, which represent the reserves allocated for non-terminated liabilities undertaken in life insurance policies and long-term health insurance policies, respectively. An insurer should set aside life insurance liability reserves and long-term health insurance liability reserves, at an amount determined by an insurance actuary, during the current period in which life insurance premium income is recognized;
- *Future liability reserves*, which represents the reserves allocated at the date of assessment for outstanding liabilities undertaken for non-life insurance (including accidental injury insurance and short-term health but not long-term health insurance), including the reserves allocated for future liabilities undertaken for in-force policies of one year or less in duration and the long-term reserves allocated for future liabilities undertaken for in-force policies of greater than one year in duration by insurance companies. Insurance companies must adopt the 1/24 method, the 1/365 method or another method that is more prudent and reasonable to assess the future liability reserves for non-life insurance business;
- *Claims reserves*, which represents the reserves allocated for pending liabilities for unsettled claims in connection with non-life insurance (including accidental injury insurance and short-term health insurance but not long-term health insurance) business,

including incurred and reported claims reserves, incurred but not yet reported claims reserves and reserves for loss adjustment expenses. Incurred and reported claims reserves should be allocated prudently using the case-by-case estimate method, the payment per claim incurred method or another method recognized by the CIRC. For incurred but not yet reported claims reserves, insurance companies must apply at least two methods, including the chain ladder method, the payment per claim incurred method, the reserves progress method and the Bornhuetter-Ferguson method, to make a prudent assessment and determine the best estimate of the reserves in accordance with the maximum assessment result derived from using these methods. For reserves for direct loss adjustment expenses, the case-by-case estimate method must be used; and for reserves for indirect loss adjustment expenses, a reasonable proportional allocation method must be used; and

- *Other reserves*, which represent the other reserves as required by the CIRC.

In addition to the PRC Accounting Standards for Business Enterprises No. 25 - Original Insurance Contracts, the PRC Accounting Standards for Business Enterprises No. 26 - Reinsurance Contracts, the Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative), the Implementing Rules of Administrative Measures on Reserves for Non-Life Insurance Business of Insurance Companies (Tentative), the allocation of reserves is also subject to the PRC Company Law, the Administrative Regulation of Solvency of Insurance Companies (保險公司償付能力管理規定) promulgated by the CIRC and effective as of September 1, 2008, the Measurement on Actuarial Practice for Life Insurance Products (人壽保險精算規定), Actuarial Practice for the Accidental Injury Insurance Products (意外傷害保險精算規定) and Actuarial Practice for Health Insurance Products (健康保險精算規定) promulgated by the CIRC and effective as of June 8, 1999, the Measurement on Actuarial Practice for Individual Participating Life Insurance Products (個人分紅保險精算規定) promulgated by the CIRC and effective as of July 1, 2003 and the Measurement on Actuarial Practice for Investment Type Life Insurance Products (投資連結保險精算規定) and Universal Life Insurance Products (萬能保險精算規定) promulgated by the CIRC and effective as of March 26, 2007 and other related regulations.

Pursuant to the Internal Control Standards on Base Data, Assessment and Audit of Reserves of Non-Life Insurance Business of Insurance Companies (保險公司非壽險業務準備金基礎數據、評估與核算內部控制規範) promulgated by the CIRC on March 1, 2012 and effective as of July 1, 2012, the boards of directors or equivalent authorities of insurance companies are ultimately responsible for the preparation of basic data and assessment and audit management of non-life insurance business while the legal representatives of insurance companies are responsible for the truthfulness of the information on reserves accounting. The general managers of insurance companies are responsible for the truthfulness of basic data of reserves and the design, implementation, maintenance and control of the internal control system of reserves assessment and audit. In the event of any breach of regulatory requirements or the relevant requirements under accounting standards by the accounting policies and accounting estimates determined by the board of directors or management of any insurance company, the responsible chief actuary (or person-in-charge of actuary) should make recommendations for corrections to the board of directors and general manager and timely report such issue to the person-in-charge of finance. If the board of directors or general manager fails to take any corrective measures, the chief actuary (or person-in-charge of actuary) should report it to the CIRC and has the right to refuse to sign on the relevant documents. If the chief actuary (or person-in-charge of actuary) fails to report such issue to the CIRC, he or she will be subject to prosecution in accordance with the laws. Insurance companies must establish and improve management system of unsettled claims. In handling any case involving unclear information, the reporting center or hotline may not reject the case or delay the acceptance of the case. A motor vehicle insurance case will be, in principle, filed immediately upon reporting.

Pursuant to the Administrative Measures on the Retrospective Analysis of Reserves of Non-Life Insurance Business of Insurance Companies (保險公司非壽險業務準備金回溯分析管理辦法) promulgated by the CIRC and effective as of May 17, 2012, retrospective analysis of reserves is a process and method of evaluating and analyzing the previous reserve evaluation results by using subsequent information to examine and improve the quality of the reserve evaluation. A retrospective analysis of non-life insurance business comprises a retrospective analysis of future liability reserves and a retrospective analysis of claim reserves. Claim reserves include (i) claim reserves incurred and reported, (ii) claim reserves incurred but not yet reported, and (iii) reserves for claim settlement expenses. An insurance company shall assign a senior management member to be responsible for the reserve retrospective analysis and to be accountable for the establishment and improvement of the internal control system of the reserves retrospection and the implementation of the internal control system. These responsibilities shall be undertaken by the chief actuary for an insurance company, or by a senior management member in charge of actuarial business for an insurance company without the post of a chief actuary. An insurance company shall submit the reserve retrospective analysis report signed by the general manager and the chief actuary (or the person-in-charge of actuary) to the CIRC on a regular basis. The general manager of an insurance company shall be responsible for the truthfulness of the basic information and the chief actuary (or the person-in-charge of actuary) shall be responsible for the methodology of the retrospective analysis, the reasonableness of the assumptions, and the accuracy of the calculation result.

Gross Reserves (General Risk Reserves)

Pursuant to the Financial Rules for Financial Enterprises (金融企業財務規則) promulgated by the MOF and effective as of January 1, 2007, and related implementing guide, effective as of March 30, 2007, a financial enterprise engaged in insurance business must allocate 10% of its net profits each year as gross reserves for exposure to catastrophe risk. Net profits allocated as gross reserve may not be used for dividend distribution or capital increase purposes. See Note 42 to the Accountants' Report set forth in Appendix I to this prospectus for further information about the gross reserves of our Company.

Statutory and Discretionary Reserves Fund

The PRC Company Law requires a company to set aside 10% of the net profit recorded in its statutory accounts prepared in accordance with PRC GAAP, for a statutory reserves fund until the fund has reached 50% of the company's registered capital. In addition to a statutory reserves fund allocated from its net profit, the company may also set aside funds for a discretional reserves fund from its net profit upon passing a resolution at an authorizing shareholders' meeting or shareholders' general meeting.

Such funds may be used to make up the losses, expand the production and business scale or increase the company's capital. When converting any statutory reserves to capital reserves, the company should maintain its statutory reserves at a level no less than 25% of its registered capital prior to such conversion. If the statutory reserves fund is insufficient to cover losses of the previous accounting year, profits in the then current accounting year must be used to cover such losses before allocations to the statutory reserves fund are made. However, the capital reserves fund may not be used to cover losses of the company.

The premium in excess of par value from the issuance of stock of a joint stock limited company, and other incomes listed in the capital reserves fund recognized by the treasury department of the State Council, must be listed as the company's capital reserves.

Solvency Margin Ratio

The PRC Insurance Law requires an insurance company to maintain a minimum solvency margin ratio commensurate with the scale of its business operations and risk exposures.

In addition, to strengthen the supervision of insurance companies' solvency margin and protect the interests of the insured, the CIRC promulgated the Administrative Regulation of Solvency of Insurance Companies, effective as of September 1, 2008. Under the Administrative Regulation of Solvency of Insurance Companies, an insurance company is required to have sufficient capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of no less than 100%. The CIRC requires insurance companies to assess their solvency margin ratio, to calculate their minimum capital and actual capital and to conduct dynamic solvency tests on a regular basis.

Furthermore, the CIRC also requires insurance companies to forecast and evaluate the trends of their solvency under various future scenarios. In cases of occurrence of events that will have significant impact on an insurance company's solvency margin (such as substantial investment loss, significant claim payment and policy cancellation, material litigation, financial crisis or conservatorship by financial regulators of the insurance company's subsidiary, its joint venture or its parent company, the headquarters of foreign insurance companies with branch offices located in the PRC charged with an administrative penalty or supervisory measure or applying for bankruptcy protection due to solvency problems, a freeze of major assets by a judicial body or other material administrative punishments by other administrative authorities), the insurance company is required to report to the CIRC within five business days of the occurrence of such event.

In order to comply with such solvency assessment requirements, an insurance company is required to prepare and file various solvency reports, which include annual, quarterly and interim reports. In particular, an insurance company must submit a report to the CIRC within five business days after discovery of its inadequacy.

The CIRC classifies insurance companies into three categories based on their solvency margins:

- Inadequate Solvency: insurance companies with solvency margin ratio of less than 100%;
- Adequate Solvency I: insurance companies with solvency margin ratio of between 100% and 150%; and
- Adequate Solvency II: insurance companies with solvency margin ratio of higher than 150%.

For an insurance company in the category of Inadequate Solvency, the CIRC may take one or more of the following regulatory measures:

- order the insurance company to increase its capital or restrict its distribution of dividends to its shareholders;
- limit the compensation and spending of directors and senior management officers;
- impose restrictions on its commercial advertising;
- restrict its establishment of new branches, limit its business scope, or order it to cease operating new business and to transfer its insurance business or cede its business;
- order an auction of the insurance company's assets or restrict its purchases of fixed assets;

- restrict the channels for utilization of its funds;
- change the person-in-charge and relevant management;
- take control the insurance company; and
- other necessary measures as deemed necessary by the CIRC.

For insurance companies with a solvency margin ratio of no more than 150%, profit distribution shall be made on the basis of distributable profits as determined under the Accounting Standards for Business Enterprises, or retained comprehensive income as determined under the Rules on the Preparation of Insurance Company Solvency Reports, whichever is lower. The CIRC may require an insurance company in the category of Adequate Solvency I to submit and implement an inadequacy prevention action plan. Where there is any significant insolvency risk in an insurance company in the category of Adequate Solvency I or Adequate Solvency II, the CIRC may order it to make a rectification or take other necessary regulatory measures.

Pursuant to the Circular on Matters Relating to Strengthening Solvency Management of Insurance Companies (關於保險公司加強償付能力管理有關事項的通知) promulgated by the CIRC and effective as of June 27, 2012, insurance companies shall formulate a three-year capital plan on a rolling basis and, upon approval by their boards of directors, disclose the main contents of the three-year capital plan in a section headed "Management Discussion and Analysis" of their annual solvency reports.

Subordinated Debts

Pursuant to the Measures for the Administration of Subordinated Term Debts of Insurance Companies (保險公司次級定期債務管理辦法) promulgated by the CIRC and effective as of October 6, 2011:

- "subordinated debts" mentioned in the measures refers to debts with a maturity of five years or more issued with approval by an insurance company for recovery of temporary and periodical capital insufficiency by way of private placement that are subordinated to the policy liabilities and other obligations of the company but senior to the company's equity in terms of the ranking of principal repayment and interest payment;
- funds raised by an insurance company through subordinated debts may be incorporated in the company's supplementary capital, but may not be used to offset the daily operating loss. The amount of subordinated debts incorporated into an insurance company's supplemental capital shall not exceed 50% of its net assets and the specific approval standards are subject to the CIRC's requirements;
- insurance group companies or insurance holding companies are not allowed to issue subordinated debts;
- insurance companies with existing solvency margin ratio lower than 150% or expected solvency margin ratio in the coming two years lower than 150% may apply for issue of subordinated debts;
- insurance companies applying for issue of subordinated debts must satisfy the following criteria: (i) having been established over three years; (ii) having audited net assets of no less than RMB500 million at the end of the previous year; (iii) after the issue, the accumulated outstanding principal and interest of subordinated debts may not exceed 50% of the audited net assets at the end of the previous year; (iv) being solvent; (v) having a sound corporate governance structure; (vi) having a sound internal control system which has been strictly complied with; (vii) having no assets being occupied by

any natural persons, legal persons or other entities who have effective control over the assets or their related parties; (viii) having no record of being subject to material administrative penalty within the recent two years; and (ix) other requirements specified by the CIRC;

- any proposal for issue of subordinated debts should be formulated by the board of directors of an insurance company and the following details should be approved by passing specific resolutions at a shareholders' general meeting: (i) the size and term of issue and interest rate; (ii) the type of issue and target subscribers; (iii) use of proceeds; (iv) the expiration of the approval resolution; and (v) other important issues related to the issue of subordinated debts;
- issuers should complete any issue of subordinated debts within six months of approval by the CIRC and the issue can be carried out by phases. If any issuer fails to complete such an issue within the required timeframe, its approval documents will automatically lapse and any such issuer who intends to complete the issue should make a separate application;
- subordinated debts issued by insurance companies may only be subscribed by qualified investors. "Qualified investors" refers to domestic or overseas legal persons who possess abilities of independent analysis and risk tolerance in respect of purchase of subordinated debts with the exception of (i) any company under the control of the relevant issuer; and (ii) any company under the common control with the relevant issuer of a third party;
- any issue of subordinated debts in phases by an issuer should be aggregated as one single issue and be subject to the Measures for the Administration of Subordinated Term Debts of Insurance Companies;
- an issuer should use the funds strictly according to the proposals for use of proceeds and management of subordinated debts in its feasibility study report;
- the use of funds raised by issue of subordinated debts should meet the relevant CIRC requirements and the funds are not allowed to be used for equity, real property or infrastructure investments;
- issuers may repay principals and interests of subordinated debts only when they can guarantee that they will have a solvency margin ratio not lower than 100% after such repayment; and
- issuers may not distribute any profits to their shareholders during any period when they are not able to repay any principals and interests on time.

Subordinated Convertible Bonds

Pursuant to the Circular on Issues Concerning the Issuance of Subordinated Convertible Bonds by Listed Insurance Companies (關於上市保險公司發行次級可轉換債券有關事項的通知) promulgated by the CIRC and effective as of May 15, 2012, subordinated convertible bonds of insurance companies (hereinafter referred to as the "subordinated convertible bonds") refer to bonds issued by insurance companies in accordance with statutory procedures with a maturity of five years or more, the repayment of principal and the payment of interests of which is subordinated to policy liabilities and other ordinary liabilities during bankruptcy settlement, which can be converted into shares pursuant to prescribed conditions within a certain period. Subordinated convertible bonds can be incorporated into the company's supplementary capital before being converted into shares. The ratio and standard of subordinated convertible bonds to be incorporated into supplementary capital are otherwise provided by the CIRC. The issuer shall implement segregated account management for funds raised by subordinated convertible bonds, and use the funds raised by subordinated convertible bonds strictly in accordance with the resolution of the general meeting, feasibility study report and use of those funds as set out in the offering document for the subordinated convertible bonds. The issuer shall explain in detail the redemption, buy-back and conversion of subordinated convertible bonds and the impact on the company's solvency in the quarterly solvency report and the annual solvency report.

Insurance companies applying for the issuance of subordinated convertible bonds shall meet the following requirements as well as conditions imposed by securities regulatory authorities:

- the repayment of principal and the payment of interests of subordinated convertible bonds is subordinated to policy liabilities and other ordinary liabilities during bankruptcy settlement;
- an insurance company shall not use its assets as mortgage or pledge for its subordinated convertible bonds;
- the design of terms for subordinated convertible bonds shall be helpful to facilitate the conversion of subordinated convertible bonds into shares by their holders; and
- except for circumstances provided for by securities regulatory authorities, the issuer shall not otherwise confer the right of active buy-back to a holder of subordinated convertible bonds.

Reinsurance Requirement

Under the PRC Insurance Law, the liability of an insurance company for the maximum amount of loss that may be caused by a single insured event may not be more than 10% of the sum of paid-in capital and the reserve fund. Any part exceeding the 10% threshold must be reinsured. According to the Provisions on the Administration of Reinsurance Business (再保險業務管理規定), promulgated by CIRC and effective as of July 1, 2010, an insurance company must determine its total retained insurance premium and its retained responsibility for each risk unit for the current year. Reinsurance must be conducted for the excess.

Risk Control in Reinsurance Operations

Pursuant to the Notice on Issues concerning Safety and Soundness in Reinsurance Operations (關於再保險業務安全性有關問題的通知) promulgated by the CIRC and effective as of January 1, 2008, a ceding company which cedes to reinsurers must establish a sound risk assessment system and risk management system and a PRC insurance company which cedes premiums to reinsurers must establish a sound risk management system and review its reinsurance plans on an annual basis. In addition, the reinsurer by whom a ceding company selects must satisfy the following requirements:

- except for nuclear insurance and aviation insurance, the lead reinsurer or the reinsurer assuming the largest portion of reinsurance in treaty reinsurance operations must be (i) a wholly state-owned or a state-controlled insurance company, or (ii) an insurance institution with its latest financial strength ratings meeting the standards set forth in the Notice on Issues concerning Safety and Soundness in Reinsurance Operations;
- except for nuclear insurance and aviation insurance, the reinsurer must have a paid-in capital of no less than RMB200 million or its equivalent in other currencies; and when the lead reinsurer or the reinsurer assuming the largest portion of reinsurance is not a professional reinsurance agency, such reinsurer must have a paid-in capital of no less than RMB1 billion or its equivalent in other currencies;

- the reinsurer must comply with solvency requirements imposed by the local supervision authorities of its place of incorporation; and
- the reinsurer must not have committed any material violations of laws or regulations in the two accounting years preceding the inception of the reinsurance contract.

Regulations on Reinsurance by Property and Casualty Insurers

Pursuant to the Administrative Regulations on Reinsurance by Property and Casualty Insurers (財產保險公司再保險管理規範) promulgated by the CIRC and effective as of July 1, 2012, a property and casualty insurer shall take into account its risk tolerance, financial strength and business portfolio balance when determining its retention for each risk unit for every product line and its aggregate liability limit for each catastrophic accident; property and casualty insurer shall, in principle, establish an independent reinsurance operations management department, clearly define reinsurance management process and limits of authority, and specify functions and responsibilities; retained premiums of a property and casualty insurer for the current year shall not exceed four times the sum of its paid-in capital and the reserve fund; a property and casualty insurer shall select a qualified reinsurer on the basis of compliance with regulatory requirements, control reinsurance credit risk concentration and improve reinsurance operations security; property and casualty insurer shall design a reinsurance contract on the basis of factors such as business structure and risk profile; property and casualty insurer shall establish risk classification standards for insurance business and determine the risk level of insurance business based on the relevant risk profile.

Transfer of Insurance Business

Pursuant to the Interim Measures for Administration of Transfer of Insurance Business by Insurance Companies (保險公司保險業務轉讓管理暫行辦法) promulgated by the CIRC and effective as of October 1, 2011, insurance companies shall obtain the approval of the CIRC to transfer all or part of the insurance business. After the CIRC has approved an insurance business transfer, both the transferor and the transferee involved in the insurance business transfer transaction shall publish a joint announcement in the newspapers designated by the CIRC. A transferor company of insurance business shall not disclose any information concerning trade secrets or personal privacy obtained in the course of transaction, and shall not prejudice the legitimate rights and interests of the policyholder, the insured and the beneficiary. Both the transferor company and the transferee company in an insurance business transfer transaction shall enter into an insurance business transfer agreement on an arm's length basis. The transfer of insurance business is subject to approval by the board of directors or shareholders' meetings of the transferor and the transferee, and the transfer of all insurance business is subject to approval by shareholders' meeting.

Use of Insurance Funds

Since its establishment, the CIRC has strengthened supervision on the use of insurance funds and has gradually widened the fund application scope of insurance companies. The CIRC promulgated the Interim Provisions Regarding Investments by Insurance Companies in Equity Investment Funds (保險公司投資證券投資基金管理暫行辦法) on October 29, 1999, and revised on June 15, 2000 and January 17, 2003, the Interim Provisions Regarding Investments by Insurance Institutional Investors in Stocks (保險機構投資者股票投資管理暫行辦法), effective as of October 24, 2004, the Notice on Regulating Stock Investments Business of Insurance Institutions (關於規範保險機構股票投資業務的通知), effective as of March 18, 2009. Pursuant to these provisions and notices, qualified insurance companies and insurance asset management companies are permitted to invest in stocks and securities investment funds. The CIRC promulgated the Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds (保險資金間接投資基礎設施項

目試點管理辦法), effective as of March 14, 2006, the Circular on the Investment in Equity Interests of Commercial Banks by Insurance Institutions (關於保險機構投資商業銀行股權的通知), effective as of October 16, 2006, the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法), jointly promulgated with the PBOC and the SAFE and effective on June 28, 2007, the Notice on Adjusting the Investment Policies for Insurance Funds (關於調整保險資金投資政策有關問題的通知), effective as of July 31, 2010, the Interim Measures for the Administration of Utilization of Insurance Funds (保險資金運用管理暫行辦法), effective as of August 31, 2010, the Interim Measures for Equity Investments with Insurance Funds (保險資金投資股權暫行辦法), effective as of July 31, 2010, the Interim Measures for the Investment of Insurance Funds in Real Properties (保險資金投資不動產暫行辦法), effective on July 31, 2010, the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds (關於保險資金投資股權和不動產有關問題的通知) , effective as of July 16, 2012, the Interim Measures on Bonds Investment with Insurance Funds (保險資金投資債券暫行辦法), effective as of July 16, 2012, the Interim Measures on the Administration of Entrusted Investment with Insurance Funds (保險資金委託投資管理暫行辦法), effective as of July 16, 2012, the Interim Measures for the Insurance Asset Allocation Management (保險資產配置管理暫行辦法), effective as of July 16, 2012, the Implementing Rules of the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法實施細則), effective as of October 12, 2012, the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (保險資金參與金融衍生產品交易暫行辦法), effective as of October 12, 2012, the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading (保險資金參與股指期貨交易規定), effective as of October 12, 2012, the Circular on the Investment of Insurance Funds in the Relevant Financial Products (關於保險資金投資有關金融產品的通知), effective as of October 12, 2012, the Interim Regulations on the Administration of Infrastructure Debt Investment Plans (基礎設施債權投資計劃管理暫行規定), effective as of October 12, 2012, and other related regulations and circulars. According to the relevant laws, regulations and rules currently in force, the investment of insurance funds has been expanded to include other investments such as deposits, bonds, shares, securities investment funds, equity, real properties, trust schemes and financial planning products of banks.

Bank Deposits

According to the Interim Measures for the Administration of Utilization of Insurance Funds, insurance companies must choose for insurance funds that are to be placed in bank accounts commercial banks which fulfill the following criteria as the deposit taking banks:

- capital adequacy ratio, net assets and provision coverage ratio meet regulatory requirements;
- have a governance regulatory structure, sound internal control system and outstanding operating results;
- no material violations of laws or regulations found in the last three years; and
- have a credit rating above investment grade for three consecutive years.

Trading of Bonds

Pursuant to the Interim Measures for the Administration of Utilization of Insurance Funds and the Interim Measures on Bonds Investment with Insurance Funds, bonds invested by insurance funds shall attain the credit rating as assessed by credit rating agencies recognized by the CIRC and comply with the stipulated credit rating requirements, which mainly comprise of RMB bonds and foreign currency bonds issued in the PRC in accordance with the law, including government bonds, quasi-government bonds, enterprise (corporate) bonds and other bonds complying with regulatory requirements.

Government Bonds and Quasi-Government Bonds

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, government bonds invested by insurance funds refer to bonds issued by governmental financial authorities or its agencies at the PRC provincial (autonomous region, municipalities directly under the central authority, and separately planned cities) level or above in the PRC in accordance with the law, based on government credit and financial support, including central government bonds and provincial government bonds. Quasi-government bonds invested by insurance funds refer to bonds with a credit level equivalent to that of central government bonds approved by the State Council or the relevant authorities under the State Council and issued by specific bodies.

Enterprise (Corporate) Bonds

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, enterprise (corporate) bonds invested by insurance funds refer to bonds without government credit issued by enterprises (corporates) in compliance with laws and regulations, including financial enterprise (corporate) bonds and non-financial enterprise (corporate) bonds.

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, financial enterprise (corporate) bonds issued by commercial banks and invested by insurance funds shall possess a long-term credit rating of A, or equivalent to A or above, as assessed by a domestic credit rating agency. The issuer shall comply with the relevant requirements of the PBOC and the CBRC as well as the following conditions:

- the latest audited net assets are not less than RMB10 billion;
- the core capital adequacy ratio is not less than 6%;
- the long-term credit rating of A, or equivalent to A or above, as assessed by a domestic credit rating agency; and
- For those listed overseas and exempted from domestic credit rating requirement, the long-term credit rating of BB, or equivalent to above BB, as assessed by an international credit rating agency.

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, apart from complying with the aforementioned requirements, hybrid capital bonds issued by commercial banks and invested by insurance funds shall possess a long-term credit rating of AA, or equivalent to AA or above, as assessed by a domestic credit rating agency, and the issuer's total assets shall not be less than RMB200 billion. Hybrid capital bonds issued by commercial banks are incorporated in the management of unsecured non-financial enterprise (corporate) bonds.

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, bonds issued by securities companies and invested by insurance funds shall be issued to the public and shall have a long-term credit rating of AA, or equivalent to AA or above, as assessed by a domestic credit rating agency. The issuer shall comply with the relevant requirements of the CSRC as well as the following conditions:

- the latest audited net capital is not less than RMB2 billion;
- the long-term credit rating of AA, or equivalent to AA or above, as assessed by a domestic credit rating agency; and

- For those listed overseas and exempted from domestic credit rating requirement, the long-term credit rating of BBB, or equivalent to BBB or above, as assessed by an international credit rating agency.

Pursuant to the Interim Measures on Bonds Investment with Insurance Funds, convertible bonds, hybrid capital bonds, subordinated term bonds and corporate bonds issued by insurance companies and invested by insurance funds shall be bonds approved by the CIRC and relevant authorities for issuance by insurance companies in accordance with the relevant provisions.

Investment Standards

An insurance company investing in central government bonds and quasi-government bonds may at their discretion determine the total investment amount in accordance with its asset allocation requirements. An insurance company investing in secured enterprise (corporate) bonds may at their discretion determine the total investment amount in accordance with its asset allocation requirements. The balance of investment in unsecured non-financial enterprise (corporate) bonds shall not exceed 50% of the total assets of the insurance company as of the end of the preceding quarter. An insurance company investing in the same issue of a single type of central government bond and quasi-government bond may determine the investment ratio at their discretion. The share of an insurance company investing in the same issue of a single type of financial enterprise (corporate) bonds and secured non-financial enterprise (corporate) bonds shall not exceed 40% of the amount of the single type issue. The share in respect of investment in the same issue of a single type of unsecured non-financial enterprise (corporate) bonds shall not exceed 20% of the amount of the single type issue. The share of insurance companies under the same insurance group investing in the same issue of a single type of enterprise (corporate) bond shall not in aggregate exceed 60% of the amount of the single type issue. This shall be implemented accordingly by insurance companies and insurance institutions invested and controlled by them. The balance of enterprise (corporate) bonds issued by the same issuer invested by an insurance company shall not exceed 20% of the net assets of the issuer in the previous accounting year. The balance of enterprise (corporate) bonds issued by related parties shall not exceed 20% of the net assets of the insurance company as of the end of the preceding quarter.

Risk Control

An insurance company which invests or a professional investment management institution which is entrusted to invest on its behalf in bonds shall comprehensively analyze the results of an external credit rating and internal credit rating, and shall not invest in enterprise (corporate) bonds with a lower rating than the internal investment credit rating determined by the company.

If the same bond possesses credit ratings given by two or more external credit rating agencies in the PRC, the lower external credit rating shall, in principle, always be taken into account. For bonds with both domestic and international credit ratings, the domestic credit rating shall prevail.

An insurance company whose solvency margin as of the end of the preceding quarter is less than 120% is not allowed to invest in unsecured non-financial enterprise (corporate) bonds. An insurance company which already holds the aforementioned bonds shall not increase its holding and shall reduce its holding in a timely manner. An insurance company whose solvency margin as of the end of the preceding quarter lies between 120% and 150% shall timely adjust its investment strategy to strictly control the types and ratio of unsecured non-financial enterprise (corporate) bonds in which it invests.

Trading of Marketable Securities such as Equity Securities and Securities Investment Funds

Trading of RMB-Denominated Common Shares Listed on PRC Stock Exchanges

Pursuant to the Notice on Regulating Stock Investments Business of Insurance Institutions promulgated by the CIRC on March 18, 2009, an insurance company must decide on whether to engage in stock investments directly or through the entrusted investment method according to the Standards for Stock Investments Management Capabilities of Insurance Companies (保險公司股票投資管理能力標準) promulgated by the CIRC on March 19, 2009, as well as market-oriented principles, and file with the CIRC. An insurance company must allocate its foreign and domestic stock assets on a uniform basis and reasonably determine the scale and proportion of its stock investments based on the characteristics of its insurance funds and its solvency margin. For insurance companies with solvency margin ratio of 150% or above, stock investments can be conducted normally according to the relevant regulations. However, an insurance company with a solvency margin ratio between 100% and 150% for four consecutive quarters has to adjust its stock investment strategy, and if the solvency margin ratio of an insurance company falls below 100% for two consecutive quarters, the amount of stock investment cannot be increased, and the insurance company must report the market risk timely and take effective response and control measures in dealing with such risks.

Under the Circular on Stock Investments by Insurance Institutional Investors (關於保險機構投資者股票投資有關問題的通知) promulgated by the CIRC on February 7, 2005, insurance companies' investments in stocks are subject to the following restrictions:

- the proportion of assets of investment-type insurance products invested in stocks on a cost basis must not exceed 100% of the total investment-type insurance products assets; for universal life insurance products, the proportion of its assets invested in stocks, calculated on a cost basis, must not exceed 80% of the total investment-type insurance products assets;
- cost balance of an insurance company's investments in listed companies with public share capital of less than RMB100 million must not exceed 20% of such insurance company's assets eligible for stock investments, including investment-type products and universal life insurance products; and
- an insurance company should include its holding of bonds that are convertible into listed company shares in such insurance company's stock investment account for purposes of calculating the proportions of its stock investments.

Pursuant to the Notice on Adjusting the Investment Policies for Insurance Funds, an insurance company has the discretion to invest in stocks or equity funds within 20% of its total assets at the end of the most recent quarter according to its equity investment plan. The amount of investment in the stock of a listed company must not exceed 10% of the listed company's total equity. Where the investment exceeds 10%, the insurance company is limited to a material investment made for the purpose of obtaining control over the listed company, to which provisions concerning material equity investment in the Interim Measures for the Administration of Utilization of Insurance Funds will apply.

Securities Investment Funds

Under the Interim Provisions Regarding Investments by Insurance Companies in Equity Investment Funds and the Notice on Adjusting the Investment Policies for Insurance Funds, an insurance company has the discretion to invest in stocks or equity funds within 20% of its total assets at the end of the most recent quarter according to its equity investment plan, provided that it complies with the following provisions:

- the balance of investment in securities investment funds must not exceed 15% of its total assets at the end of the most recent quarter, and the aggregate amount of investment in securities investment funds and stocks may not exceed 25% of its total assets at the end of the most recent quarter;

- the balance of investment in a single securities investment fund must not exceed 3% of its total assets at the end of the most recent quarter; for an investment in a single closed-end fund, the investment must not exceed 10% of the total number of issued units of the fund; and
- the securities investment fund business of an insurance company must be operated solely by the headquarters of such insurance company, and branches of such insurance company may not engage in the trading of equity investment funds.

Under the Interim Measures for the Administration of Utilization of Insurance Funds, where the insurance funds are invested in securities investment funds, the fund manager must comply with the following requirements:

- the Company has good corporate governance, and its net assets remain at RMB100 million or more for three consecutive years;
- it has performed contracts according to law, protects the legitimate rights and interests of its investors and has no unfavorable record in the last three years;
- it has established an effective firewall mechanism between the securities investment funds and specific client's asset management business; and
- it has a stable investment team, good investment record, and relatively stable size of assets or units of funds under its management.

Investment in Financial Products

Pursuant to the Circular on the Investment of Insurance Funds in the Relevant Financial Products, insurance funds can be invested in the wealth management products of commercial banks, credit asset-backed securities of the financial institutions in the banking industry, collective assets trust schemes of trust companies, special assets management schemes of securities companies, infrastructure investment schemes of insurance assets management companies, real estate investment schemes, project asset-backed schemes and other financial products, all of which are duly issued within the PRC. The investment of insurance funds in financial products shall comply with relevant laws, administrative rules and other regulatory documents.

Participation in Financial Derivatives Trading

In order to regulate participation of insurance funds in financial derivatives trading, prevent fund deployment risks and protect legal rights and interests of parties involved, CIRC formulated the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading in accordance with relevant laws and regulations, such as the PRC Insurance Law and the Interim Measures for the Administration of Utilization of Insurance Funds.

The Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading apply to the participation in financial derivatives trading by insurance group (holding) companies, insurance companies and insurance assets management companies legally established within the PRC (hereinafter collectively referred to as "insurance institutions" in the subsection entitled "Participation in Financial Derivatives Trading").

Financial derivatives mentioned in the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (hereinafter referred to as "derivatives" in this subsection) refer to financial contracts whose values rely on one or more fundamental assets, indicators or special events, including forwards, futures, options and swaps.

Financial derivatives trading mentioned in the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (hereinafter referred to as "derivatives trading" in this subsection) refers to onshore derivatives trading.

Insurance group (holding) companies and insurance companies may freely participate in derivatives trading or entrust insurance assets management companies and other professional management institutions that comply with the regulations of the CIRC as permitted under the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading as well as relevant provisions in derivatives trading within the authorized scope.

Pursuant to the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading, insurance institutions' participation in derivatives trading is limited to hedging or avoiding risks but not for speculation purposes, including:

- hedging or avoiding risks of existing assets, debts or general corporate risks; and
- hedging risks of proposed buy-in assets in the coming month or locking up their future trading prices. Proposed buy-in assets mean assets which the relevant insurance institution has decided to buy in accordance with its investment decision-making procedures. If such insurance institution fails to buy in such assets within the following month or aborts buy-in of such assets within the time limit, it shall terminate, clear or close related derivatives within 5 business days upon expiry of the time limit or the decision date.

Pursuant to the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading, the CIRC will promulgate rules on trading of specific derivatives when appropriate, subject to market development and actual needs.

Participation in Stock Index Futures Trading

The stock index futures mentioned in the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading refer to financial futures contracts traded at China Financial Futures Exchange with stock price index as the subject matter upon approval of the securities regulatory authority of China.

Pursuant to the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading, the insurance group (holding) companies, insurance companies and insurance assets management companies legally established within the PRC (hereinafter collectively referred to as "insurance institutions" in this subsection) shall, in accordance with the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading, properly arrange for systems, posts, personnel and information processing to hedge risks, and shall comply with administrative regulations and strengthen risk management.

Pursuant to the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading, insurance institutions participating in stock index futures trading shall open separate stock index futures trading accounts based on the recognized asset portfolio and independently manage accounts, assets, trading, accounting and risks.

Investments in Real Properties

Pursuant to the Interim Measures for the Investment of Insurance Funds in Real Properties and the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds, an insurance company that invests in real properties shall comply with the following requirements:

- the net assets of the previous financial year shall not be less than RMB100 million;

- the solvency adequacy ratio at the end of the previous quarter shall not be less than 120%, and where the solvency adequacy ratio is less than 120% after the investment has been made, the investment strategy shall be timely adjusted and effective measures shall be taken to control relevant risks; and
- requirements of laws, regulations, and other regulatory documents.

Real properties in which insurance funds are invested should have clear ownership rights and free of title disputes, with complete, legal and valid title certificates. Real properties invested by insurance funds in forms of debt, equity or other property interests must be limited to commercial properties, office properties, properties for senior care, health care and automobile services in relation to the insurance business, and properties for self-use.

Pursuant to the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds, the solvency margin ratio of insurance companies investing in real properties as of the end of the preceding quarter shall not be less than 120%. Upon making an investment, insurance companies with a solvency margin of less than 120% shall timely adjust their investment strategy and take effective measures to control the relevant risks.

Pursuant to the Interim Measures for the Investment of Insurance Funds in Real Properties, the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds and the Circular on the Investment of Insurance Funds in the Relevant Financial Products, investments in real properties (excluding properties for self-use) by insurance companies should comply with the following percentage requirements:

- the book value of investments relating to any single real properties investment project must not exceed 50% of the offering size of such project;
- insurance companies investing in real properties not for self-use, infrastructure debt investment plans, and real property-related financial products may determine the investment subject at their discretion. The aggregate book value shall not exceed 20% of the total assets of the company as of the end of the preceding quarter. The book value of investments in real properties not for self-use shall not exceed 15% of the total assets of the company as of the end of the preceding quarter. The book value of investments in infrastructure debt investment plans and real property-related financial products in aggregate shall not exceed 20% of the total assets of the company as of the end of the preceding quarter. Pursuant to the Circular on the Investment of Insurance Funds in the Relevant Financial Products, the aggregate book value of investments in infrastructure investment plans and real estate investment plans shall not exceed 20% of the total assets of the relevant insurance company as of the end of the preceding quarter; and
- other requirements set forth in applicable laws, rules and regulations.

Pursuant to the Interim Measures for the Investment of Insurance Funds in Real Properties and the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds, insurance companies which make investments in real properties must not engage in the following activities:

- offering unsecured debt financings;
- providing pledge or guarantee with their invested properties;
- investing in the development or sale of commercial residential properties;
- directly conducting the development of residential properties (including the development of tier-one land);

- investing in the establishment of real estate development enterprises or in the equity of unlisted real estate enterprises (excluding project companies), or controlling real estate enterprises by purchasing their shares. Insurance companies which have invested in the establishment of or controlled any real estate enterprises must exit or transfer the shares to other parties within a specified period;
- investing in real properties with funds raised by borrowing, issuing debt, repurchasing and lending, unless debt issuance is otherwise permitted by the CIRC;
- violating the requirements stipulated in the Interim Measures for the Investment of Insurance Funds in Real Properties , the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds and the relevant laws, regulations and regulatory documents with respect to investment proportion;
- providing collaterals with real properties invested by an insurance company. In the event that an insurance company invests in real properties by way of equity interests in a project company, the project company may raise funds by way of a shareholder loan or similar methods which may be secured by its own assets. The amount of funds raised shall not exceed 40% of the total investment amount of the project; and
- other activities prohibited by the CIRC as well as laws and regulations.

Pursuant to the Circular on the Investment of Insurance Funds in the Relevant Financial Products, real estate investment plan belonging to the fixed income category shall have legitimate and valid credit enhancement arrangements, and receive a credit rating of no less than A or A equivalent by a domestic credit rating agency. Real estate investment plan belonging to the equity category shall implement risk control measures and establish relevant investment protection schemes.

Other Investments

Investments in Infrastructure

The Pilot Administrative Measures on Indirect Investments in Infrastructure Projects by Insurance Funds and the Interim Regulations on the Administration of Infrastructure Debt Investment Plans set forth the provisions on entrustment of insurance funds by a principal to a trustee for establishment of investment schemes by the trustee in the trustee's name but according to the principal's intention to invest in any infrastructure projects, and conduct management or disposal of interests for the beneficiary(ies) or for any specific purposes.

Pursuant to the Measures, an insurance company may invest through a trustee in qualified infrastructure projects, which mainly includes key national infrastructure projects such as transportation, communication, energy, municipal administration, environmental protection. However, no investment may be made in any infrastructure project involving any of the following circumstances:

- explicitly prohibited or restricted by the PRC Government;
- requiring legal and valid permits that have not been granted;
- involving legal risks due to uncertain identity or ownership or other reasons;
- the developer does not have legal person status in the PRC; and
- involving other prohibited circumstances specified by the CIRC.

Pursuant to the Interim Measures for the Administration of Utilization of Insurance Funds, the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds and the Circular on the Investment of Insurance Funds in the Relevant Financial Products, insurance companies investing in infrastructure debt investment plans must comply with the following requirements:

- insurance companies investing in real estates not for self-use, infrastructure debt investment plans, and real estate-related financial products may determine the investment subject autonomously. The aggregate book value shall not exceed 20% of the total assets of the company as of the end of the preceding quarter. The book value of investments in real properties not for self-use shall not exceed 15% of the total assets of the company as of the end of the preceding quarter. The book value of investments in infrastructure debt investment plans and real estate-related financial products in aggregate shall not exceed 20% of the total assets of the company as of the end of the preceding quarter. Pursuant to the Circular on the Investment of Insurance Funds in the Relevant Financial Products, the aggregate book value of investments in infrastructure investment plans and real estate investment plans shall not exceed 20% of the total assets of the relevant insurance company as of the end of the preceding quarter;
- the book value of the same infrastructure debt investment plan invested by an insurance company shall not be more than 50% of the issue size of such plans. The book value of the same infrastructure debt investment plan invested by an insurance group (holding) company and its insurance subsidiaries shall not be more than 60% of the issue size of such plan in aggregate. This shall be implemented accordingly by insurance companies and insurance institutions invested and controlled by them; and
- other requirements set forth in applicable laws, rules and regulations.

Investment in the equity of an infrastructure company by insurance funds must comply with the Interim Measures for Equity Investments with Insurance Funds.

Investments in Equity of Unlisted Companies

According to the Interim Measures for Equity Investments with Insurance Funds, insurance companies may invest, directly or indirectly, in equities of legally established and registered joint stock or limited liability companies that are not listed on any stock exchange in the PRC.

Investment in equity of enterprises by insurance companies should comply with the following percentage requirements:

- pursuant to the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds, insurance companies investing in relevant financial products such as equity of unlisted enterprises and equity investment funds may determine the investment method at their discretion. The aggregate amount of these two types of investments shall not exceed 10% of their total assets as of the end of the preceding quarter. The book value does not include the equity of insurance enterprises directly invested by insurance companies with their own funds;
- the book value of direct equity investments shall not exceed the net assets of the company; except for a material equity investment, the book value of investments in the equity of the same enterprise shall not exceed 30% of the net assets of the company; and
- the book value of the investments in the same equity investment fund shall not exceed 20% of the offering size of such fund.

Pursuant to the Circular on the Investment in Equity Interests of Commercial Banks by Insurance Institutions, insurance institutions in the PRC may engage in equity investments in unlisted commercial banks, such as state-owned commercial banks, joint-stock commercial banks and city commercial banks in the PRC. Investments in equity interests of commercial banks by insurance institutions are divided into ordinary investments and material investments. Investments with a total value less than 5% of the share capital or the paid-in capital of the target bank are ordinary investments, while those with a total value 5% or above are material investments. Investments in equity interests of commercial banks by insurance institutions shall be subject to the following percentage requirements:

- the combined balance of ordinary investments and equity participation type of material investments must not exceed 3% of such insurance institution's total assets as of the end of the preceding year;
- the balance of ordinary investments by a single insurance institution in a single bank must not exceed 1% of such insurance institution's total assets as of the end of the preceding year;
- the balance of material investments by a single insurance institution must be submitted to the CIRC for approval and the capital used for material investments must not exceed 40% of such insurance institution's paid-in capital minus accumulated losses as of the end of the preceding year;
- an insurance institution must meet certain qualifications in terms of corporate governance, risk management and business operations to make ordinary investments, and must meet higher qualification standards, both quantitative and qualitative, to make material investments;
- an insurance institution undertaking material investments is subject to CIRC approval, and will generally not undertake investments in more than two commercial banks; and
- other requirements set forth in applicable laws, rules and regulations.

Overseas Investments

Pursuant to the Interim Measures on the Administration of Overseas Investments of Insurance Funds, an insurance company may at its discretion determine the proportion of its overseas investments in accordance with its needs in asset allocation and risk management as long as it is within the specific proportion approved by the CIRC and the following conditions are met:

- the aggregate investment amount must not exceed 15% of the insurance company's total assets as of the end of the preceding year;
- the aggregate amount actually invested must not exceed the foreign currency investment and payment quota approved by the SAFE;
- the proportion of any investment in any single entity must meet the requirements of the CIRC;
- the carrying out of material equity investments must be approved by the CIRC; and
- other requirements set forth in applicable laws, rules and regulations.

Pursuant to the Implementing Rules of the Interim Measures on the Administration of Overseas Investments of Insurance Funds, insurance funds can be invested in the following categories of foreign assets: (i) money market funds; (ii) fixed-income securities, (iii) equity securities and (iv) real estate. The balance of the overseas investments of an insurance company shall not exceed 15% of the insurance company's total assets at the end of the preceding quarter, and the investment ratio of a single investment is the same as those for similar products in the PRC.

Insurance Asset Allocation Management

Pursuant to the Interim Measures for the Insurance Asset Allocation Management, insurance asset allocation management refers to the mechanism and behavior of formulation, implementation, supervision and adjustment of asset allocation policy based on insurance products whereby an insurance company as an independent legal person gives overall consideration to the solvency status, asset allocation, overall risk tolerance and relevant constraints in accordance with the changes in economic conditions and the development strategy of the company. The board of directors of an insurance company is responsible for examining and approving the insurance asset allocation management system and policy, and is ultimately accountable for the asset allocation policy, procedures and risk management. The asset and liability management committee established by the board of directors, or a special committee with corresponding functions shall assist the board of directors in reviewing the asset allocation policy, assessing the company's overall risk profile and the cumulative level of the various types of exposure in accordance with the authorization from the board or directors.

Investment Management of Entrusted Insurance Funds

Pursuant to the Interim Measures on the Administration of Entrusted Investment with Insurance Funds promulgated by the CIRC and effective as of July 16, 2012, insurance group (holding) companies and insurance companies established in accordance with PRC laws may entrust insurance funds with qualified investment managers to operate investment businesses such as targeted investment management, specific investment management or special client investment management. Investment managers refer to professional investment management institutions that are established in accordance with PRC laws and comply with CIRC requirements, such as insurance investment management companies, securities companies, securities asset management companies, securities investment funds management companies and their respective subsidiaries.

Areas Prohibited for Use of Insurance Company Funds

The PRC Insurance Law and CIRC regulations have strict restrictions on the use of funds by PRC insurance companies. In particular, the PRC Insurance Law and CIRC regulations prohibit PRC insurance companies from engaging in insurance fund utilization activities that are outside the scope permitted and regulated by the CIRC.

Pursuant to the Interim Measures for the Administration of Utilization of Insurance Funds, insurance group (holding) companies and insurance companies must not use insurance funds in any of the following manners:

- placing deposits in non-banking financial institutions;
- purchasing shares categorized by a stock exchange under "Special Treatment" and "Special Treatment with Warning of Risk of Delisting";
- investing in the equities of an enterprise or real properties that do not have stable cash flow return prospects or potential asset appreciation value or that conflicts with the State's industrial policy (for example, projects that produce heavy pollution);
- directly engaging in real estate development or construction;

- involving in venture capital investments;
- using any investment assets derived from the utilization of insurance funds to provide guarantees for or extend loans to others, except for loans secured by policies of individuals; and
- other investment activities as prohibited by the CIRC.

Risk Control related to Use of Insurance Funds

Under the Guidance on Risk Control for Use of Insurance Funds (Tentative) (保險資金運用風險控制指引(試行)) promulgated by the CIRC and effective as of June 1, 2004, insurance companies and insurance asset management companies are required to establish comprehensive and effective risk control systems for the use of insurance funds. Such risk control systems must cover, among others, asset liability management, investment decision-making management, information technology system management and human resources management. In addition, insurance companies and investment asset management companies are required to conduct, at least annually, a comprehensive and systematic internal review of the use of insurance funds. The result of supervision and examination must be reported to the board of directors.

Establishment of Insurance Asset Management Companies

The Interim Administrative Regulations for Insurance Asset Management Companies (保險資產管理公司管理暫行規定) promulgated by the CIRC and effective as of June 1, 2004 and the Notice on Adjusting the Relevant Provisions of the Interim Administrative Regulations for Insurance Asset Management Companies (關於調整《保險資產管理公司管理暫行規定》有關規定的通知) promulgated by the CIRC on April 7, 2011 provides for, among others, the establishment, modification, termination, scope of business, operation rules, risk control and supervision and management of insurance asset management companies. Subject to regulatory approval, insurance companies and insurance holding companies meeting certain conditions may establish insurance asset management companies.

According to the above regulations, an insurance asset management company may only be set up by an insurance holding (group) company or an insurance company as the major promoter, and such insurance holding (group) company or insurance company must meet certain requirements, including but not limited to:

- having undertaken the insurance business for more than five years;
- having no record of administrative punishment for violation of the provisions on capital arrangement in the past three years;
- the solvency margin ratio must not be less than 150% and the total assets must not be less than RMB10 billion (the total assets of the insurance holding (group) company must not be less than RMB15 billion);
- meeting the requirements for the solvency margin as prescribed by the CIRC;
- having good corporate governance structure and internal control system;
- having established corresponding departments for asset-liability matching management and risk control and having an adequate investment information management system in place; and
- the proportion of assets used and managed in a centralized way by the department of funds utilization must be no less than 50% of the total assets of the company (of which an insurance company that has life insurance business must be no less than 80%).

Pursuant to the above regulations, the minimum registered capital of an insurance asset management company must be RMB100 million or an equivalent amount in other freely convertible currencies. The registered capital must be paid-in monetary capital.

Pursuant to the Interim Administrative Regulations for Insurance Asset Management Companies, the Notice on Adjusting the Relevant Provisions of the Interim Administrative Regulations for Insurance Asset Management Companies and the Circular on Issues Concerning the Insurance Assets Management Companies promulgated by the CIRC on October 12, 2012, an insurance asset management company may engage in the following businesses:

- managing the funds in Renminbi or in foreign currencies entrusted by a beneficiary; in addition to insurance funds, insurance asset management companies may manage institutional funds such as pensions, annuity and housing provident funds and funds entrusted by qualified investors capable of identifying and assuming related risks;
- insurance asset management companies which are in compliance with relevant requirements may apply to the relevant financial regulatory authority to operate in accordance with law publicly raised asset management business;
- managing and utilizing its own funds in Renminbi or in foreign currencies;
- commence offering of insurance asset management products; and
- any other businesses as approved by the CIRC or other departments of the State Council.

External Guarantee

Pursuant to the Notice on Relevant Matters Regarding Regulating Guarantees Provided by Insurance Institutions (關於規範保險機構對外擔保有關事項的通知) promulgated by the CIRC on January 20, 2011, insurance companies and insurance asset management companies may not provide any guarantee. The guarantees under the said notice refers to the guarantees provided to third parties for others' obligations, other than those provided by an insurance group company to its subsidiary, and excluding the following activities conducted in the ordinary course of business: (i) guarantees in litigation; (ii) credit guarantees relating to export credit insurance operated by an export credit insurance company; and (iii) maritime guarantees.

If an insurance company provides a guarantee in accordance with the aforementioned provisions, it must provide an explanation and make disclosure in its financial statements and must make deductions accordingly pursuant to supervisory regulations when evaluating its solvency margin. All insurance institutions must strictly prohibit guarantees by their branches, and must improve internal control of their branches to eliminate the risk of external guarantees by branches without authorization.

Insurance Agents and Insurance Brokers

Insurance Agents

Insurance agents are entities or individuals entrusted by an insurance company who charges commissions from the insurer to conduct insurance business within the scope of the insurer's authorization. Insurance agents include individual insurance agents, professional insurance agents and ancillary insurance agents. Insurance companies may not employ institutional or individual insurance agents not certified by the CIRC.

Pursuant to the relevant requirements of the PRC Insurance Law, whenever an insurance company engages an agent, the insurance company must enter into an agency agreement, which must stipulate the rights and obligations of the respective parties as well as other matters pertaining to the agency relationship.

According to the relevant requirements of the PRC Insurance Law, the insurance company must be responsible for the actions of an insurance agent in carrying out insurance business activities pursuant to the terms of the agency agreement. The insurer must assume insurance liability for actions of its agent even if the agent has acted in the name of the insurer without authorization, beyond its scope of authorization or after the termination of authorization, provided that the policyholder had reason to believe that the agent was acting within its scope of engagement. However, the insurance company may bring an action against an agent that has acted beyond the scope of its authorization.

Individual Insurance Agents

Under the Administrative Measures on Individual Insurance Agents (保險營銷員管理規定), promulgated by the CIRC and effective as of July 1, 2006, an individual insurance agent must have an Insurance Qualification Certificate, an executed insurance agency agreement with an insurance company and an Insurance Agent Practicing Certificate issued by such insurance company before engaging in insurance sales activities. Before issuing the Insurance Agent Practicing Certificate, an insurance company must register the certificate with the local insurance association. An individual insurance agent must engage in insurance sales activities within the scope authorized by the insurance company to which he or she belongs and must, on his or her own initiative, agree to be managed by the insurance company to which he or she belongs, and must perform the obligations as stipulated in the insurance agency agreement. An individual insurance agent may not concurrently serve more than one insurance company.

Professional Insurance Agents

Pursuant to the Measures on the Supervision of Professional Insurance Agents (保險專業代理機構監管規定), promulgated by the CIRC and effective as of October 1, 2009, a professional insurance agent must possess the requirements stipulated by the CIRC, and obtain a Permit for Insurance Agency Business from the CIRC, complete business registration, and obtains a business license before commencing operations. A professional insurance agent should either obtain professional liability insurance coverage or deposit a guarantee fund within 20 days upon completion of business registration. A professional insurance agent may sell insurance products, collect insurance premiums, perform damage investigations and process claims on behalf of the insurer and engage in other businesses as stipulated by the CIRC.

In accordance with the PRC Insurance Law and the Measures on the Supervision of Professional Insurance Agent, the establishment of a professional insurance agent must meet the following conditions:

- its shareholder or promoter must have good credit standing and have no record of material violation of law within the past three years;
- its registered capital satisfies the minimum required amount and must be paid-in capital in cash;
- its articles of association comply with applicable laws;
- its chairman, executive directors and senior management officers satisfy the required qualifications for serving in the relevant positions;
- it has a sound organizational structure and management system;
- it has a fixed business premises that is suitable for its scale of business;
- it has suitable business and financial computer hardware and software for its business operations; and
- other conditions specified by laws, administrative regulations and the CIRC.

Ancillary Insurance Agency Organizations

Pursuant to the Interim Measures on the Administration of Ancillary Agency Insurance Business (保險兼業代理管理暫行辦法) promulgated by the CIRC and effective as of August 4, 2000, ancillary insurance agency organizations must possess the requirements stipulated by the CIRC and must obtain the Permit for Ancillary Insurance Agency Business from the CIRC. Upon the establishment of an agency relationship, an insurance company must confirm that the ancillary insurance agency organization has obtained the Permit for Ancillary Insurance Agency Business.

Pursuant to the Notice Regarding Suspension of Market Access Approval for Regional Insurance Agency institution and Some Ancillary Insurance Agency Organizations (關於暫停區域性保險代理機構和部分保險兼業代理機構市場准入許可工作的通知) promulgated by the CIRC on March 26, 2012, and the Circular on Further Regulating the Entry into the Insurance Intermediary Market (關於進一步規範保險中介市場准入的通知) promulgated by the CIRC and effective as of June 12, 2012, except the establishment applications made by insurance professional intermediary service group companies, automobile manufacturers, sales and maintenance enterprises, banks and postal service enterprises, an insurance company with insurance agencies and brokerage institutions and their branches with RMB50 million or above investment in its registered capital, and branches of nationwide insurance agencies and brokerage institutions will continue to be accepted, approval for the establishment of all other specialized insurance intermediaries has been suspended.

Bancassurance

Commercial banks in the PRC are not permitted to underwrite insurance policies. However, they are allowed to act as agents to sell insurance products through their distribution networks. Commercial banks providing insurance agency services are required to comply with all applicable regulations promulgated by the CIRC.

Pursuant to the Interim Measures on the Administration of Ancillary Agency Insurance Business promulgated by the CIRC on August 4, 2000, commercial banks are required to obtain permits from the CIRC before conducting insurance agency business. Pursuant to the Notice Regarding Standardization of Insurance Agency Business Conducted by Banks (關於規範銀行代理保險業務的通知) promulgated by the CIRC and the CBRC on June 15, 2006:

- all tier-one branches of commercial banks conducting such business must obtain the Qualification for Ancillary Insurance Agency Organizations;
- an insurance company must not pay any fee, other than the commission under the cooperation agreement between the bank and the insurance company, to the agency or any of the agency's offices or handlers in any name or any form;
- relevant regular training must be given to staff of commercial banks selling insurance products as agents. When the training fee is to be borne by the insurance company, the cooperation agreement must specify the frequency, method and contents of the trainings as well as the training fee rate; and
- sales management personnel of the bank selling investment-type products, universal products and other products determined by the regulatory authority must pass the qualification examination for insurance agency practitioners and obtain the Insurance Qualification Certificate.

According to the Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks (關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知) promulgated by the CBRC on November 1, 2010, commercial banks that operate bancassurance businesses must comply with the provisions of relevant laws, administrative regulations and rules, and must improve and strictly implement the corresponding risk management systems and internal operation process. A single commercial bank outlet in principle may only cooperate with no more than three insurance companies.

According to the Guidelines on Regulating the Bancassurance Business of Commercial Banks (商業銀行代理保險業務監管指引) jointly promulgated by the CIRC and the CBRC on March 7, 2011, each commercial bank outlet may only engage in bancassurance business after it has obtained the Permit for Insurance Agency Business License issued by the CIRC and authorization from the tier-one branches of the commercial bank. The sales staff of commercial banks engaging in bancassurance business and the bancassurance specialists of insurance companies must obtain the Qualification Certificate for Insurance Sales Practitioners. Commercial banks must not allow any staff of insurance companies to be stationed in bank outlets. When an insurance company entrusts a commercial bank to conduct insurance agency business, the head office of the company and the head branch of the bank shall, in principle, conclude a uniform agency agreement.

Pursuant to the Notice on Strengthening Issues Relating to the Administration of the Cooperation of Policy-pledged Loan Business between Insurance Companies and Commercial Banks (關於加強保險公司與商業銀行保單質押貸款業務合作管理有關問題的通知) promulgated by the CIRC on August 17, 2011, insurance companies shall strictly ensure that commercial banks respect the customers' intentions when selling insurance to them, shall promptly stop any behaviors of agency banks which force or in a disguised manner compel customers to buy insurance, and shall avoid policy surrender risks such as by ways of linking bancassurance fees and lapse rates.

Insurance Brokering Institutions

In accordance with the PRC Insurance Law and the Measures on the Supervision of Insurance Brokerage Institutions (保險經紀機構監管規定), promulgated by the CIRC and effective as of October 1, 2009, insurance brokerage institutions refer to institutions which, based on the interests of the policyholder, offer intermediary services for the conclusion of insurance contracts between the policyholders and insurance companies and charge commissions under the contractual stipulations, including insurance brokerage companies and their branches. The establishment of an insurance brokerage institution must meet the following conditions:

- its shareholder or promoter must have good credit standing and have no record of material violation of law within the past three years;
- its registered capital satisfies the minimum amount requirement under the Measures on the Supervision of Insurance Brokerage Institutions and the PRC Company Law and must be paid-in capital;
- its articles of association comply with relevant regulations;
- its chairman, executive directors and senior management officers satisfy the required appointment qualifications under the Measures on the Supervision of Insurance Brokerage Institutions;
- it has a sound organizational structure and management system;
- it has a fixed business premises that is suitable for its business scale;
- it has business and financial computer software and hardware and equipment suitable for its business operations; and

- it meets other conditions specified by laws, administrative regulations and other conditions regulated by the CIRC.

Insurance brokering institutions may engage in:

- proposing insurance plans, selecting insurance companies, handling insurance policy procedures on behalf of policyholders;
- assisting the insured or beneficiaries in making claims;
- engaging in the reinsurance brokering business;
- providing consultation services on damage prevention, risk evaluation or risk management for clients; and
- other insurance business as approved by the CIRC.

Incentivising Acts of Full-time Insurance Intermediary Institutions

According to the Notice on Strictly Regulating the Incentivising Acts of Full-time Insurance Intermediary Institutions (關於嚴格規範保險專業中介機構激勵行為的通知) promulgated on November 15, 2010 and Notice on Further Regulating the Incentivising Acts of Full-time Insurance Intermediary Institutions (關於進一步規範保險專業中介機構激勵行為的通知) promulgated on February 28, 2012 by the CIRC, full-time insurance intermediary institutions may only give equity incentives to sales staff who have worked in the relevant institution for more than two consecutive years, and may not arbitrarily broaden the scope of equity incentive targets for the sake of rapid expansion of its business scale.

Online Insurance Services of Insurance Agents and Brokerage Companies

According to the Supervisory Measures for Online Insurance Services of Insurance Agents and Brokerage Companies (Trial) (保險代理、經紀公司互聯網保險業務監管辦法(試行)) promulgated by the CIRC on September 20, 2011 and effective as of January 1, 2012:

- an insurance agent or a brokerage company that carries out online insurance business shall meet the following conditions: (i) it has a sound management system for its online insurance business; (ii) it has reasonable online insurance business operating procedures; (iii) its registered capital is no less than RMB10 million and the area in which it operates is not limited to the province, autonomous regions or municipalities in which it is incorporated; and (iv) other conditions as required by the CIRC; and
- an insurance agent or a brokerage company shall carry out insurance business on a website that meets the relevant conditions in the aforementioned supervisory measures.

Terms and Premium Rates of Insurance

Pursuant to the Administrative Measures on Insurance Terms and Insurance Premiums Rates of Property and Casualty Insurance Companies (財產保險公司保險條款和保險費率管理辦法) promulgated by the CIRC and effective as of April 1, 2010, the insurance terms and insurance premium rates of the following types of property and casualty insurance products must be submitted to the CIRC by an insurance company for examination and approval:

- insurance of a compulsory nature pursuant to laws and administrative regulations; and
- other types of insurance identified by the CIRC concerning public interests.

The insurance clauses and premium rates of property and casualty insurance products other than the aforementioned types must be filed with the CIRC within ten working days after they have been adopted.

Pursuant to the Notice on Issues Relating to the Implementation of the Administrative Measures on Insurance Terms and Insurance Premium Rates of Property and Casualty Insurance Companies (關於實施《財產保險公司保險條款和保險費率管理辦法》有關問題的通知) promulgated by the CIRC and effective as of May 1, 2010, the insurance terms and insurance premium rates of the following types of insurance products must be submitted to the CIRC for examination and approval:

- motor vehicle insurance;
- non-life insurance with investment features;
- guarantee insurance and credit insurance with an insurance period exceeding one year; and
- other types of insurance concerning public interest as identified by the CIRC and insurance of a compulsory nature pursuant to laws, administrative regulations and regulatory documents.

Insurance terms and insurance premium rates of other property and casualty insurance types must be filed with the CIRC for record.

Pursuant to relevant provisions of the Regulation on Compulsory Motor Vehicle Liability Insurance (機動車交通事故責任強制保險條例) promulgated by the State Council on March 21, 2006 and revised by State Council on March 30, 2012, insurance companies may, upon the approval of the CIRC, conduct compulsory motor vehicle liability insurance business. The CIRC may also require an insurance company to conduct such business. A policyholder may not add any additional terms and conditions to the insurance terms and premium rates specified in such policy. The insurance company may not force the policyholder to enter into a commercial insurance contract or add additional terms and conditions. Insurance companies may not rescind compulsory motor vehicle liability insurance contracts unless the policyholder fails to perform his or her obligation of full disclosure. Upon rescinding the contract, an insurance company must withdraw the insurance policy and the insurance mark and notify the motor vehicle administration department in writing.

Pursuant to the Circular on Strengthening the Control over the Insurance Terms and Premium Rates of Commercial Motor Vehicle Insurance (關於加強機動車輛商業保險條款費率管理的通知) promulgated by the CIRC on February 23, 2012, insurance terms and premium rates for commercial motor vehicle insurance formulated by insurance companies shall be submitted to the CIRC for approval and, if approved by the CIRC, must be strictly implemented by the relevant insurance companies. The Insurance Association of China shall organize a professional workforce, and research and formulate model terms for commercial motor vehicle insurance, benchmark depreciation coefficients and formulate a database of vehicle models for reference by insurance companies. The Insurance Association of China shall collect and analyze industry-wide operating data and shall calculate the benchmark net loss ratio for the commercial motor vehicle insurance business at least once every two years as reference for insurance companies. The terms of commercial motor vehicle insurance shall be complete in content, clear in format and easy to read. Where an insured event is caused by damage to an insured motor vehicle by a third party, from the day when the insurance company compensates the insured for the insured amount, the insurance company may within the range of the compensation amount exercise the rights of subrogation for the insured to request compensation from the third party. The insurance company may not refuse to perform its insurance obligation by abandoning the rights of subrogation. The Insurance Association of China published the Model Terms of Commercial Insurance on March 14, 2012.

According to the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies (人身保險公司保險條款和保險費率管理辦法) and the Notice on Several Issues concerning the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies (關於《人身保險公司保險條款和保險費率管理辦法》若干問題的通知) promulgated by the CIRC and effective as of December 30, 2011 and January 4, 2012 respectively, life and health insurance companies are required to submit to the CIRC for approval the insurance terms and insurance premium rates of the following insurance products before they are adopted:

- insurance products associated with social and public interests;
- insurance products of a compulsory nature in accordance with laws;
- New life insurance products required to be developed by the CIRC;
- life insurance products other than general, participating, universal, and investment-type products;
- annuity insurance products other than general, participating, universal, and investment-type products;
- group participating life insurance products and group participating annuity insurance products which are not developed by reference to the Measurement on Actuarial Practice for Individual Participating Life Insurance Products set out in the Notice on Issuing the Actuarial Provisions on New-type Life and Health Insurance Products (關於印發人身保險新型產品精算規定的通知); and
- other insurance products as required by the CIRC.

Insurance terms and insurance premium rates other than those mentioned in the preceding paragraph are required to be filed with the CIRC no later than ten days after they have been adopted.

According to the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies, chief actuaries of insurance companies shall produce chief actuary statements in respect of insurance terms and premium rates which shall be submitted for approval or filing, and shall sign on the relevant actuarial report and the premium rate adjustment measures or product parameter adjustment measures.

According to the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies, an insurance company that submits insurance terms and premium rates for approval or filing shall appoint a legally responsible person approved by the CIRC. An insurance company shall by no means appoint a legally responsible person whose qualifications are not approved by the CIRC. The legally responsible person of an insurance company shall issue a declaration of legally responsible persons for insurance clauses submitted for approval or filing, and shall bear responsibilities that the insurance clauses are fair and reasonable with precise and prudently expressed text, and are consistent with the Insurance Law and other laws, administrative regulations and the relevant requirements of the CIRC.

According to the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies, the CIRC will order life and health insurance companies to stop using certain insurance terms and premium rates and to make relevant corrections within a period of time; and in serious cases no new insurance terms and insurance premium rates may be submitted for approval within a certain period, in the following circumstances:

- public interests are prejudiced;

- the content shows apparent unfairness or constitutes price monopoly and infringes the legitimate rights and interests of the policyholder or the insured or the beneficiary;
- the insurance terms and premium rates are improperly determined and likely to affect the solvency of the insurance companies; or
- laws, administrative regulations or other regulations of the CIRC are violated.

According to the Notice on Several Issues concerning the Measures for the Administration of Insurance Terms and Insurance Premium Rates of Life and Health Insurance Companies, insurance companies shall not develop group endowment insurance products.

Anti-Money Laundering

According to the PRC Anti-Money Laundering Law (中華人民共和國反洗錢法) promulgated by the Standing Committee of the NPC and effective as of January 1, 2007, and the Measures on Anti-Money Laundering in the Insurance Industry (保險業反洗錢工作管理辦法) promulgated by the CIRC and effective as of October 1, 2011:

- the CIRC shall organize, coordinate and direct anti-money laundering work in the insurance industry;
- insurance companies, insurance asset management companies, full-time insurance agency companies and insurance brokerage companies shall effectively enhance the anti-money laundering internal control level based on a system of using legal names and according to the principles of completeness in client information, availability of transaction records, and regulation of the circulation of funds;
- an applicant applying for the establishment of an insurance company or an insurance asset management company shall comply with the CIRC's anti-money laundering requirements (including the legality of the source of investment funds; establishment of an internal control system for anti-money laundering; the establishment of a specialized anti-money laundering department or a designated internal department responsible for anti-money laundering; employment of personnel for the anti-money laundering department or post and such personnel having received the necessary anti-money laundering training; an information system infrastructure satisfying anti-money laundering requirements; other requirements stipulated by the CIRC);
- in the event of an increase in the registered capital, a change in shareholding of an insurance company or an insurance asset management company (other than through the purchase of shares of a listed institution on a stock exchange which accounts for less than 5% of the registered capital of the insurance company or the insurance asset management company) or other events as stipulated by the CIRC, an insurance company or an insurance asset management company is required to know the source of investment funds and provide a description of the source of the investment funds and a declaration on the legality of the source of the investment funds;
- an applicant for the establishment of a branch of an insurance company or an insurance asset management company shall comply with the CIRC's anti-money laundering requirements (including the establishment in the head office of a sound internal control system for anti-money laundering and having sound management and control capability over the branch; the ability of the information system infrastructure of the head office to support the anti-money laundering work of the branch; the establishment in the branch of a specialist anti-money laundering department or has a designated internal department responsible for anti-money laundering work; the establishment and provision of necessary anti-money laundering training to personnel responsible for anti-money laundering work and other requirements stipulated by the CIRC);

- insurance companies shall identify the clients exceeding the prescribed amount during the formulation or recission of insurance contracts, claims settlement or payment of benefits whom they conduct business with in accordance with the law;
- insurance companies and insurance asset management companies shall preserve client identification materials and transaction records in accordance with the law and ensure that they can reconstruct the transactions in order to provide information required for the monitoring and analysis of transactions, the investigation of suspicious transactions and the investigation and handling of money-laundering cases;
- insurance companies and insurance asset management companies shall identify and report transactions of large amounts and suspicious transactions in accordance with the law; and
- insurance companies carrying out insurance business through full-time insurance agencies and financial institutions engaged in ancillary insurance agency services shall include anti-money laundering clauses into their cooperation agreements.

According to the Notice on Strengthening the Anti-money Laundering Work in the Insurance Industry (關於加強保險業反洗錢工作的通知) issued by the CIRC on August 10, 2010:

- the application materials for qualification approval of a senior management officer in an insurance institution must include a declaration made by the applicant that he or she has not received any serious anti-money laundering administrative penalties in the past two years. If the applicant has practiced in any overseas financial institution, he or she must provide a declaration that he or she has not received any serious anti-money laundering administrative penalties at the location of that overseas financial institution in the past two years; and
- all insurance institutions and intermediaries must regularly collect and report their anti-money laundering information, timely acquire the status of the development of anti-money laundering, minimize the risks with respect to money laundering, and seriously carry out anti-money laundering training and publicity work in order to reinforce their anti-money laundering awareness and improve their anti-money laundering ability.

According to the Notice on Reporting Information of Anti-money Laundering Work in the Insurance Industry (關於報送保險業反洗錢工作信息的通知) promulgated by the CIRC on December 14, 2011, all insurance companies and insurance asset management companies shall compile reports for the status of anti-money laundering work within their own systems, and shall on a quarterly basis report to the CIRC on information of anti-money laundering work within the insurance industry. Information on anti-money laundering work refers to the status of anti-money laundering work lawfully carried out during the process of operating and supervising an insurance business, including the status of fulfilling anti-money laundering obligations, the organization and implementation of anti-money laundering work and the supervision of anti-money laundering of the insurance industry, in accordance with the PRC Anti-Money Laundering Law and other laws and regulations.

MAJOR INSURANCE INDUSTRY COMMITMENTS IN CONNECTION WITH THE PRC'S ACCESSION TO THE WTO

The PRC joined the WTO in December 2001, and its relevant WTO accession commitments include: (i) foreign ownership of shares; (ii) territory; and (iii) business scope.

Foreign Ownership

Since the PRC's accession to the WTO, foreign property and casualty insurers have been permitted to establish branches or joint ventures with 51% foreign ownership and are permitted to establish wholly-owned subsidiaries in the PRC. Foreign life and health insurers have been permitted to have up to 50% foreign ownership in a joint venture with a partner of their choice and also may freely agree on the terms of the joint venture, provided that the terms remain within the limits of the commitments contained in the WTO schedule.

Currently, foreign investors are permitted to hold up to 51% of ownership in a joint venture insurance brokerage company. In addition, pursuant to the Announcement on Permitting Foreign Insurance Brokerage Companies to Establish Wholly Foreign-owned Insurance Brokerage Companies (關於允許外國保險經紀公司設立外商獨資保險經紀公司的公告) promulgated by the CIRC on December 11, 2006, from December 11, 2006, foreign insurance brokerage companies are allowed to establish wholly foreign-owned insurance brokerage companies according to law without any restriction other than those on conditions for establishment and business scope.

Territory

Currently, foreign insurance companies are permitted to conduct business throughout the PRC without any territorial restrictions.

Business Scope

Since the PRC's accession to the WTO, foreign property and casualty insurance companies have been permitted to provide without territorial restrictions master policy insurance (a single insurance policy for a company covering its various properties or liabilities located in different geographic regions) and large-scale commercial insurance. Foreign property and casualty insurance companies are now permitted by the CIRC to provide the full range of property and casualty insurance services to both foreign and PRC clients.

At present, life and health joint venture insurers in the PRC are also permitted by the CIRC to provide health insurance, group insurance and pension/annuities services to foreign and PRC citizens.

Currently, foreign insurance brokerage companies are permitted to engage in the following brokerage businesses in the PRC : (i) large-scale commercial insurance brokerage; (ii) reinsurance brokerage; and (iii) international maritime, aviation and transport insurance and their reinsurance brokerage. In addition, foreign insurance brokerage companies are permitted to provide master policy insurance brokerage business on the same basis as treatment of nationals.

Foreign insurance companies are permitted to provide reinsurance services for life and health insurance and property and casualty insurance as a branch, joint venture, or wholly foreign-owned subsidiary, without geographic or quantitative restrictions on the licenses issued.

Foreign insurance companies are not permitted to engage in statutory insurance business. Statutory insurance as specified in China's Schedule of Specific Commitments is limited to the following specific categories, and no additional lines or products will be added: third party auto liability insurance and driver and operator liability insurance for buses and other commercial vehicles. Nevertheless, pursuant to the Regulation on Compulsory Motor Vehicle Liability Insurance promulgated by the State Council on March 21, 2006 and amended on March 30, 2012, foreign insurers may, upon the approval of the CIRC, conduct compulsory motor vehicle liability insurance business. In addition, foreign insurance companies and foreign-funded insurance companies are not permitted to engage in businesses forbidden by laws, administrative regulations, and other regulatory documents of the PRC.

Foreign-Invested Insurance Companies

Under the Administrative Regulations of the PRC on Foreign-Invested Insurance Companies (中華人民共和國外資保險公司管理條例) promulgated by the State Council on December 12, 2001 and effective as of February 1, 2002 and the Administrative Measures on the Administrative Regulation of the PRC on Foreign-Invested Insurance Companies (中華人民共和國外資保險公司管理條例實施細則) promulgated by the CIRC and effective as of June 15, 2004, foreign insurance companies may, subject to the CIRC's approval, establish foreign-invested insurance companies within the PRC in the form of joint ventures, wholly foreign-owned enterprises or branches.

Foreign insurance companies applying for the establishment of a foreign-invested insurance company must meet the following requirements:

- having been engaged in the insurance business for at least 30 years;
- having a representative office in the PRC for at least 2 years;
- having total assets of US$5 billion or more as of the end of the year immediately prior to its application;
- being subject to effective insurance regulation by the relevant authorities in their home countries or regions which possess a comprehensive insurance regulatory system;
- meeting the solvency margin requirements in their home countries or regions;
- having received approvals from the regulatory authorities in their home countries or regions of their applications; and
- other prudent requirements by the CIRC.

Joint venture insurance companies and wholly foreign-owned insurance companies with the minimum registered capital of RMB200 million must increase their registered capital by at least RMB20 million for each branch they apply to set up for the first time in each province, autonomous region or directly-administered municipality other than their place of business registration. Joint venture insurance companies and wholly foreign-owned insurance companies with the registered capital of at least RMB500 million are not required to increase their registered capital for establishing branches, as long as they meet the solvency margin requirement.

Representative Offices of Foreign Insurance Companies

According to the Administrative Measures of PRC Representative Offices of Foreign Insurance Institutions (外國保險機構駐華代表機構管理辦法) promulgated by the CIRC and effective as of August 1, 2006, the representative office established by a foreign insurance company must meet the following requirements:

- being in good operating condition;

- having engaged in the insurance business for more than 20 years if such foreign insurance company operates an insurance business, or having been in existence for more than 20 years in all other cases;
- having no material violation of laws within the 3 years immediately prior to the date of the application; and
- other prudent requirements as required by the CIRC.

COMPLIANCE WITH LAWS AND REGULATIONS

The following table sets forth certain information extracted from the Accountants' Report set forth in Appendix I to this prospectus during the Track Record Period:

	As at December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB millions, except percentages)			
Restricted statutory deposits	3,912	4,589	7,635	7,922
Insurance guarantee fund	466	669	590	602
Insurance contract liabilities				
— gross	157,143	254,095	326,281	381,743
— net	142,456	238,251	301,058	354,675
General risk reserve	360	729	1,287	1,268
Surplus reserve fund	—	—	136	136
Solvency margin ratio	139%	125%	165%	156%

As of June 30, 2012, our restricted statutory deposits, insurance guarantee fund, insurance contract liabilities, general risk reserve, surplus reserve fund and solvency margin ratio were in compliance with applicable regulatory requirements.

Except as described in the sections entitled "Risk Factors — Risks Relating to Our Business — If we do not meet solvency margin ratio requirements, we could be subject to regulatory sanctions and could be forced to change our business strategies or slow down our growth", "Risk Factors — Risks Relating to Our Business — We do not possess the relevant land use right certificates or building ownership certificates for some of our properties and certain of our lessors do not possess relevant title certificates for some of our leased properties, and we may be required to seek alternative premises for some of our offices or business sites" and "Risk Factors — Risks Relating to Our Business — Regulatory actions and legal proceedings against us could cause us reputational harm and have a material adverse effect on our business, financial condition, results of operations and prospects", we have complied in all material respects with all regulatory requirements, set forth in this section entitled "Supervision and Regulation."

OUR HISTORY

We have a history of 63 years. On October 20, 1949, The People's Insurance Company of China (中國人民保險公司) was established in Beijing with the approval of the Government Administration Council of the PRC. Pursuant to a decision of the State Council and with the approval of the PBOC, The People's Insurance Company of China was renamed the People's Insurance Company (Group) of China (中國人民保險(集團)公司) in August 1996, and established three insurance subsidiaries in the PRC: Zhongbao Property Insurance Company Limited (中保財產保險有限公司), Zhongbao Life Insurance Company Limited (中保人壽保險有限公司), and Zhongbao Reinsurance Company Limited (中保再保險有限公司).

In October 1998, the People's Insurance Company (Group) of China was further reorganized pursuant to the approval of the State Council. Zhongbao Property Insurance Company Limited became a top parent company and inherited the brand name of People's Insurance Company of China, and was renamed The People's Insurance Company of China (中國人民保險公司).

In July 2003, with the approval of the State Council and the CIRC, The People's Insurance Company of China established PICC P&C, and was renamed PICC Holding Company (中國人保控股公司). Pursuant to the reorganization agreement entered into between PICC Holding Company and PICC P&C in September 2003, PICC Holding Company injected all of its commercial non-life insurance operations, together with the related assets and liabilities, into PICC P&C by way of capital contribution with effect from September 2002. On November 6, 2003, PICC P&C listed its H shares on the Main Board of the Hong Kong Stock Exchange.

Our Company also established PICC AMC in July 2003 as the first insurance asset management company in China. Furthermore, our Company established PICC Health and PICC Life in March 2005 and November 2005, respectively, to commence life and health insurance businesses.

To reflect better the legacy and brand of PICC, our Company resumed the name of People's Insurance Company Group of China (中國人民保險集團公司) in May 2007 with the approval of the State Council and the CIRC. In September 2009, with the State Council's consent, the MOF and the CIRC approved our Company's conversion into a joint stock limited company, with the MOF as our promoter and our name was changed to The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司). We received our new business license from SAIC on September 28, 2009, with a registered capital of RMB30.6 billion.

INVESTMENT BY THE NSSF

Our Company, the MOF and the NSSF entered into a share subscription agreement on June 15, 2011 (the "Share Subscription Agreement"), pursuant to which the NSSF subscribed for 3,891,050,583 shares newly issued by us for a consideration of RMB10.0 billion, increasing our registered capital to RMB34,491,050,583. Upon the completion of the share subscription under the Share Subscription Agreement on June 24, 2011, the shareholding percentages of the MOF and the NSSF were approximately 88.72% and 11.28%, respectively.

In accordance with the Share Subscription Agreement, the NSSF Subscription Shares held by the NSSF are subject to a lock-up period of three years from the date of an initial public offering of our Company on (i) the Main Board of the Hong Kong Stock Exchange, (ii) the New York Stock Exchange, (iii) the main board of any stock exchange within the PRC, or (iv) any other stock exchange (each a "Qualified Initial Public Offering"). During the first year and the second year following the expiration of the lock-up period, the NSSF is allowed to transfer an aggregate of no more than 272,373,541 NSSF Subscription Shares and 544,747,082 NSSF Subscription Shares, respectively. Starting from the day following the second anniversary after the expiration of the lock-up period, the NSSF may transfer the NSSF Subscription Shares without any restriction or limitation. The NSSF is required to notify our Company in writing before any transfer of the NSSF

Subscription Shares is made and should reasonably consider maintaining the stability of our Company's share price. However, in the event that the Company has not had a Qualified Initial Public Offering within five years from the date of the Share Subscription Agreement, NSSF may transfer the NSSF Subscription Shares to any third party. NSSF is a "PRC Governmental Body" for the purpose of Rule 19A.19 of the Listing Rules, and therefore is not a connected person of the Company.

The NSSF is entitled to certain rights described below pursuant to the Share Subscription Agreement.

Exit Option

The NSSF is entitled to sell all its shares in our Company to the MOF in a single transaction within 30 calendar days following the fifth anniversary of the completion date of the share subscription under the Share Subscription Agreement at the price it paid for each NSSF Subscription Share. However, such right will be terminated automatically if our Company becomes a listed company and all shares held by the NSSF have been converted into H Shares or shares that can be listed and traded on a qualified domestic or overseas stock exchange prior to the fifth anniversary of the completion date of the Share Subscription Agreement. This exit option of the NSSF will be automatically terminated upon the Listing.

Information Right

Our Company is required to provide the NSSF with various periodic financial statements, all financial and operational data and other information which are provided to the MOF and our Board in accordance with PRC laws as long as the NSSF holds at least 50.0% of the NSSF Subscription Shares from the completion of the Share Subscription Agreement to the date prior to the Qualified Initial Public Offering. This information right of the NSSF will lapse upon the completion of a Qualified Initial Public Offering.

Consultation Right for Major Matters

The NSSF has the right to have the reasonable opportunity to participate in discussions with our Company's senior management, directors and senior employees and to conduct inspection tours of us or any of our operational subsidiaries. The NSSF also has the right to give advice on our business operations. Furthermore, our Company is obliged to notify the NSSF at least five business days before (i) any decision is made in relation to the venue or structure of our initial public offering or (ii) the signing of any material contracts. This consultation right of the NSSF will lapse upon the completion of a Qualified Initial Public Offering.

Anti-dilution

The NSSF has the right to purchase the number of Shares in a Qualified Initial Public Offering at the relevant offer price such that upon the completion of a Qualified Initial Public Offering, its percentage interest in the Company will be equal to its percentage interest in the Company pursuant to the share subscription under the Share Subscription Agreement. This anti-dilution right of the NSSF will lapse upon the completion of a Qualified Initial Public Offering. As of the Latest Practicable Date, the NSSF has not requested to exercise the anti-dilution right.

OUR MAJOR OPERATING SUBSIDIARIES

We set forth below our major operating subsidiaries that are material to the core operations of the Group.

PICC P&C

Our Company was the sole promoter of PICC P&C when it was established in July 2003. Pursuant to the reorganization agreement between PICC Holding Company and PICC P&C in September 2003, we injected all of our commercial non-life insurance operations, together with the related assets and liabilities, into PICC P&C by way of capital contribution with effect from September 2002. H shares of PICC P&C became listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2003, and American International Group, Inc. ("AIG") was introduced as a strategic investor of PICC P&C with a 9.9% interest following its global offering. As of the Latest Practicable Date, our Company held a 68.98% interest in PICC P&C, with public shareholders holding the remaining 31.02% interest, among which AIG continued to hold approximately 9.9% interest. PICC P&C had a registered capital of RMB12,256.0 million as of the Latest Practicable Date. PICC P&C offers a comprehensive range of property and casualty insurance products, and its businesses comprise: provision of property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; reinsurance and provision of consulting services related to the businesses mentioned above; and representing insurers in conducting relevant business and other businesses authorized by national laws and regulations or approved by national insurance supervisory bodies. As of the Latest Practicable Date, our Company had no intention to withdraw the listing status of PICC P&C after the listing of the Company.

PICC Life

PICC Life was established in November 2005 with a registered capital of RMB1,000 million, and Sumitomo Life Insurance Company, Asia Financial Holdings Limited and Bangkok Bank Public Company Limited were introduced as strategic investors holding 29%, 10% and 10% of its equity interest, respectively. Pursuant to the Capital Increase and Reformation Agreement of PICC Life dated May 30, 2007, all shareholders of PICC Life are entitled to exchange their shares of PICC Life into shares of our Company upon or after the listing of our Company at a share exchange price to be agreed between our Company and each of these shareholders. Whether a shareholder of PICC Life can exercise the share exchange right depends on (i) whether such shareholder intends to exchange the shares of PICC Life into our Shares upon or after the Listing, (ii) whether such shareholder and our Company would agree on the share exchange price, (iii) whether our shareholders would approve the exercise of the exchange rights by these shareholders of PICC Life in general meetings and (iv) whether the relevant regulatory authorities would approve the exchange of the shares of PICC Life held by such shareholder into our Shares upon or after the Listing. The Company will ensure that any such exchange will comply with the Listing Rules and any requirements of the Hong Kong Stock Exchange. See the section entitled "Risk Factors — Risks Relating To the Global Offering — Future sales or perceived sales of a substantial number of our shares in public markets, including any future A Share Offering, or the exchange of shares of PICC Life held by its shareholders to our Shares could have a material adverse effect on the prevailing market price of H Shares and dilute our shareholders' H Share holdings." As of the Latest Practicable Date, our Company directly held a 71.08% interest in PICC Life, PICC P&C and PICC AMC held an 8.62% and a 0.31% interest, respectively, and Sumitomo Life Insurance Company, Asia Financial Holdings Limited and Bangkok Bank Public Company Limited held a 10%, 5% and 5% interest, respectively. PICC Life had a registered capital of RMB20,133.4 million as of the Latest Practicable Date. The businesses of PICC Life comprise: life insurance, health insurance, accidental injury insurance, reinsurance business related to the aforementioned businesses; and acting as agent for the insurance businesses of PICC P&C and PICC Health within the scope approved by the CIRC.

PICC Health

PICC Health was established in March 2005 as the first specialized health insurance company in the PRC with a registered capital of RMB1,000 million, and DKV Deutsche Krankenversicherung AG was introduced as its strategic investor with a 19% interest. As of the Latest Practicable Date, our Company directly held a 88.44% interest in PICC Health, PICC Investment held a 2.54% interest, with DKV Deutsche Krankenversicherung AG holding a 4.39% interest and two other Independent-Third-Party corporate shareholders holding a 2.31% interest each. PICC Health had a registered capital of RMB4,325 million as of the Latest Practicable Date. The businesses of PICC Health include: health insurance business which is established to complement national medical insurance policies and is entrusted by the government; health insurance and accidental injury insurance business in Renminbi or foreign currencies; consultation service and agent business related to health insurance; reinsurance business pertinent to health insurance; capital operation business permitted by laws and regulations; and other businesses approved by the CIRC.

PICC AMC

Our Company was the sole promoter of PICC AMC when it was established in July 2003 with a registered capital of RMB100 million. PICC AMC is the first insurance asset management company in the PRC. In January 2007, PICC AMC was converted into a joint stock limited company and increased its registered capital to RMB800 million pursuant to the approval of the CIRC, and MEAG was introduced into PICC AMC as a strategic investor with a 19% interest. As of the Latest Practicable Date, our Company held an 81% interest in PICC AMC, and MEAG continued to hold the remaining 19% interest. PICC AMC had a registered capital of RMB800 million as of the Latest Practicable Date. The businesses of PICC AMC include: management and operation of funds received from our insurance businesses; being entrusted by or entrusting others in relation to asset management and consultation services related to asset management.

PICC Investment

Our Company was the sole promoter of PICC Investment when it was established in August 2007. As of the Latest Practicable Date, our Company continued to hold a 100% interest in PICC Investment, which had a registered capital of RMB50 million. The businesses of PICC investment comprise: industrial and real estate investment; asset operation and management; property management; leasing of automobile, computer, telecommunication equipment and real estate; and business, financial, investment and legal consultation services.

PICC Capital

PICC Capital was formerly known as PICC Jin Kong Investment Company Limited, and PICC Investment was its sole promoter when it was established in March 2008. PICC Jin Kong Investment Company Limited was renamed PICC Capital Investment Company Limited in July 2009. As of the Latest Practicable Date, our Company indirectly held interest in PICC Capital through our subsidiaries PICC AMC as to 55% and PICC Investment as to 45%. PICC Capital had a registered capital of RMB100 million as of the Latest Practicable Date. The businesses of PICC Capital include: investment and management; asset management; equipment leasing; property management; corporate management consultation; financial consultation and investment consultation.

ZSIB

ZSIB was established in June 2005 in Beijing with a registered capital of RMB50 million, and our Company and Tokio Marine held a 75.1% interest and a 24.9% interest, respectively. As of the Latest Practicable Date, our Company held an 82.54% interest in ZSIB, and Tokio Marine held a 17.46% interest. ZSIB had a registered capital of approximately RMB71.31 million as of the Latest Practicable Date. The businesses of ZSIB include: drafting insurance proposals for insureds; selecting insurers and completing insurance formalities; assisting insureds and beneficiaries in claims compensation processes; operating a reinsurance broking business; providing consultation services on loss prevention, risk assessment or risk management; and other businesses approved by the CIRC.

CIB

CIB was established in December 2004 in Guangzhou with a registered capital of RMB20 million, and our Company held a 55.01% interest in CIB, Guangdong Yudean Group Co., Ltd. held a 20% interest, Asia Insurance Company, Limited held a 5% interest and six Independent Third Party corporate shareholders held the remaining 19.99% interest. As of the Latest Practicable Date, our Company indirectly held a 55.01% interest in CIB through ZSIB, and there had been no change to the remaining shareholding structure of CIB. CIB had a registered capital of RMB20 million as of the Latest Practicable Date. The businesses of CIB include: drafting insurance proposals for insureds; selecting insurers and completing insurance formalities; assisting insureds and beneficiaries in claims compensation processes; operating a reinsurance brokerage business; providing consultation services in loss prevention, risk assessment or risk management; and other businesses approved by the CIRC.

PIB

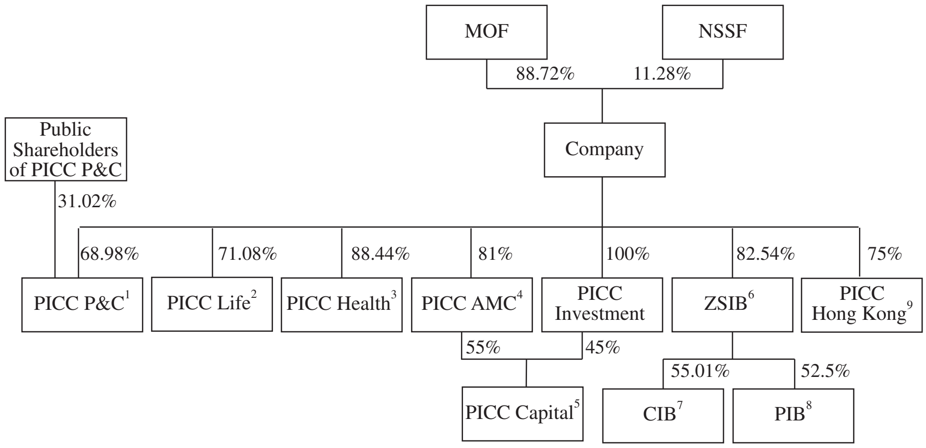
PIB was established in June 2005 in Shanghai with a registered capital of RMB20 million, and our Company held a 52.5% interest in PIB, Taiping Life Insurance Co., Ltd. held a 25% interest, Ocean Regal Development Limited held a 12.5% interest and Shanghai Liangyou Group Co., Ltd. held a 10% interest. As of the Latest Practicable Date, our Company indirectly held a 52.5% interest in PIB through ZSIB, and there had been no change to the remaining shareholding structure of PIB. PIB had a registered capital of RMB20 million as of the Latest Practicable Date. The businesses of PIB include: drafting insurance proposals for insureds; selecting insurers and completing insurance formalities; assisting insureds and beneficiaries in claims compensation processes; operating a reinsurance brokerage business; providing consultation services in loss prevention, risk assessment or risk management; and other businesses approved by the CIRC.

PICC Hong Kong

PICC Hong Kong was formerly known as Guangdong Asia Insurance Company Limited and was incorporated in Hong Kong in February 1971. In November 2002, we acquired a 90% interest in Guangdong Asia Insurance Company Limited from two Independent Third Parties and changed its name to The People's Insurance Company of China (Hong Kong), Limited. As of the Latest Practicable Date, our Company held a 75% interest in PICC Hong Kong and Asia Insurance (Investments) Limited held the remaining 25% interest. PICC Hong Kong had an issued share capital of HK$200 million as of the Latest Practicable Date. The businesses of PICC Hong Kong include: property insurance, cargo insurance; travel accident insurance; homeowner insurance; motor vehicle insurance; marine hull insurance; liability insurance; reinsurance related to the aforementioned insurance businesses; and other relevant investment business.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth the shareholding and group structure of our Company and our major operating subsidiaries immediately prior to the completion of the Global Offering. For more information regarding our shareholding and share capital prior to the completion of the Global Offering, see the section entitled "Share Capital."



1 PICC P&C became listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2003. It was held by our Company as to 68.98% and by public shareholders as to 31.02% (including 9.9% held by AIG) as of the Latest Practicable Date. AIG is a global insurance and financial group and was an Independent Third Party prior to its investment in PICC P&C and as of the Latest Practicable Date.

2 PICC Life is held by our Company as to 71.08%, by PICC P&C as to 8.62%, by PICC AMC as to 0.31% and by each of Sumitomo Life Insurance Company, Asia Financial Holdings Limited and Bangkok Bank Public Company Limited as to 10%, 5% and 5%, respectively. Sumitomo Life Insurance Company is a life insurance company. It was an Independent Third Party prior to its investment in PICC Life and a connected person of the Company due to its shareholding in PICC Life as of the Latest Practicable Date. Asia Financial Holdings Limited is an investment holding company listed on the Hong Kong Stock Exchange and its scope of investments includes life insurance. It was a connected person of the Company as of the Latest Practicable Date by virtue of being the parent company of Asia Insurance Company, Limited (which holds a 5% interest in CIB) and Asia Insurance (Investments) Limited (a direct subsidiary of Asia Insurance Company, Limited which holds a 25% interest in PICC Hong Kong). Bangkok Bank Public Company Limited is a commercial bank in Thailand and was an Independent Third Party prior to its investment in PICC Life and as of the Latest Practicable Date.

3 PICC Health is directly held by our Company as to 88.44%, indirectly held by our Company through PICC Investment as to 2.54%, by DKV Deutsche Krankenversicherung AG as to 4.39%, and by two other Independent Third Party corporate shareholders as to 2.31% each. DKV Deutsche Krankenversicherung AG is a health insurance company and was an Independent Third Party prior to its investment in PICC Health. It was a connected person of the Company as of the Latest Practicable Date by virtue of being a fellow subsidiary of MEAG (which holds a 19% interest in PICC AMC) under Munich Reinsurance Company.

4 PICC AMC is held by our Company as to 81% and by MEAG as to 19%. MEAG is an insurance asset management company in Germany and is a fellow subsidiary of DKV Deutsche Krankenversicherung AG under Munich Reinsurance Company. It was a connected person of the Company due to its shareholding in PICC AMC as of the Latest Practicable Date.

5 PICC Capital is held by PICC AMC and PICC Investment as to 55% and 45%, respectively.

6 ZSIB is held by our Company as to 82.54% and by Tokio Marine as to 17.46%. Tokio Marine is a property insurance company in Japan. It was an Independent Third Party prior to its investment in ZSIB and was a connected person of the Company due to its shareholding in ZSIB as of the Latest Practicable Date.

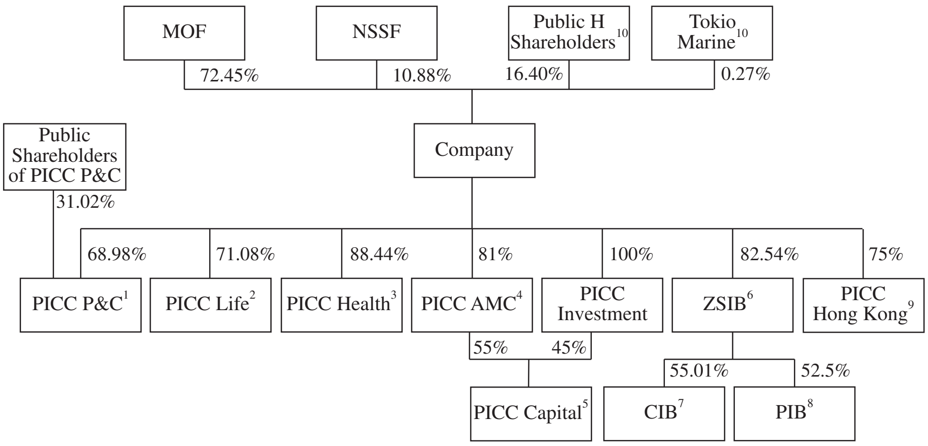
7 CIB is held by ZSIB as to 55.01%, by Guangdong Yudean Group Co., Ltd. as to 20%, by Asia Insurance Company, Limited as to 5% and by six Independent-Third-Party corporate shareholders as to 19.99%. Guangdong Yudean Group is a power generating company in the PRC. It was an Independent Third Party prior to its investment in CIB

and was a connected person of the Company due to its shareholding in CIB as of the Latest Practicable Date. Asia Insurance Company, Limited is a subsidiary of Asia Financial Holdings Limited, which holds a 69.5% interest in Asia Insurance (Investment) Limited (which in turn holds a 25.0% interest in PICC Hong Kong), and was therefore a connected person of the Company as of the Latest Practicable Date.

8 PIB is held by ZSIB as to 52.5%, by Taiping Life Insurance Co., Ltd. as to 25%, by Ocean Regal Development Limited as to 12.5% and Shanghai Liangyou Group Co., Ltd. as to 10%. Taiping Life Insurance Co., Ltd. is a life insurance company, Ocean Regal Development Limited is a private company engaged in general trading and investment business and Shanghai Liangyou Group Co., Ltd. is a state-owned group of enterprises engaged in grain businesses. Such shareholders were Independent Third Parties prior to their investments in PIB and were connected persons of the Company due to their shareholdings in PIB as of the Latest Practicable Date.

9 PICC Hong Kong is held by our Company as to 75% and by Asia Insurance (Investments) Limited as to 25%. Asia Insurance (Investments) Limited is an investment holding company directly held by Asia Insurance Company, Limited as to 69.5%, and is an indirect subsidiary of Asia Financial Holdings Limited. It was a connected person of the Company due to its shareholding in PICC Hong Kong as of the Latest Practicable Date.

The following chart sets forth the shareholding and group structure of our Company and our major operating subsidiaries upon the completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. For information regarding our shareholding structure and share capital after the completion of the Global Offering, see the section entitled "Share Capital."



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1 PICC P&C became listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2003. It was held by our Company as to 68.98% and by public shareholders as to 31.02% (including 9.9% held by AIG) as of the Latest Practicable Date. AIG is a global insurance and financial group and was an Independent Third Party prior to its investment in PICC P&C and as of the Latest Practicable Date.

2 PICC Life is held by our Company as to 71.08%, by PICC P&C as to 8.62%, by PICC AMC as to 0.31% and by each of Sumitomo Life Insurance Company, Asia Financial Holdings Limited and Bangkok Bank Public Company Limited as to 10%, 5% and 5%, respectively. Sumitomo Life Insurance Company is a life insurance company. It was an Independent Third Party prior to its investment in PICC Life and was a connected person of the Company due to its shareholding in PICC Life as of the Latest Practicable Date. Asia Financial Holdings Limited is an investment holding company listed on the Hong Kong Stock Exchange and its scope of investments includes life insurance. It was a connected person of the Company as of the Latest Practicable Date by virtue of being the parent company of Asia Insurance Company, Limited (which holds a 5% interest in CIB) and Asia Insurance (Investments) Limited (a direct subsidiary of Asia Insurance Company, Limited which holds a 25% interest in PICC Hong Kong). Bangkok Bank Public Company Limited is a commercial bank in Thailand and was an Independent Third Party prior to its investment in PICC Life and as of the Latest Practicable Date.

3 PICC Health is directly held by our Company as to 88.44%, indirectly held by our Company through PICC Investment as to 2.54%, by DKV Deutsche Krankenversicherung AG as to 4.39%, and by two other Independent-Third-Party corporate shareholders as to 2.31% each. DKV Deutsche Krankenversicherung AG is a health insurance company and was an Independent Third Party prior to its investment in PICC Health. It was a connected person of the Company as of the Latest Practicable Date by virtue of being a fellow subsidiary of MEAG (which holds a 19% interest in PICC AMC) under Munich Reinsurance Company.

4 PICC AMC is held by our Company as to 81% and by MEAG as to 19%. MEAG is an insurance asset management company in Germany is a fellow subsidiary of DKV Deutsche Krankenversicherung AG under Munich Reinsurance Company. It was a connected person of the Company due to its shareholding in PICC AMC as of the Latest Practicable Date.

5 PICC Capital is held by PICC AMC and PICC Investment as to 55% and 45%, respectively.

6 ZSIB is held by our Company as to 82.54% and by Tokio Marine as to 17.46%. Tokio Marine is a property insurance company in Japan. It was an Independent Third Party prior to its investment in ZSIB and was a connected person of the Company due to its shareholding in ZSIB as of the Latest Practicable Date.

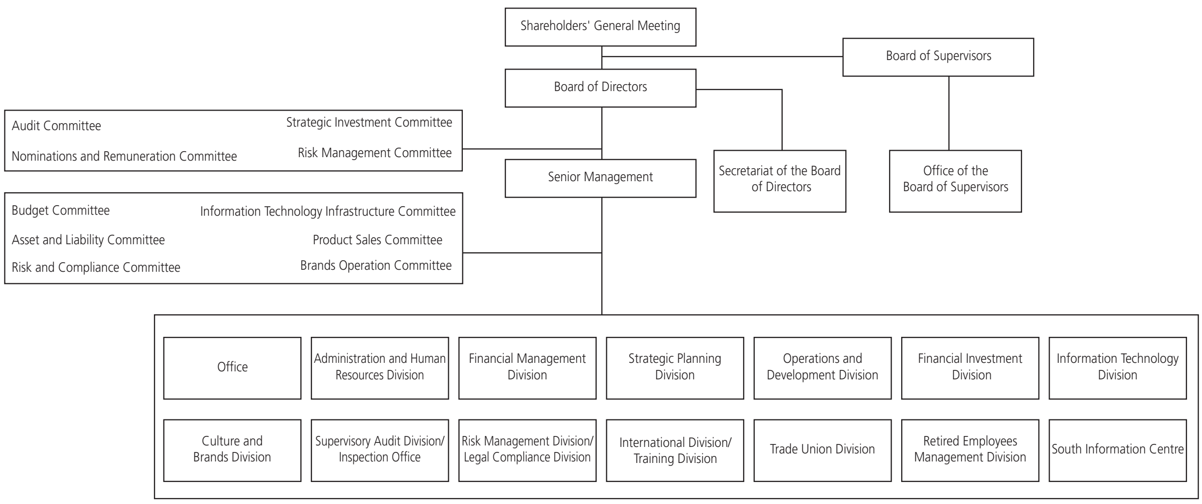
7 CIB is held by ZSIB as to 55.01%, by Guangdong Yudean Group Co., Ltd. as to 20%, by Asia Insurance Company, Limited as to 5% and by six Independent-Third-Party corporate shareholders as to 19.99%. Guangdong Yudean Group is a power generating company in the PRC and was an Independent Third Party prior to its investment in CIB and was a connected person of the Company due to its shareholding in CIB as of the Latest Practicable Date. Asia Insurance Company Limited is a subsidiary of Asia Financial Holdings Limited, which holds a 69.5% interest in Asia Insurance (Investment) Limited (which in turn holds a 25.0% interest in PICC Hong Kong), and were therefore connected persons of the Company as of the Latest Practicable Date.

8 PIB is held by ZSIB as to 52.5%, by Taiping Life Insurance Co., Ltd. as to 25%, by Ocean Regal Development Limited as to 12.5% and Shanghai Liangyou Group Co., Ltd. as to 10%. Taiping Life Insurance Co., Ltd. is a life insurance company, Ocean Regal Development Limited is a private company engaged in general trading and investment business and Shanghai Liangyou Group Co., Ltd. is a state-owned group of enterprises engaged in grain businesses. Such shareholders were Independent Third Parties prior to their investments in PIB and were connected persons of the Company due to their shareholdings in PIB as of the Latest Practicable Date.

9 PICC Hong Kong is held by our Company as to 75% and by Asia Insurance (Investment) Limited as to 25%. Asia Insurance (Investments) Limited is an investment holding company directly held by Asia Insurance Company, Limited as to 69.5%, and is an indirect subsidiary of Asia Financial Holdings Limited. It was a connected person of the Company due to its shareholding in PICC Hong Kong as of the Latest Practicable Date.

10. Based on Tokio Marine subscribing for 113,304,000 H Shares pursuant to its cornerstone investment agreement with the Company (assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus).

The following chart sets forth our Company's organization structure.



This section contains discussions of premiums data compiled by the CIRC based on unaudited data published by the CIRC. These premiums data differ from our IFRS financial data presented elsewhere in this prospectus. This section also contains discussions of TWPs data. TWPs are not a measure of financial performance calculated in accordance with IFRS, and they may not be comparable to other similarly titled measures of other companies. We have included TWPs data in this prospectus because our management believes that it provides investors with a useful measure of our overall business generating capabilities. You should not consider TWPs data in isolation from, or as an alternative to, GWPs or any other measures prepared in accordance with IFRS.

OVERVIEW

Founded in October 1949, we were the first nation-wide insurance company in the PRC and have developed into a leading large-scale integrated insurance financial group in the PRC, ranking 292nd on the Global 500 (2012) published by *Fortune* magazine. We offer a broad range of insurance products and services to individual and institutional customers through a nationwide distribution and service network. Based on our reputation accumulated over the past 63 years, our highly-recognizable "PICC" brand, efficient management of various business lines at the PICC Group level and synergistic operations of our various business lines, we have attained a leading market position in the PRC and established strong competitive advantages.

We operate our P&C insurance business in the PRC through PICC P&C and in Hong Kong through PICC Hong Kong, in which PICC Group holds approximately 68.98% and 75% equity interests, respectively. We operate our life and health insurance businesses through PICC Life and PICC Health, in which PICC Group directly and indirectly holds 80.00% and approximately 90.98% equity interests, respectively. We centrally manage most of our insurance assets through investment platforms including PICC AMC, in which we hold a 81% equity interest. We have also made strategic investments in non-insurance financial businesses such as banking and trust.

- According to data published by the CIRC, in terms of Original Premiums Income, we ranked first among all PRC P&C insurance companies with a market share of 36.3% in 2011 and ranked first with a market share of 36.0% in the six months ended June 30, 2012, respectively, in both cases larger than the combined market shares of the second through the fourth largest PRC P&C insurance companies in the same periods;
- According to data published by the CIRC, in terms of TWPs, we ranked fifth among all PRC life and health insurance companies with a market share of 8.54% in 2011 and ranked third with a market share of 8.65% in the six months ended June 30, 2012;
- We have established a professional investment platform to manage our insurance funds. PICC AMC is one of the most influential institutional investors in the PRC capital markets and has a track record of successful investments. As of June 30, 2012, PICC AMC managed assets of approximately RMB381.1 billion;
- We are the largest shareholder of China Credit Trust Co., Ltd. ("China Credit Trust"), in which we hold a 32.92% equity interest. According to the Almanac of China's Trustee (中國信託業年鑒) (2010-2011), as of December 31, 2010, China Credit Trust ranked fourth among all trust companies in the PRC in terms of value of trust assets under management.

We have achieved rapid growth during the Track Record Period in terms of total assets, TWPs and profit. Our total assets grew at a CAGR of 38.2% from RMB306,343 million as of December 31, 2009 to RMB585,152 million as of December 31, 2011, our TWPs grew at a CAGR of 22.6% from RMB178,164 million in 2009 to RMB267,915 million in 2011 and our net profit attributable to equity holders of PICC Group grew at a CAGR of 116.3% from RMB1,108 million in 2009 to RMB5,185 million in 2011. Our total assets were RMB649,743 million as of June 30, 2012. In the six months ended June 30, 2012, our TWPs were RMB158,196 million and our net profit attributable to equity holders of PICC Group was RMB4,923 million.

We have achieved a balanced business structure between our P&C insurance business and life and health insurance businesses. As of December 31, 2011, the assets of our P&C insurance business and life and health insurance businesses were RMB266,610 million and RMB297,070 million, respectively, representing 45.6% and 50.8% of our total assets, respectively. As of June 30, 2012, the assets of our P&C insurance business and life and health insurance businesses were RMB290,587 million and RMB349,548 million, respectively, representing 44.7% and 53.8% of our total assets, respectively. In 2011, TWPs from our P&C insurance business and life and health insurance businesses were RMB173,644 million and RMB94,271 million, respectively, representing 64.8% and 35.2% of our total TWPs, respectively. In the six months ended June 30, 2012, TWPs from our P&C insurance business and life and health insurance businesses were RMB100,968 million and RMB57,228 million, respectively, representing 63.8% and 36.2% of our total TWPs, respectively.

The following table sets forth a breakdown by business of our total assets and TWPs during the Track Record Period:

	As of December 31,			As of June 30,
Total Assets	**2009**	**2010**	**2011**	**2012**
	(RMB in millions)			
P&C insurance	167,231	203,831	266,610	290,587
Life and health insurance	115,036	213,445	297,070	349,548

	For the year ended December 31,			For the six months ended June 30,
TWPs	**2009**	**2010**	**2011**	**2012**
	(RMB in millions)			
P&C insurance	119,544	154,016	173,644	100,968
Life and health insurance	58,620	92,144	94,271	57,228

We have an extensive insurance distribution and service network and a wide customer base. As of June 30, 2012, our P&C insurance distribution and service network in the PRC consisted of approximately 13,400 branches and sales and service outlets, an in-house sales force of approximately 37,200 persons, approximately 169,300 individual insurance agents, approximately 31,500 insurance agencies and approximately 900 insurance brokers, and our life and health insurance distribution and service network consisted of approximately 2,200 branches and sales and service outlets, a bancassurance network consisting of approximately 108,700 branches of cooperating commercial banks, rural credit cooperatives and PSB, approximately 21,900 bancassurance managers, approximately 120,400 individual insurance agents, a group sales force of approximately 10,800 persons, approximately 14,200 cross-selling specialists and approximately 2,000 branches and outlets of insurance agencies and brokers. As of June 30, 2012, we had approximately 130 million individual insurance customers and approximately 2,416,000 institutional insurance customers.

We have provided insurance services for many high-profile and complex projects and events in the PRC and have received various accolades:

- the most complex projects we have provided insurance service for include the Three Gorges Dam Project, the West-to-East Gas Pipeline Project, the South-to-North Water Diversion Project and the launch of Sino-satellites;
- the most high-profile events we have provided insurance service for include the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo and the 2010 Guangzhou Asian Games; and
- our "PICC" brand received the following awards and recognitions: China's Famous Brand (中國馳名商標) awarded by the State Administration of Industry and Commerce in 2008, "China Pride" (中國驕傲) brand in the "2010 China Annual Brands" award jointly sponsored by the State Administration of Industry and Commerce, the General Administration of Quality Supervision, Inspection and Quarantine and China Central Television, "60 Top Brands in the 60 Years of the PRC" ("新中國60周年60個傑出品牌") on the list of "60 Brands Contributing to PRC Economy and People's Lives in the 60 Years of the PRC" ("新中國成立60周年 — 推動中國經濟、影響民衆生活的60個品牌") sponsored by China Central Television in 2009, and "National Brand of China's Insurance" ("保險業民族品牌") in the first "China's Insurance Brands Competitiveness Summit" jointly sponsored by www.jrj.com.cn, Securities Daily and University of International Business and Economics in 2011.

We believe our well-recognized brand, leading market position, strategically balanced business structure, extensive distribution and service network and wide customer base will enable us to capture business opportunities in the rapidly developing PRC insurance market, continue to have the ability to achieve rapid development in business and stable growth in profits, as well as create value for our shareholders.

OUR STRENGTHS

We are the pioneer of the PRC insurance industry, possessing a well-recognized brand with the longest history in the industry

Founded in October 1949, we were the first nation-wide insurance company in the PRC. We have experienced or made contributions to almost all major reforms and innovations in the development of the PRC insurance industry:

- in 1982, the State Council of the PRC approved both the Articles of Association of the People's Insurance Company of China and the establishment of its board of directors;
- in 1984, we ceased to be a department of PBOC and became a company under the direct leadership and supervision of the State Council of the PRC;
- in the early 1990's, the drafting committee of the PRC Insurance Law, the first insurance law of the PRC, was established; one of our former chairmen who was also our general manager acted as the director of the drafting committee;
- in 1996, we became the first PRC insurance company to separate P&C insurance and life and health insurance operations;
- in 2003, PICC P&C became the first PRC state-owned financial institution to list on an overseas stock exchange when it listed on the Hong Kong Stock Exchange;
- in 2003, we established the first insurance asset management company in the PRC;
- in 2005, we resumed our life insurance business and established PICC Life;

- in 2005, we established the first insurance company in the PRC specializing in health insurance; and
- in 2010, we participated for the first time in the *Fortune* Magazine Global 500 and ranked 371st. Our ranking rose to 292nd in 2012.

Guided by our commitment to "People's Insurance for the People" ("人民保險，服務人民"), we have built over the past 63 years an outstanding reputation and brand image in the PRC. Our "PICC" brand was the sole insurance brand recognized as one of the "60 Top Brands in the 60 Years of the PRC" ("新中國60周年60個傑出品牌") on the list of "60 Brands Contributing to PRC Economy and People's Lives in the 60 Years of the PRC" ("新中國成立60周年 — 推動中國經濟、影響民眾生活的60個品牌") sponsored by China Central Television in 2009. In the "2010 China Annual Brands List" ("2010年度中國品牌發佈") jointly sponsored by the State Administration of Industry and Commerce, the General Administration of Quality Supervision, Inspection and Quarantine and China Central Television, "PICC" was the only insurance business brand awarded the "China Pride" ("中國驕傲") brand. Our "PICC" brand was also recognized as the "National Brand of China's Insurance" ("保險業民族品牌") in the first "China's Insurance Brands Competitiveness Summit" jointly sponsored by www.jrj.com.cn, Securities Daily and University of International Business and Economics in 2011. We have provided insurance services to many high-profile events in the PRC, which further promoted our brand recognition in both the domestic and overseas markets. For example, we were the sole domestic insurance partner of the 2008 Beijing Olympic Games, the sole global insurance partner of the 2010 Shanghai World Expo and the sole insurance partner of the 2010 Guangzhou Asian Games. Moreover, our highly recognizable "PICC" brand and the customers' trust that we have established have enabled us to obtain the opportunity to provide insurance services for a number of important infrastructure projects in the PRC and obtain large-scale Government-entrusted Business.

Our "PICC" brand is highly recognizable in the PRC and is reputable in the international insurance industry. We commenced international business and reinsurance cooperation with major well-known international reinsurance institutions in the 1950's. As of June 30, 2012, we had cooperated with Munich Reinsurance Company for more than 50 years and Lloyd's of London and Swiss Reinsurance Company for approximately 40 years.

We believe that as a result of our history and leading industry position, our "PICC" brand is an important asset that cannot be easily replicated by our competitors.

We are an integrated insurance financial group focusing on our core business, occupying a leading position in the rapidly developing Chinese insurance market

Despite having undergone various restructurings, we have been the largest P&C insurance company in the PRC and have maintained a leading position[1] in the PRC insurance industry since our inception in 1949. Since 2007, following the trend of diversifying operations of insurance companies, we have implemented a new development strategy to develop into an integrated financial insurance group with businesses in P&C insurance, life and health insurance, asset management and insurance brokerage, and strategic investments in banking and trust, achieving rapid development by leveraging the leading starting position we enjoy in the PRC P&C insurance market. Our total assets increased at a CAGR of 38.2% from December 31, 2009 to December 31, 2011, which was 16.6 percentage points higher than the CAGR of total assets of the PRC insurance industry as published by the CIRC during the same period. From 2009 to 2011, our TWPs increased at a CAGR of 22.6%, which was 3.4 percentage points higher than the CAGR of aggregate TWPs of the PRC insurance industry published by the CIRC during the same period. From 2009 to 2011,

1 In terms of Original Premiums Income.

the profit attributable to equity holders of PICC Group increased at a CAGR of 116.3%. In 2010, we participated for the first time in the *Fortune* Magazine Global 500 and ranked 371st. Our ranking rose to 292nd in 2012. We were awarded Excellence (Class A Grade AAA), the highest rating, in the 2011 performance evaluation conducted by the MOF in 2012.

According to data published by the CIRC, we ranked first among all PRC P&C insurance companies in the six months ended June 30, 2012, in terms of Original Premiums Income with a market share of 36.0%, larger than the combined market share of the second through fourth largest PRC P&C insurance companies. According to data published by Annual Report of China Insurance Market (2012) (2012 中國保險市場年報), our market share in terms of underwriting profit among PRC P&C insurance companies reached 46.9% in 2011, which is 10.6 percentage points higher than our market share in terms of Original Premiums Income among PRC P&C insurance companies. According to data published by the CIRC, the TWPs of our life and health insurance businesses grew at a CAGR of 122.3% from 2006 (the first full year of operation for our life and health insurance businesses) to 2011, which is 100.2 percentage points higher than the 22.1% CAGR of the aggregate TWPs of the PRC life and health insurance companies during the same period, ranking first among all life and health insurance companies in the PRC which were established on or before December 31, 2005. According to data published by the CIRC, our market share in terms of TWPs among PRC life and health insurance companies grew from 0.43% in 2006 to 8.65% in the six months ended June 30, 2012, and our ranking among PRC life and health insurance companies rose rapidly from eleventh in 2006 to third in the six months ended June 30, 2012. Our life and health insurance businesses achieved profitability in 2009, the fourth full year after the commencement of operations. As of December 31, 2011, the cumulative profits of our life insurance business surpassed its cumulative losses. According to data published by the CIRC and the websites of relevant insurance companies, as of December 31, 2011, PICC Life was the only company whose cumulative profits have surpassed its cumulative losses among the 8 PRC life and health insurance companies established in 2005. In the six months ended June 30, 2012, the net profits of PICC Life were RMB912 million, exceeding its net profits in each of 2009, 2010 and 2011. In 2010, 2011 and the six months ended June 30, 2012, PICC Life ranked second among all PRC life and health insurance companies in terms of the TWPs generated from new insurance policies.

As a leading provider of insurance and financial products and services in the PRC, leveraging our leading positions in the P&C and life and health insurance markets, and the synergies among our various business lines, we believe that we are well-positioned to continue to benefit from the significant growth potential in the PRC insurance markets and create value for our shareholders.

We have a strategically balanced business structure, an extensive nation-wide distribution and service network and a wide customer base, contributing to our ability to achieve rapid development in business and stable growth in profits

Since 2007, we have developed a strategically balanced structure between our P&C and life and health insurance businesses. As of December 31, 2011, we were the only PRC insurance company whose P&C insurance business assets and life and health insurance businesses assets both exceeded RMB250 billion, with the assets of our P&C insurance business and life and health insurance businesses accounting for 45.6% and 50.8% of our total assets, respectively. As of June 30, 2012, the assets of our P&C insurance business and life and health insurance businesses accounted for 44.7% and 53.8% of our total assets, respectively. According to data published by the CIRC, we were also the only PRC insurance company that generated TWPs of over RMB90 billion from each of the P&C insurance business and the life and health insurance businesses in 2011, with TWPs of our P&C insurance business and life and health insurance businesses accounting for 64.8% and 35.2% respectively of our total TWPs. In the six months ended June 30, 2012, TWPs of our P&C insurance business and life and health insurance businesses accounted for 63.8% and 36.2% of our total TWPs, respectively. We believe that P&C and life and health insurance businesses feature different growth drivers, risk profiles and profitability cycles. As a result, we expect our business structure which reflects a strategic balance between our established P&C insurance business and our rapidly developing life and health insurance businesses will position us to benefit from both the relatively steady profits in the PRC P&C insurance market and the continued growth of the PRC life and health insurance market, and diversify and offset business risks associated with any single insurance business and increase cross-selling opportunities.

We have a nationwide and extensive distribution and service network and a wide customer base. As of June 30, 2012, our distribution and service network covered substantially all of the prefecture-level cities and counties in the PRC. As of June 30, 2012, our P&C insurance business had a distribution and service network in the PRC comprised approximately 13,400 branches and sales and service outlets, an in-house sales force of approximately 37,200 persons, approximately 169,300 individual insurance agents, approximately 31,500 insurance agencies and approximately 900 insurance brokers. As of June 30, 2012, our life and health insurance businesses had a distribution and service network comprised approximately 2,200 branches and sales and service outlets, a bancassurance network consisting of approximately 108,700 branches of commercial banks, rural credit cooperatives and PSB, approximately 21,900 bancassurance managers, approximately 120,400 individual insurance agents, a group sales force of approximately 10,800 persons, approximately 14,200 cross-selling specialists and approximately 2,000 branches and outlets of insurance agencies and brokers. Benefiting from our extensive distribution and service network, we have developed a wide customer base comprising approximately 130 million individual insurance customers and approximately 2,416,000 institutional insurance customers as of June 30, 2012.

We believe the County Areas market will become one of the new growth engines for the PRC insurance industry as such areas increasingly urbanize and industrialize and average income rises in these areas. Due to demographic and geographic features of the County Areas, insurance companies need strong distribution and service networks to capture business opportunities there. Concurrent with our active development of the Urban Areas market, we have established an extensive distribution and service network and a strong customer base, and achieved a high market penetration rate in County Areas by leveraging our well-recognized brand and local government resources. As of June 30, 2012, 56.7% (approximately 8,800) of our branches and sales and service outlets were in County Areas, and 51.5% (approximately 87,100) of the individual insurance agents of our P&C insurance business and 63.2% (approximately 76,000) of the individual insurance agents of our life and health insurance businesses were located in County Areas. We also established approximately 23,300 "Sannong" sales service stations and "Sannong" insurance service stations in the rural areas. With the goal of creating a "one brand, one sales outlet, multiple services" network in the County Areas, we are actively promoting joint development and sharing of distribution and service outlets and sales forces across P&C and life and health insurance businesses in the County Areas and seeking to establish a comprehensive service network. Original Premiums Income from our P&C insurance business in the County Areas increased at a CAGR of 16.5% from 2009 to 2011 and reached RMB69,529 million in 2011 and RMB43,802 million in the six months ended June 30, 2012, representing 40.1% of the aggregate Original Premiums Income from our P&C insurance business in the PRC in 2011 and 43.4% in the six months ended June 30, 2012, respectively. TWPs from our life and health insurance businesses in the County Areas increased at a CAGR of 187.3% from 2009 to 2011 and reached RMB31,640 million in 2011 and RMB23,570 million in the six months ended June 30, 2012, representing 33.6% of the aggregate TWPs from our life and health insurance businesses in 2011 and 41.2% in the six months ended June 30, 2012, respectively. We believe our extensive distribution and service network and reputation in the County Areas are competitive advantages that our competitors will find difficult to match.

We have the capability to synchronize our business growth with the overall economic and social development of the PRC and develop innovative business models in response to such development

In recent years, the PRC Government has attached great importance to optimizing its public service system and enhancing the allocation efficiency of its fiscal resources by utilizing commercial insurance. In this context, we have actively synchronized our business growth with the overall economic and social development of the PRC, identified the markets in which our business development fits the governmental policy needs and formulated strategies to capture the substantial opportunities in such development by utilizing our "PICC" brand, sound working relationships with local governments established over the years, nationwide distribution and service networks and strong product development and service capabilities.

We seized the growth opportunities in the PRC Government's policies supporting the development of Sannong by actively exploring the new models for agricultural insurance business, developing agricultural insurance products and services supported by fiscal policies of the PRC Government and continuously expanding coverage of insurance in rural areas. According to premiums data published by the *Yearbook of China's Insurance* (中國保險年鑒), we had a market share of more than 50% in the PRC agricultural insurance market for all three years from 2008 to 2011 and attained a dominant position in that market.

Since 2007, we have pioneered the "Changde Model" ("常德模式") as a new model for developing agricultural insurance business by taking advantage of insurance premium subsidy policies introduced by the central government of the PRC. The Changde Model enables us to have full access to customers' information, which lays a solid foundation for joint promotion of our commercial insurance products and agricultural insurance business, and enables us to save business development costs, market our products through a uniform brand and enhance our market reputation. In 2011 and the six months ended June 30, 2012, we achieved approximately 118.16 million and 70.41 million customer sales of agricultural insurance, respectively, and the number of the insured of our rural housing insurance reached approximately 62.56 million and 58.05 million households, respectively. We obtained information of these customers, which constitutes invaluable resources for follow-on development of commercial insurance business in the rural areas of China.

We captured business opportunities from the reform of the health care system by the PRC Government, and we have proactively participated in the establishment of the health care system in China and have developed a new business model of health insurance represented by Government-entrusted Business. Since 2009, through cooperation with the local government, we pioneered the "Zhanjiang Model" ("湛江模式") as a new model for developing Government-entrusted Business. Under the Zhanjiang Model, we significantly improved our risk control and customer service capabilities by continuously strengthening our cooperation with basic medical care centers and hospitals designated for medical insurance, developing proprietary "Social Security Express" ("社保通") and "Medical Care Express" ("醫保通") systems and achieving data sharing with approximately 1,300 medical institutions designated for medical insurance as of June 30, 2012. We have also designed targeted products and services through categorizing customers and conducted follow-on marketing and sales. From 2009 to 2011, our TWPs from commercial insurance products sold to our Government-entrusted Business customers at Zhanjiang City increased at a CAGR of 35.4%, higher than the CAGR of our TWPs from Government-entrusted Business at Zhanjiang City during the same periods, which is 30.1%. Based on the "Zhanjiang Model", in 2011, we localized such model in Taicang City, Jiangsu Province, and further developed a new opportunity for Government-entrusted Business in developed areas. The Taicang Project follows the policy of "effective improvement of protection against critical-illnesses by proactively developing and utilizing basic medical insurance funds to purchase commercial critical-illness insurance or provide supplemental insurance" as indicated in the Plan and Implementation Scheme to Further Reform the Medical and Health System during the 12th Five-year Plan Period ("十二五"期間深化醫藥衛生體制改革規劃暨實施方案). The Taicang Project enables us to seize the opportunities offered by this policy and obtain a first-mover advantage to help further expand the market share of our Government-entrusted Business. Our Government-entrusted Business had expanded to 126 prefecture-level cities in 24 provinces, autonomous regions, municipalities and specially-designated cities in the state plan (計劃單列市) as of June 30, 2012, and had approximately 56 million and 57.3 million insured in 2011 and the six months ended June 30, 2012, respectively. In 2011 and the six months ended June 30, 2012, TWPs from our Government-entrusted Business were RMB2,711 million and RMB2,881 million, respectively.

We believe that through innovative business models we have obtained an advantageous competitive position in businesses supported by fiscal policies of the PRC Government and in Government-entrusted Business. This advantageous position lays a solid foundation for strengthening our cooperation with local governments and obtaining additional resources for our insurance business. Our reputation in these businesses provides us with important advantages for rapid, cost-effective expansion in County Areas. Additionally, we have accumulated a large number of customers through our operation of businesses that are supported by fiscal policies of the PRC Government and Government-entrusted Business. We believe the customer information we have obtained constitutes an invaluable resource for the development of commercial insurance business, and provides us with substantial opportunities to carry out follow-on and in-depth development of potential customers and cross-selling. Benefiting from our capability to synchronize our growth with the overall economic and social development of the PRC, we believe we can seize the substantial business opportunities from the transformation of mechanisms utilized by the PRC Government to develop the economy, serve society and provide support to public welfare, and create value for our shareholders.

We have implemented efficient management at the PICC Group level to effectively improve synergies among different business lines and improve our overall operational efficiency

We perform strategic planning and decision-making at the PICC Group level. We have sought to formulate our development strategy based on our advantages and characteristics and have implemented that strategy within our group-subsidiary corporate governance framework. We have strengthened the management of various business lines through strategic planning, capital management, human resource management, financial management, information technology systems, risk management and brand management. For example, we have established an information technology development committee at the PICC Group level, which is responsible for formulating Group-wide information technology development plans and coordinating and supervising their implementation; we have established a risk management and compliance committee at the PICC Group level, which is responsible for formulating and improving risk management policies and procedures and monitoring, identifying, evaluating and effectively managing risks of the entire Group. Furthermore, we have adopted comprehensive budget management and implemented rigorous procedures with respect to budget planning, financial reporting and performance review.

We strive to maximize synergies across different business lines within the Group and improve our overall operational efficiency through strengthening group management and improving resources sharing:

- At the PICC Group level:
  - — we manage and promote our "PICC" brand in a centralized and uniform manner, which provides strong brand support for the rapid development of our existing business and our expansion into new business areas;
  - — as of June 30, 2012, we had entered into strategic cooperation agreements with twelve provincial governments, as well as comprehensive cooperation agreements with the head offices of China Development Bank, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of China and Bank of Communications. These cooperation agreements establish a platform for comprehensive and in-depth cooperation between our subsidiaries and local governments and local branches of those major banks; and
  - — we have established a uniform information technology platform at the PICC Group level and have established a backbone network accessible by our major subsidiaries, which provide strong support for business development of these subsidiaries. The South Information Center was completed in April 2011 and is currently operational. We are the first state-owned insurance group in the PRC to have a large-scale, group-level information center.
- At our subsidiaries level:
  - — we carry out senior management rotation at our subsidiary headquarters level; we also assign senior management of provincial branches of our P&C insurance business to senior management posts of provincial branches of our life insurance business on a temporary basis and vice versa, which we believe has promoted interaction and cooperation between our P&C and life and health insurance businesses;
  - — our life and health insurance businesses leveraged the resources of our P&C insurance business and rapidly expanded their distribution network at a relatively low cost at their initial stage of establishment. Our P&C and life and health insurance businesses are now actively establishing joint sales branches and outlets in rural areas; and
  - — our asset management business has provided investment yields above liability costs for our rapidly accumulated insurance funds in recent years, and has actively pursued high-quality debt and equity investment opportunities by utilizing the customer base of our insurance business and expanded businesses of enterprise annuity and third-party entrustment; our insurance business has strengthened strategic cooperation with commercial banks and important customers through utilization of insurance funds and achieved synergies between our insurance business and asset management business.

In addition, as an example of synergies generated by our group operations, we have established a strong cross-selling system across different business and product lines. TWPs from cross-selling increased from RMB5,691 million in 2009 to RMB10,586 million in 2011, representing a CAGR of 36.4%. In the six months ended June 30, 2012, TWPs from our cross-selling were RMB8,414 million. In 2009, 2010, 2011 and the six months ended June 30, 2012, approximately

229,000, 791,000, 1,454,000 and 1,767,000 of our policyholders, respectively, purchased at least two of our three primary types of insurance products, namely P&C insurance, life insurance and health insurance products, and the average number of policies they purchased in those periods was approximately 3.42, 3.74, 3.86 and 4.21, respectively.

We have strong professional technical skills and product and service innovation capabilities

We believe we have developed industry-leading expertise and experience in underwriting, claims settlement, reinsurance and other aspects of our business, particularly in insurance for properties of large-scale enterprises, aerospace and civil aviation, energy, hull and construction projects. Leveraging our professional capability to provide insurance protection, we have underwritten and provided customized insurance products for many complex projects in the PRC, including the Three Gorges Dam Project, the West-to-East Gas Pipeline Project and the South-to-North Water Diversion Project. Due to advantages from our industry-leading professional knowledge and experience, we have also participated in the formulation of important industry policies and standards at the invitation of the CIRC and the Insurance Association of China.

We have strong product development and innovation capabilities. As of June 30, 2012, we offered more than 1,300 P&C insurance products and more than 270 life and health insurance products. In the China Insurance Innovation Prizes ("中國保險創新大獎") sponsored by *Insurance Culture* magazine and several other organizations, PICC P&C has received the most awards among all P&C insurance companies in the PRC in each year from 2006 to 2011. We were among the first PRC insurance companies to provide motor vehicle insurance customers with innovative services in the PRC such as "one hour claims processing" and free rescue for motor vehicle breakdown. We believe our "Selective Term Life Insurance" ("精心優選定期壽險") is the first term life insurance product in the PRC that categorizes the insured based on their health conditions. It divides the insured into smokers and non-smokers, and adopts diversified criteria to sub-divide smokers into two sub-categories and non-smokers into four sub-categories and subjects the insured of different categories to different premium rates. Our Golden Tripod Prosperity Endowment Life Insurance (Participating) ("金鼎富貴兩全保險(分紅型)") was recognized as one of the Top Ten Wealth Management Products in 2009 ("2009中國十大最佳理財產品") in the "2009 Top Insurance Products List for Millions of Middle Classes in China" ("2009中國百萬中產家庭首選保險品牌榜") sponsored by *Wealth Management Weekly* (理財週報). We provide health management services with four key components: Chronic Disease Management ("慢性病管理"), Diagnosis and Treatment Green Channel ("診療綠色通道"), Family Doctor ("家庭醫生") and Cross-region Hospital Transfer ("異地轉診"). Through our health management services, we help our customers utilize scientific ways to improve their health, decrease disease incidence and lower medical expenses, all contributing to customer loyalty enhancement. Our "Healthy Life Individual Nursing Care Insurance (Universal) (D Series)" ("健康人生個人護理保險 (萬能型，D款)") was recognized as the "Most Influential Insurance Product" in 2011 at the fifth China Insurance Innovation Prizes ("中國保險創新大獎") sponsored by *Insurance Culture* magazine and several other organizations.

We have an industry-leading asset management platform and have undertaken strategic planning in the non-insurance financial areas

We have established a centralized, professional and industry-leading asset management platform and possess a professional investment team consisting of 376 persons. We believe PICC AMC is one of the most innovative insurance asset management companies in the PRC with one of the most comprehensive investment capabilities. For example, we were one of the first insurance asset management companies to meet the "satisfaction of credit risk management capabilities (allowed to invest in non-guaranteed bonds)" standards (符合信用風險管理能力標準) (可投資於無擔保債券). We were also one of the first insurance asset management companies to offer insurance asset management products such as infrastructure debt investment plans. We obtained the qualification to manage enterprise annuity in 2007 and have provided insurance fund management services for several other PRC insurance companies. In addition, we carry out professional real property investments through PICC Investment and carry out non-transaction business such as equity and debt investments through PICC Capital. Our total investment yields were 5.42%, 5.18%, 3.63% and 4.47% (annualized)[(1)] in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively.

Through prudent financial investments, we have made strategic planning in the non-insurance financial areas, so as to expand and deepen our cooperation with non-insurance financial institutions such as banks and trusts and provide more diversified and comprehensive insurance financial services to our customers. We are the largest shareholder of China Credit Trust in which we hold a 32.92% equity interest. According to the Almanac of China's Trustee (中國信託業年鑒) (2010-2011), as of December 31, 2010, China Credit Trust ranked fourth among all trust companies in the PRC in terms of value of trust assets under management. In 2011, the return on average net assets of China Credit Trust was 17.2%.

We believe that banking is strategically important for our business expansion into wealth management. As a financial investment, we entered into an agreement with Industrial Bank Co., Ltd. ("Industrial Bank") in March 2012 and sought to become its second largest shareholder by purchasing approximately 10.87% of its shares utilizing our insurance funds. Our purchase was approved by the board of directors and the shareholder's meeting of Industrial Bank in March and April 2012, respectively, and was approved by the CBRC in June 2012, but is still subject to approval by the CSRC. As of December 31, 2011, the total consolidated assets of Industrial Bank ranked 9th among all listed banks in the PRC. In 2011, the return on average net assets of Industrial Bank was 24.6%.

We believe our professional asset management platform and strategic planning in the non-insurance financial areas will provide us with stable investment returns exceeding our liability costs. In addition, we believe we can continue to benefit from the significant growth potential of the PRC insurance and financial markets through deepening cooperation with non-insurance financial institutions, expanding customer resources, improving our ability to provide comprehensive services and realizing synergies among various business lines.

We have an experienced and insightful management team

We have an experienced, entrepreneurial and insightful management team with an extensive track record in the PRC insurance industry. Members of our senior management have an average insurance and finance industry experience of approximately 20 years. Our chairman, Mr. WU Yan, graduated from the Chinese Academy of Social Sciences with a doctoral degree in national economics. Mr. Wu has more than 25 years of management experience and has worked with both local governments and national financial regulatory authorities. He was previously the president of China Life Insurance Company Limited, the largest life insurance company in the PRC in terms of TWPs and the president of China Life Asset Management Company Limited, the largest insurance asset management company in terms of entrusted assets in the PRC, and is currently the chairman of PICC P&C, the largest P&C insurance company in the PRC in terms of Original Premiums Income.

(1) For convenience only, the total investment yield presented in the six months ended June 30, 2012 is an annualized amount derived by multiplying by two the actual total investment yield in the six months ended June 30, 2012, is not intended to be representative of what the investment yield will be for the 12 months ending December 31, 2012 and is not comparable to the total investment yield in the 12 months ended December 31, 2009, 2010 and 2011.

Mr. Wu is also the only director from China of the Geneva Association. Our senior management have in-depth knowledge of insurance operations and management and through their working experience with us or in other financial institutions have gained an insightful understanding of the PRC macro-economic environment and insurance industry.

Members of our senior management team also have a successful track record, including the listing of PICC P&C on the Hong Kong Stock Exchange in 2003, the establishment of PICC AMC in 2003 as the first insurance asset management company in the PRC, the establishment of PICC Health in 2005 as the first insurance company in the PRC specializing in health insurance, significant investments in our information technology, a focus on risk management, internal control and compliance, the early identification of business opportunities from the PRC's social and economic transition, our conversion into the first joint-stock limited company among all state-owned insurance groups under the direct supervision of the central government in the PRC and our significant development in terms of revenue, total assets and overall corporate value during the Track Record Period. We believe our track record reflects our senior management's strategic vision and proactive approach in adapting to the changing market environment and ability to lead an integrated large-scale insurance financial group.

OUR STRATEGIES

Our strategy is to "insist on two emphases and implement four strategic initiatives to achieve one strategic objective."

"One strategic objective" refers to building ourselves into an international leading insurance financial group with solid comprehensive capabilities, outstanding profitability, efficient operations and preeminent services, by reinforcing the growth of the P&C insurance business as the foundation of our business, rapidly developing the life and health insurance businesses to revitalize our business, and expanding asset management and capital operation, and reward our shareholders with stable and competitive returns.

- "**Solid comprehensive capabilities**" refers to maintaining the momentum of rapid development of our business, solidifying our position as the P&C insurance company with the largest market share in the PRC, further enhancing the market position of our life and health insurance businesses and developing ourselves into an asset management expert trusted by wealth management customers;
- "**Outstanding profitability**" refers to following the aim of achieving higher profits, building a profit-generating model driven by both underwriting profits and investment income, significantly increasing the profits generated by our life and health insurance businesses and striving to consistently achieve investment yields above industry average;
- "**Efficient operations**" refers to significantly improving our Group-wide operational efficiency by further improving our corporate governance, completing the construction of our centralized information technology center featuring redundant back-up across the South and North Information Centers, continuously improving resource-sharing mechanisms across business lines with respect to distribution channels, customers, brand and information technology, and achieving industry-leading sharing of resources and coordination of business lines; and
- "**Preeminent services**" refers to continuously improving the structure of our strategic investments in the financial industry, establishing a Group-wide, complete and accurate customer database and building up a service model featuring "one brand, one platform, resources sharing and efficient synergistic operations" and forming an industry-leading insurance financial service system.

"Insist on two emphases" refers to emphasizing the development of both insurance and wealth management businesses, and expansion in both the Urban Areas and the County Areas.

- **To emphasize the development of both insurance and wealth management businesses** refers to upgrading insurance products and service models, further strengthening competitive advantages of our insurance business as our core business, promoting business line diversification by pursuing synergistic operations between our insurance business and other business lines, proactively making strategic investments in the wealth management business, extending the service chain of insurance business, actively expanding the third-party asset management business, optimizing our investment structure in both the insurance and non-insurance financial industries, constructing a business model featuring synergistic operations of insurance and wealth management businesses, and providing the best insurance and wealth management services to the widest customer base in the PRC; and

- **To emphasize expansion in both the Urban Areas and the County Areas** refers to, on one hand, solidifying our competitive advantages in the Urban Areas by building on our extensive distribution and service network, pursuing in-depth development of the institutional customer business and constructing an operational model adapted to the dispersed nature of business in urban communities, while, on the other hand, increasing market development efforts in the County Areas from a strategic perspective, developing a County Areas business development model guided by insurance businesses in rural areas supported by fiscal policies of the PRC Government and based on our comprehensive service platform in the rural areas, so as to continuously capture substantial business opportunities from and strengthen our first-mover advantages in the County Areas.

"Four strategic initiatives" refers to strategic initiatives with respect to integrated and synergistic operations, differentiated competition, detail-oriented management and establishment of an insurance financial group with comprehensive products and services.

- **Integrated and synergistic operations**. We plan to further improve our group operations, enhance resource allocation efficiency and continuously enhance coordination and synergistic operations by continuously promoting integration of sales resources, information technology platform, investment and fund raising, brand building and risk management across all of our business lines. Specifically, we plan to:

  — **Promote the development of an integrated distribution platform.**

  Following our customer-centric sales philosophy, we plan to continuously promote the integration of distribution and sales resources, increase efforts to fully utilize existing customer resources, enhance revenue contribution of cross-selling, promote the joint development and sharing of the bancassurance channel by both our P&C insurance and life and health insurance businesses, promote the joint development and sharing of distribution and sales forces in the County Areas by both our P&C and life and health insurance businesses, achieve the sharing of Internet and telephone sales channels across all business lines, construct our comprehensive customer service interface and finally achieve "one sales outlet, multiple services;"

— **Promote the development of an integrated information technology platform.**

We set "integration and centralization" as the aim for the development of our information technology platform. We plan to complete the construction of the North Information Center in the near future, which, working together with the South Information Center, will constitute our information data storage center and back-up center during disasters, centrally allocate resources of our software and hardware systems, establish a uniform information technology maintenance system, and achieve centralization of data processing and back-office operations on a Group-wide basis, so as to provide solid support for distribution channel integration, in-depth exploitation of customer resources, business innovation and development of advanced business models;

— **Promote the development of an integrated investment and financing platform.**

We plan to strengthen our capability to provide capital support to all business lines by establishing an integrated equity financing platform serving the Group. At the PICC Group level, we plan to further improve our integrated asset allocation and significant investment decision-making mechanisms, centrally determine our overall asset liability management strategies, supervise and manage risk exposure with respect to assets and liabilities of the entire group and enhance investment returns on the basis of sound risk management;

— **Promote the development of an integrated brand management system.**

We plan to further solidify the status of our "PICC" brand as the Group's core brand, expend more effort on uniform brand management, brand standardization and centralized brand promotion, further improve investment mechanisms for brand promotion, establish a brand promotion system which integrates centralized promotion at the PICC Group level and individualized promotion by each business line, promote our brand through various channels in differentiated ways, and continuously enhance the reputation and credibility of our "PICC" brand; and

— **Promote the development of a fully integrated risk-management system.**

We plan to continue to formulate Group-wide and integrated risk management policies, establish multi-tier decision-making mechanisms for risk management and clear reporting channels, optimize risk alert and dynamic risk monitoring mechanisms, promote the integration and vertical management of internal control systems including audit and supervision, reinforce compliance evaluation and accountability mechanisms, and continuously improve our risk management and compliance capabilities.

- **Differentiated competition**. We plan to further enhance our specialization level and strengthen and improve our competitive advantages by implementing differentiated marketing, product and service, distribution and investment strategies. Specifically, we plan to:

— **Implement differentiated marketing strategies based on different characteristics of Urban Areas and County Areas.**

In Urban Areas we plan to further develop our professional distribution team and strengthen our advantages in corporate customer business, steadily increase the number of individual insurance agents and enhance their productivity, strengthen strategic cooperation with key businesses in the industry value chain such as motor vehicle manufacturers and dealers, banks and hospitals, and construct differentiated operational models adapted to the dispersed nature of business in urban communities, so as to solidify our competitive advantages in the Urban Areas; and

In County Areas we plan to actively develop insurance businesses supported by fiscal policies of the PRC Government such as agricultural insurance and rural housing insurance, and through these businesses further develop commercial insurance businesses such as motor vehicle insurance, pension and health insurance and capitalize on substantial business opportunities from increasing consumption in County Areas resulting from increasing urbanization; we also plan to devote more effort on training and management of our sales force in the County Areas and establish a multi-functional sales force serving the joint business development by our P&C and life and health insurance businesses, so as to further improve our capabilities of joint business development and in-depth exploitation of customer resources in the County Areas.

— **Implement differentiated product and service strategies based on customer needs.**

With respect to P&C insurance business — further improve our pricing capabilities for motor vehicle insurance products and fully utilize our pricing expertise by using the reforms of terms and premium rates of motor vehicle insurance as a business development opportunity; further optimize customer demand management for medium- and large-scale enterprises, provide packaged services, and make the transition from merely providing insurance products to providing overall risk protection solutions; integrate product research and development resources and develop products specially designed for particular distribution channels or for individual customers and small- and medium-size enterprises; responding to demand arising from social and economic transformation in the PRC, develop agricultural insurance and other P&C insurance products supported by fiscal policies of the PRC Government while maintaining profitability, provide liability insurance products consistent with the establishment of a public safety system in the PRC and develop small-sum insurance products suitable to customer needs in rural areas; and

With respect to life and health insurance businesses — increase efforts to retain existing bancassurance customers and further improve the persistency ratio of the bancassurance channel, continue to promote insurance products meeting customer preferences, further develop pension and long-term care insurance products to satisfy the needs of the aging population, continuously develop Supplemental Basic Medical Care Insurance, further promote the Zhanjiang Model, and improve customer loyalty and satisfaction by categorizing customers, proper pricing and differentiated service.

— **Implement differentiated distribution channel development strategies and maximize efficiency of each channel.**

With respect to P&C insurance business — focus on establishing professional distribution teams, and maintain and enhance the professional capabilities and skills of the direct sales team; strengthen the management and operation of the insurance agent channel, and enhance our capabilities to manage and utilize such channel; reinforce the development of new distribution methods such as telephone sales and Internet sales, and capture opportunities from the rapid growth of the individual insurance business;

With respect to life insurance business — solidify the "main-channel" status of bancassurance by improving productivity of existing sales outlets, increasing the number of cooperating outlets and enhancing the capabilities of our bancassurance outlets to offer complex products; increase both the number and productivity of individual insurance agents by strengthening training and back-office support, as well as designing differentiated management and evaluation mechanisms; improve the average productivity of the direct sales channel and capture more institutional customer business by promoting systematic training;

With respect to health insurance business — insist on the professional management philosophy of "health insurance plus health management," and further develop commercial health insurance business based on Government-entrusted Business and developing risk and health management platforms through cooperation with local governments; attach great importance to the development of long-term regular premium products with higher embedded value and short-term products with higher profitability, prudently expand bancassurance business, and maintain appropriate product and service structure, so as to achieve sound profitability; and

— **Implement differentiated investment strategies by following basic principles of asset liability management** — reinforce the professional investment capabilities of our asset management, and real property and equity and debt investment platforms, cultivate a high-quality and professional investment research team, continue to guide asset allocation by advanced asset liability management principles, fully integrate insurance product design with insurance assets management based on characteristics of different insurance liabilities, capture business opportunities from basic infrastructure, real property, private equity, bank financing products, trust plans and financial derivatives, and strive to continue to steadily achieve investment yields above liability costs.

- **Detail-oriented management**. We plan to further promote the detail-oriented management of strategy execution, underwriting, claims settlement and cost control, and further improve our business management model, reduce operational costs and enhance overall profitability by centralized management and standardized procedures and internal policies. Specifically, we plan to:

— **Further improve the detail-oriented management of strategy execution** — further optimize mechanisms for the formulation, execution, monitoring and evaluation of management and budget plans on the basis of comprehensive value management systems and by more closely integrating comprehensive planning, budget management and performance evaluation systems; explore the establishment of a dual-benchmark evaluation model which integrates both absolute and relative benchmarks, increase the weight of profit indicators in the overall performance evaluation, and strengthen the incentive mechanisms to promote business performance;

— **Further improve the detail-oriented management of underwriting** — strengthen the establishment of underwriting specialist teams, emphasize the core role of risk selection and pricing capabilities, establish accurate risk-based pricing mechanisms by considering factors such as actuarial estimates, reserves, solvency margin and asset liability management, promote automatic management systems for underwriting, and develop a differentiated, intelligent and accurate underwriting management model, so as to solidify the foundation for profitable underwriting;

— **Further improve the detail-oriented management of claims settlement** — continue to develop our claims adjuster teams, establish a vertical management system for claims settlement in our P&C insurance business, strengthen differentiated authorization management of claims settlement and establish an automatic claims settlement system in our life insurance business, further optimize the medical care risks control mechanisms featuring health management prior to the occurrence of disease, diagnosis and treatment supervision and control during medical treatment, and payment checks after medical treatment in our health insurance business, and further improve our capabilities to provide standardized claims settlement services; and

— **Further improve the detail-oriented management of cost control** — enhance the standardization of key operational procedures in business and financing departments, continuously improve cost control and expense supervision and establish effective cost control and incentive and accountability mechanisms; accelerate the establishment of a centralized and efficient financial service sharing center; establish a uniform procurement platform at the PICC Group level, promote centralized procurement and continuously improve the quality and reduce costs of accounting activities.

- **Establishment of an insurance financial group with comprehensive products and services**. We plan to extend the service chain of our insurance business, expand our third-party asset management business and optimize our strategic planning in both the insurance and non-insurance financial industries, so as to realize business and service diversification by relying on insurance as our core business. We also plan to establish a leading comprehensive financial service system based on our branches, network and customer resources throughout the Urban Areas and County Areas. Specifically, we plan to:

— **Extend the service chain of insurance business** — expand insurance product offerings, expand market share in the enterprise annuity market, actively involve ourselves in the establishment of nursing care institutions for the elderly and medical institutions and make strategic investments in elderly-care and health care industries by utilizing our existing insurance products and customers, and achieve profits and establish new competitive advantages by allocating existing resources into new areas;

— **Selectively expand third-party asset management business** — continuously increase the collection of assets from parties outside the Group as a percentage of our overall asset management business and actively develop forward-looking insurance asset management products and investment portfolio products, so as to realize the diversification of customers and entrusted fund sources; and

— **Optimize strategic planning in the financial industry** — through equity investment and utilization of capital, expand strategic planning in businesses such as banking, securities, investment funds, trust and financial leasing and deepen our involvement in the wealth management business serving the general public, so as to effectively enhance our competitive advantages in providing integrated insurance and financial services, establish an integrated service model featuring "one brand, one platform, resources sharing and efficient synergistic operations" and satisfy the demand for diversified wealth management services.

P&C INSURANCE

Overview

We operate our P&C insurance business through PICC P&C in the PRC and PICC Hong Kong in Hong Kong, in which PICC Group holds approximately 68.98% and 75% equity interests, respectively. According to the periodic reports published by PICC P&C, the net profit from our P&C insurance business attributable to PICC P&C was RMB1,783 million, RMB5,288 million, RMB8,027 million and RMB6,534 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing 89.9%, 99.0%, 99.5% and 99.4% of the net profit from our P&C insurance business in the same periods, respectively. In light of the significance of PRC operations for our P&C insurance business, references to "P&C Insurance" in this section refer to the business and operations of PICC P&C, unless indicated otherwise. We have ranked first among all P&C insurance companies in the PRC since 1949[1]. In 2011 and the six months ended June 30, 2012, according to data published by the CIRC, we had a market share of 36.3% and 36.0%, respectively, among all PRC P&C insurance companies in terms of Original Premiums Income, both larger than the combined market share of the second through the fourth largest P&C insurance companies in the PRC in the same periods. According to data published by Annual Report of China Insurance Market (2012) (2012 中國保險市場年報), our market share in terms of underwriting profit among PRC P&C insurance companies reached 46.9% in 2011, which is 10.6 percentage points higher than our market share in terms of Original Premiums Income among PRC P&C insurance companies. Original Premiums Income from our P&C insurance business was RMB119,464 million, RMB153,930 million, RMB173,553 million and RMB100,911 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 20.5% from 2009 to 2011.

We have comprehensive P&C insurance product lines. As of June 30, 2012, we offered more than 1,300 P&C insurance products covering motor vehicle, commercial property, agricultural, liability, cargo, hull, construction, accidental injury and short-term health, homeowner and special risks. Motor vehicle insurance is our most important P&C insurance product in terms of Original Premiums Income. In 2011, RMB128,032 million or 73.8% of the aggregate Original Premiums Income from our P&C insurance business was from motor vehicle insurance products. In the six months ended June 30, 2012, RMB69,956 million, or 69.3% of the aggregate Original Premiums Income from our P&C insurance business, was derived from motor vehicle insurance products. According to premium income data published by the *Yearbook of China's Insurance* (中國保險年鑒) (2012), we ranked first in each of the major P&C insurance markets in 2011:

P&C Insurance Products	Market Share in 2011
Motor vehicle insurance	37.1%
Commercial property insurance	35.4%
Agricultural insurance	54.1%
Liability insurance	44.0%
Cargo insurance	41.7%
Hull insurance	50.3%
Construction insurance	31.7%
Accidental injury and short-term health insurance	33.2%
Special risks insurance	49.5%

[1] In terms of Original Premiums Income.

We have a recognized brand, strong underwriting capabilities and extensive underwriting experience, and we believe we possess industry-leading insurance expertise in areas such as commercial property of large-scale enterprises, aerospace, civil aviation, energy and construction. As a result, we have underwritten some complex and high profile insurance projects in the PRC and provided customized insurance products. For example, we provided customized insurance solutions and services for the 2008 Beijing Olympic Games, the 2010 Shanghai World Expo, the 2010 Guangzhou Asian Games, the Three Gorges Dam Project and the South-to-North Water Diversion Project.

We had an extensive P&C insurance distribution and service network. As of June 30, 2012, our P&C insurance distribution and service network in the PRC consisted of approximately 13,400 branches and sales and service outlets, an in-house sales force of approximately 37,200 persons, approximately 169,300 individual insurance agents, approximately 31,500 insurance agencies, approximately 900 insurance brokers, and our "4001234567" hotline and e-commerce portal at www.epicc.com.cn. We also distribute our P&C insurance products through cross-selling arrangements with our life and health insurance businesses.

We have a high-quality customer service system and provide superior services to our customers to meet their evolving needs. We utilize our "95518" customer service hotline to provide support to our customers on a 24-hours-a-day, seven-days-a-week basis. Our "95518" hotline received the Ten-year Glorious Achievement of Call Center in China prize ("中國呼叫中心十年輝煌成就獎") awarded by the China Federation of IT Promotion ("中國信息化推進聯盟") in 2012. We believe we had the largest P&C insurance customer base in the PRC. As of June 30, 2012, we had approximately 72,208,000 individual customers and approximately 2,294,000 institutional customers.

We introduced AIG, an internationally recognized insurance company, as a strategic investor in PICC P&C in 2003. AIG is a multinational insurance and financial services group based in the United States of America. According to the Forbes Global 2000 published in 2008, AIG ranked 18th among the world's 2000 largest multinational corporations. In September 2003, PICC P&C introduced AIG as a strategic investor, and both parties entered into a Strategic Investment Agreement and the Technology Assistance and Cooperation Agreement. In August 2004, pursuant to the reinsurance provisions set forth in the appendix to the Technology Assistance and Cooperation Agreement, both parties further entered into a Reinsurance Agreement. Pursuant to these aforementioned agreements, PICC P&C and AIG agreed to carry out in-depth cooperation in the accidental injury and short-term health insurance businesses and conduct comprehensive technology exchange and cooperation in areas such as product development, underwriting techniques and risk control.

We also have in-depth technical cooperation with internationally recognized reinsurance companies such as Munich Reinsurance Company and Swiss Reinsurance Company. Munich Reinsurance Company ("Munich Re"), which was established in 1880 and based in Munich, Germany, engages in two types of insurance business, namely non-life insurance and life insurance, in more than 150 countries worldwide, and it has over 60 reinsurance affiliates and branches. In 2006, Munich Re entered into cooperation agreements with PICC P&C and PICC Health to conduct strategic cooperation in multiple areas. Munich Re is one of the largest reinsurance cooperative partners of PICC P&C, and conducts business with PICC P&C through providing treaty reinsurance and facultative reinsurance for property insurance, construction insurance, hull insurance and cargo insurance. In addition, Munich Re maintains cooperation with PICC P&C with respect to personnel training and risk survey. The Swiss Reinsurance Company ("Swiss Re"), established in 1863 in Zurich, has more than 70 representative offices in more than 30 countries. Swiss Re is one of the leading reinsurance companies worldwide and one of the largest life and health reinsurance company in the world. Swiss Re's core business is providing clients with financial services, such as risk transfer services, risk financing and asset management. The cooperation between PICC P&C

and Swiss Re can be dated back to the 1970's. In 1974, we entered into the first commercial reinsurance agreement with Swiss Re and have since maintained good cooperation. In November 2006, PICC P&C and Swiss Re entered into a strategic cooperation memorandum and established strategic cooperation to achieve mutual benefit. PICC P&C has conducted extensive and in-depth technical cooperation with Swiss Re in areas of risk management system design and catastrophe insurance product development, among others. We believe that any possible termination or discontinuation of our cooperation with AIG, Munich Re or Swiss Re will not have any material impact on our business and operations.

Our P&C insurance business received various recognitions and awards during the Track Record Period, including:

- "The Best Non-life Insurance Companies in Asia" ("亞洲最佳非壽險公司") rated by the Center for Insurance Studies of the California State University, Fullerton on the "Asian Insurance Competitiveness List" ("亞洲保險競爭力排名") sponsored by *21st Century Business Herald* (21世紀經濟報道) and the Financial Research Center of the 21st Century Research Institute (21世紀研究院金融研究中心) in 2010;
- "Transformation • Ten Leading Companies of the PRC Economy in 2010" ("轉型•2010年中國經濟十大領軍企業") in 2011 by the Xinhua News Agency and seven other news press in China;
- "Annual Best P&C Insurance Company" ("年度最佳財險公司") by the "2011 Golden Dragon Prize of the PRC Financial Institutions Gold Medal List" jointly sponsored by *Financial News* and the Institute of Finance and Banking of the Chinese Academy of Social Sciences; and
- "Excellent Post-sale Services Enterprise in 2011" ("2011年度產品售後服務質量優秀企業") by the China Association for Quality Promotion.

P&C Insurance Products

We provide extensive P&C insurance products, covering motor vehicle, commercial property, liability, accidental injury and short-term health, cargo and other P&C insurance. The following table sets forth Original Premiums Income from our P&C insurance business by product for the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
P&C Insurance Product	2009		2010		2011		2012	
	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total
Motor vehicle insurance	85,528	71.6	115,759	75.2	128,032	73.8	69,956	69.3
Commercial property insurance	9,404	7.9	10,363	6.7	11,574	6.7	7,749	7.7
Liability insurance	4,655	3.9	5,441	3.5	6,435	3.7	4,038	4.0
Accidental injury and short-term health insurance	3,886	3.3	4,191	2.7	5,339	3.1	3,575	3.5
Cargo Insurance	2,680	2.2	3,351	2.2	4,028	2.3	2,233	2.2
Other P&C insurance(1)	13,311	11.1	14,825	9.6	18,145	10.5	13,360	13.2
Total	**119,464**	**100.0**	**153,930**	**100.0**	**173,553**	**100.0**	**100,911**	**100.0**

(1) Includes, among other things, agricultural insurance, hull insurance, construction insurance, homeowner insurance and special risks insurance.

During the Track Record Period, the combined ratio of our P&C insurance business decreased from 102.2% in 2009 to 92.4% in the six months ended June 30, 2012. The following table sets forth the loss ratio, expense ratio and combined ratio of our P&C insurance business by product for the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
Item	**2009**	**2010**	**2011**	**2012**
Loss ratio(1)	**69.2%**	**67.4%**	**65.8%**	**61.5%**
Motor vehicle insurance	69.5%	68.2%	68.7%	62.9%
Commercial property insurance	64.4%	66.0%	55.3%	50.2%
Liability insurance	65.2%	62.5%	59.5%	57.3%
Accidental injury and short-term health insurance	78.0%	63.4%	63.2%	57.7%
Cargo insurance	54.0%	48.8%	39.3%	34.2%
Other P&C insurance	71.9%	68.3%	53.7%	64.0%
Expense ratio(1)	**33.0%**	**30.3%**	**28.2%**	**30.9%**
Motor vehicle insurance	32.0%	29.2%	26.9%	31.1%
Commercial property insurance	61.1%	38.2%	40.5%	32.7%
Liability insurance	37.1%	35.9%	33.6%	34.5%
Accidental injury and short-term health insurance	30.3%	35.8%	33.7%	30.5%
Cargo insurance	31.8%	38.0%	34.0%	42.0%
Other P&C insurance	22.1%	30.5%	27.1%	22.8%
Combined ratio(1)	**102.2%**	**97.7%**	**94.0%**	**92.4%**
Motor vehicle insurance	101.5%	97.4%	95.6%	94.1%
Commercial property insurance	125.5%	104.2%	95.8%	82.9%
Liability insurance	102.3%	98.4%	93.1%	91.8%
Accidental injury and short-term health insurance	108.4%	99.2%	96.9%	88.2%
Cargo insurance	85.8%	86.8%	73.3%	76.2%
Other P&C insurance	93.9%	98.8%	80.8%	86.8%

(1) The loss ratio is the ratio of P&C insurance loss incurred and loss adjustment expenses, net of reinsurance covered, to net premiums earned. The expense ratio is the ratio of P&C insurance operating expenses, net of reinsurance commission income, to net premiums earned. The combined ratio is the sum of the loss ratio and the expense ratio. Therefore, a combined ratio below 100% generally indicates an underwriting profit, while a combined ratio above 100% generally indicates an underwriting loss. In sum, the loss ratio, expense ratio and combined ratio are negatively correlated to the underwriting profit.

Motor Vehicle Insurance

According to the *Yearbook of China's Insurance* (2012), Original Premiums Income from motor vehicle insurance was RMB350,456 million in 2011 in the PRC, accounting for approximately 73.3% of the aggregate Original Premiums Income received by all PRC P&C insurance companies in the same year. According to data published by the CIRC, the motor vehicle insurance business in the PRC has experienced rapid growth in the past decade, largely driven by the rapid growth in consumer demand for motor vehicles.

Motor vehicle insurance is our most important P&C insurance product in terms of Original Premiums Income, and includes commercial motor vehicle insurance and compulsory motor vehicle liability insurance. Original Premiums Income from our motor vehicle insurance products was RMB85,528 million, RMB115,759 million, RMB128,032 million and RMB69,956 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 22.4% from 2009 to 2011 and accounting for 71.6%, 75.2%, 73.8% and 69.3% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

We seek to optimize the structure of our motor vehicle insurance business and continuously improve our underwriting standards and risk identification and control capabilities. We have established an underwriting model that classifies customers into different risk categories and have implemented differentiated pricing and resources allocation. These measures have enabled the combined ratio of our motor vehicle insurance business to decrease from 101.5% in 2009 to 94.1% in the six months ended June 30, 2012.

We have adopted a differentiated marketing method for customer acquisition and customer retention. We seek to obtain new customers by expanding our own sales channels, which include telephone sales, online sales and cross-selling, effectively managing third-party sales channels, which include 4S Car Dealerships, and promoting strategic cooperation with automobile manufacturers in the PRC. As of June 30, 2012, we had established close cooperation relationships with approximately 11,200 car dealerships by entering into ancillary agency agreements. The key content of such ancillary agency agreements relate to, among others, the car dealership's obligations under the terms of the agreement to conduct sales of our insurance products as our agent, agent commissions and fees and their payment methods, the principal laws and regulations that are to be followed during the course of an agent's sales, and the methods for terminating the agreement and settling disputes. Typically, these ancillary agency agreements will be terminated upon the expiration of the term of the agreement, based on mutual consent of the parties, or when the car dealership's permit for business or ancillary insurance agency business is revoked. The term of the agreement starts on the date of its execution and lasts for as long as the car dealership's permit for ancillary insurance agency business is effective, but the term usually does not last for more than three years. The aforementioned ancillary agency agreements typically do not include exclusivity provisions. For customer retention, we target to retain existing customers by providing high-quality post-sale services and improving customer satisfaction. In 2009, 2010, 2011 and the six months ended June 30, 2012, the renewal rate of our automobile insurance products continued to increase, reaching 55.2%, 57.8%, 61.4% and 66.9%, respectively.

We are committed to providing innovative motor vehicle insurance products and services. We market our motor vehicle insurance products under the "PICC" umbrella brand, and our sub-brands such as "Noble Life" ("尊貴人生") and "Happiness and Prosperity" ("幸福康莊") were awarded "The Best Motor Vehicle Insurance Product" in 2008 and 2009, respectively, by the "China Insurance Innovation Prizes" sponsored by *Insurance Culture* (保險文化) magazine and several other organizations. In order to improve the accuracy of our pricing and product development capabilities, we research motor vehicle safety. In 2007, we entered into a strategic cooperation agreement with China Automotive Technology & Research Center (CATARC), through which we sponsored and named the C-NCAP Vehicle Safety Crash Test Laboratory, and obtained their crash test data in return. In addition, we publish the *Auto Insurance Expert* magazine to actively provide our customers with information regarding safe driving and motor vehicle insurance.

Commercial Motor Vehicle Insurance

Our major commercial motor vehicle insurance products include loss and damage insurance, theft and robbery insurance, third-party liability insurance, passenger liability insurance, as well as diversified supplemental insurance products. Original Premiums Income from our commercial motor vehicle insurance products was RMB60,506 million, RMB85,181 million, RMB93,818 million and RMB51,268 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 24.5% from 2009 to 2011 and accounting for 70.7%, 73.6%, 73.3% and 73.3% of the aggregate Original Premiums Income from all of our motor vehicle insurance products in the same periods, respectively.

Compulsory Motor Vehicle Liability Insurance

Compulsory motor vehicle liability insurance is required for all motor vehicles in operation in the PRC and covers bodily injury and property damage caused to third parties (other than the insured party or persons in the insured vehicle). We were one of the first PRC insurance companies approved by the CIRC to offer a compulsory motor vehicle liability insurance product. Original Premiums Income from our compulsory motor vehicle liability insurance products was RMB25,022 million, RMB30,578 million, RMB34,214 million and RMB18,688 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 16.9% from 2009 to 2011 and accounting for 29.3%, 26.4%, 26.7% and 26.7% of the aggregate Original Premiums Income from all of our motor vehicle insurance products in the same periods, respectively.

Compulsory motor vehicle liability insurance and third-party liability insurance (as a type of commercial motor vehicle insurance) have similarities in liability coverage, types of claim payments and nature of protection, but also have the following differences:

(a) Compulsory nature. Compulsory motor vehicle liability insurance must be purchased for all motor vehicles, and insurance companies may not refuse to underwrite these policies, delay the underwriting process or arbitrarily terminate the contracts. In contrast, third party liability insurance is carried out through a contract that is voluntarily entered into between both the insured and the insurer.

(b) Different scope of protection. Compulsory motor vehicle liability insurance will cover almost all traffic liability risks, while third-party liability insurance is subject to various liability exemption amounts, exemption rates or exemption grounds.

(c) Difference in pricing. Compulsory motor vehicle liability insurance has uniform terms and uniform basic premium rates nationwide, but third-party liability insurance may have different terms and basic premium rates across different insurers.

On January 11, 2008, the CIRC announced adjustments to premium rates and liability limits for compulsory motor vehicle liability insurance, which became effective on February 1, 2008. Such regulatory changes adversely impacted our financial condition and results of operations. Pursuant to these adjustments, the maximum liability coverage for each accident was increased from RMB60,000 to RMB122,000, and the basic premium rates covering various types of motor vehicles were reduced by 5 percentage points to 39 percentage points depending on motor vehicle type and on the basis of historical premium rates of in-force policies. This regulatory change has resulted in a decrease in average premiums per policy and an increase in average payment per claim. For further details of this regulatory change and its impacts on us, see the section entitled "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in demand for motor vehicles in the PRC and the continuing change in the implementation of compulsory motor vehicle liability insurance in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects."

To promote the sales of our motor vehicle insurance, we offer car loan surety insurance products to motor vehicle purchasers (the policyholders) who have obtained motor vehicle financing from commercial banks or car financing companies (the insured). If the motor vehicle purchaser cannot repay the purchase loan when it becomes due, we will pay to the insured the unpaid principal and interest and enjoy subrogation rights towards the motor vehicle purchaser according to the terms of the insurance products.

Commercial Property Insurance

Original Premiums Income from our commercial property insurance products was RMB9,404 million, RMB10,363 million, RMB 11,574 million and RMB7,749 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 10.9% from 2009 to 2011 and accounting for 7.9%, 6.7%, 6.7% and 7.7% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our commercial property insurance products primarily consist of basic commercial property insurance, comprehensive commercial property insurance, all-risk commercial property insurance, machine breakdown insurance and business interruption insurance. Our basic commercial property insurance products cover damage to commercial property due to fire, explosion, thunder and lightning, and flying or falling objects. Our comprehensive commercial property insurance products cover damage covered by our basic commercial property insurance products, as well as damage caused by typhoon, hail, floods and certain other natural catastrophes. Our all-risk insurance products cover all risks to commercial property other than those specifically excluded from the policies. Our machine breakdown insurance products cover direct damage resulting from unexpected breakdown in any insured equipment and ancillary equipment. Business interruption insurance covers losses in gross profits resulting from material losses caused by an insured event.

We have extensive experience in providing commercial property insurance, industry-leading expertise and a large customer base, and have established solid customer relationships. We not only provide commercial property insurance services to large- and medium-scale enterprises including a number of state-owned enterprises under the direct supervision of SASAC and subsidiaries of *Fortune* 500 companies in the PRC, but also attach great importance to providing insurance products and services that satisfy the needs of small- and medium-sized enterprises ("SMEs") in the PRC and endeavor to provide them with comprehensive insurance solutions. We seek to develop innovative commercial property insurance products to satisfy the evolving needs of our customers and respond effectively to changing market conditions.

Agricultural Insurance

Original Premiums Income from our agricultural insurance products was RMB6,999 million, RMB 7,058 million, RMB9,430 million and RMB8,159 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 16.1% from 2009 to 2011 and accounting for 5.9%, 4.6%, 5.4% and 8.1% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our agricultural insurance products include crop insurance, livestock and aquaculture insurance and forest insurance, covering losses due to crop or forest damage caused by natural disasters such as rainstorms, fire, hail or wind and death of livestock caused by natural disasters or diseases, and are primarily offered to residents in rural areas and large-scale businesses engaged in the livestock breeding and agroforestry.

Capitalizing on the business opportunities provided by PRC Government policies supporting the development of Sannong, we have actively expanded the agricultural insurance business supported by fiscal policies of the PRC Government. We continue to develop our agricultural insurance products supported by fiscal policies of the PRC Government, and the types of such products increased from 274 as of December 31, 2011, to 328 as of June 30, 2012, which has promoted the increase of Original Premiums Income generated from our agricultural insurance business supported by the fiscal policies of the PRC Government. The Original Premiums Income from our agricultural insurance business in the six months ended June 30, 2012 was equivalent to 86.5% of the full-year Original Premiums Income from our agricultural insurance business in 2011. As of June 30, 2012, we had established approximately 23,300 "Sannong" sales service stations and "Sannong" insurance service stations in the rural areas. According to the *Yearbook of China's Insurance*, we maintained a dominant position in the PRC agricultural insurance market, with our market share remaining above 50% from 2008 to 2011. Considering the features of agricultural insurance, we have established differentiated underwriting and sales strategies, effective risk control policies and mechanisms and sufficient reinsurance arrangements. Since 2007, we pioneered the Changde Model ("常德模式") as a new model for developing agricultural insurance. We established township agricultural insurance offices at each township with crop insurance business in Changde, and devoted significant efforts to establishing agricultural insurance service systems at the township and village levels, which enabled us to achieve household-specific underwriting and claims settlement and successfully address the information asymmetry between the insured and the insurance company in conventional agricultural insurance business. In 2011 and the six months ended June 30, 2012, we achieved approximately 682,000 and 917,000 customer sales of agricultural insurance, respectively, in Changde and we obtained information of these customers, which provides invaluable resources for follow-on development of commercial insurance business in the rural areas of Changde. Through our expansion in the agricultural insurance market, we believe we have established sound working relationships with local governments and numerous rural customers, and thus further improved the awareness of our "PICC" brand, which in turn has facilitated integration of customer resources in the rural areas and provided strong support for future development of our business.

Liability Insurance

Original Premiums Income from our liability insurance products was RMB4,655 million, RMB5,441 million, RMB6,435 million and RMB4,038 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 17.6% from 2009 to 2011 and accounting for 3.9%, 3.5%, 3.7% and 4.0% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

The liability insurance products we offer cover, among others, employer liability, public liability, product liability and professional liability and provide insurance coverage for liabilities of the insured to third parties as a result of negligence or fault. Most of the risks covered by our liability insurance products will expire within the term of the insurance which effectively minimize the long-tail risks.

We have witnessed an increase in demand for our liability insurance in the PRC due to economic development, the increasing sophistication of the legal system and the public's enhanced awareness of legal rights. We have actively developed liability insurance products for transportation, education, tourism and safety of manufacturing operations. For example, we developed practical training liability insurance for vocational schools, which provides insurance coverage for the liability related to injuries and disabilities of vocational school students during practical training. We have also developed a pilot program for industry-wide tourism agency liability insurance in the PRC, which helped the tourism industry manage its liability risks.

Cargo Insurance

Original Premiums Income from our cargo insurance products was RMB2,680 million, RMB3,351 million, RMB4,028 million and RMB2,233 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 22.6% from 2009 to 2011 and accounting for 2.2%, 2.2%, 2.3% and 2.2% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our cargo insurance products cover losses or damage of goods transported by vessel, ground transportation, airplane and multi-mode transport during the course of transportation. The major customers are large-scale enterprises with significant logistics and transportation needs. We also provide cargo insurance to SMEs and other customers.

We have introduced an online purchase and policy issuance system for cargo insurance, "E-Cargo," which significantly improves the speed of our response to customer needs, saves customers from time and location constraints and helps customers reduce costs and improve their operational efficiency. We have also responded to the thriving customer needs in the art market in the PRC in recent years by providing insurance services for the packaging, shipment, warehousing and exhibition of art. In addition, we utilize point-of-sale (POS) machines to provide mobile policy insurance services for customers of our comprehensive insurance, insuring their motor vehicles on ferries and their luggage on airplanes, which effectively broadens the channels for business development.

Hull Insurance

Original Premiums Income from our hull insurance products was RMB2,142 million, RMB2,550 million, RMB2,818 million and RMB2,075 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 14.7% from 2009 to 2011 and accounting for 1.8%, 1.7%, 1.6% and 2.1% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our hull insurance products primarily include ocean-going hull insurance, coastal and inland hull insurance, hull construction insurance, container liability insurance, hull repairment liability insurance, and protection and indemnity insurance, which provide insurance coverage for ocean-going as well as coastal and inland vessels. Our major hull insurance customers include large- and mid-scale ocean transportation companies as well as mid-range and small ship owners in regional markets in the PRC.

We have authorized 236 branches to provide hull insurance business as of June 30, 2012, and strive to control operational risks while expanding our business. We have established a hull insurance operations center in Shanghai which provides our customers with professional services with advantages with respect to integration, standardization and information technology systems. We also utilize our operation center in Shanghai to centralize the management of our hull insurance business, control operational risks, stimulate business development and take advantage of favorable tax policies.

Construction Insurance

Original Premiums Income from our construction insurance products was RMB1,727 million, RMB 2,347 million, RMB2,340 million and RMB1,118 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 16.4% from 2009 to 2011 and accounting for 1.4%, 1.5%, 1.3% and 1.1% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our construction insurance products include all-risk construction and erection insurance and construction-related third-party liability insurance products. Construction and erection project damage insurance products provide insurance coverage for damage to construction projects caused by natural catastrophes or accidents. Construction-related third-party liability insurance products provide insurance coverage for third-party bodily injury and property damage caused by the insured construction.

We have extensive underwriting experience in construction insurance and a strong team of construction insurance experts. We provided insurance services for several high-profile projects in the PRC, such as the Hong Kong-Zhuhai-Macau Bridge, South-to-North Water Diversion Project, West-to-East Gas Pipeline Project, Qinghai-Tibet Railway and Beijing-Shanghai High-speed Railway Project, among which we acted as the sole or major insurer for the Hong Kong-Zhuhai-Macau Bridge and South-to-North Water Diversion Project.

Accidental Injury and Short-term Health Insurance

Original Premiums Income from our accidental injury and short-term health insurance products was RMB3,886 million, RMB4,191 million, RMB5,339 million and RMB3,575 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 17.2% from 2009 to 2011 and accounting for 3.3%, 2.7%, 3.1% and 3.5% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively. We record the Original Premiums Income from the accidental injury and short-term health insurance products offered by our P&C insurance business as Original Premiums Income from our P&C insurance business.

The accidental injury and short-term health insurance products offered by our P&C insurance business have a term of one year or less and generally provide a guaranteed benefit in the event of death or disability of the insured resulting from an accident during the policy period or provide for a daily hospital allowance or reimbursement of actual hospital expenses incurred by the insured.

We seek to further develop and utilize our existing customer resources by providing driver's accidental injury insurance product to our motor vehicle insurance customers and achieved Original Premiums Income of RMB89 million, RMB304 million, RMB488 million and RMB254 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 134.2% from 2009 to 2011. We have also pursued in-depth cooperation with AIG for accidental injury and short-term health insurance products and have conducted comprehensive technology exchanges including in product development, underwriting techniques and risk control.

Homeowner Insurance

Original Premiums Income from our homeowner insurance products was RMB1,008 million, RMB1,230 million, RMB1,457 million and RMB985 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 20.2% from 2009 to 2011 and accounting for 0.8%, 0.8%, 0.8% and 1.0% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our homeowner insurance products provide individuals and families with coverage for loss or damage to residential dwellings, interior decorations and fixtures, furniture, home appliances and other household belongings due to fire, explosion, lightning, typhoons, hail, floods, snow, mudslides, landslides, and collision with flying or falling objects. Purchasers of our homeowner insurance policies may also purchase supplemental insurance to cover losses due to theft, pipeline breakdowns and third party liability.

We utilize our professional expertise to develop innovative homeowner insurance products, market these products through new channels and strive to meet the diversified homeowner insurance needs of our customers. In the Urban Areas, we provide a convenient Internet-based homeowner insurance purchase and payment system with our "Homeowner Insurance Express Card" ("家財一卡通"). In the County Areas, we are fully utilizing development opportunities provided by the Sannong-related businesses such as rural housing insurance and public security insurance, and cooperate with local governments to achieve full rural housing insurance coverage in the rural areas of Zhejiang Province, Fujian Province, Guangxi Zhuang Autonomous Region and Guangdong Province.

Special Risks Insurance

Original Premiums Income from our special risks insurance products was RMB1,268 million, RMB1,427 million, RMB1,849 million and RMB843 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 20.8% from 2009 to 2011 and accounting for 1.1%, 0.9%, 1.1% and 0.8% of the aggregate Original Premiums Income from our P&C insurance business in the same periods, respectively.

Our special risks insurance products primarily include civil aviation, aerospace and energy insurance. Our aviation and aerospace insurance products cover damage to commercial aircraft, satellite launches and related properties, as well as liability to third parties for personal injury, death and property loss arising from the negligence of the insured. Our energy insurance products include oil and gas insurance and nuclear power insurance. Oil and gas insurance covers damage to oil and gas exploration and production equipment and related properties, as well as liabilities attributable to the negligence of the insured parties. Nuclear power insurance covers damage to commercial nuclear power plants and facilities and related property, as well as statutory nuclear hazards liabilities of operators of nuclear power plants or facilities for property damage or bodily injury suffered by third parties.

Special risks insurance is typically complex and requires sophisticated knowledge of the relevant industries. Most of our special risks insurance projects are landmark projects in their respective industries in the PRC, and require advanced underwriting expertise and strong comprehensive capabilities. We are the pioneer of special risks insurance in the PRC and underwrote the first insurance policies in the PRC for civil aviation, the aerospace program, the oil industry and the nuclear power industry. Our market share in the PRC special risks insurance market has been greater than 50% in each year from 1974, when we commenced our special risks insurance business, to 2010, which indicates our dominant position in the PRC special risks insurance market.

Product Development and Pricing

Product Development

We seek to strictly comply with regulations promulgated by the CIRC regarding insurance products, and have formulated internal rules and policies for product development and implemented a compliance system for product development management. We centralize product development of our P&C insurance at the headquarters of PICC P&C. The branches of PICC P&C are not permitted to introduce, modify or develop P&C insurance products without prior approval from the headquarters of PICC P&C. We closely follow the changes in market demand and customer preferences to develop new products. The headquarters of PICC P&C designs new products with national market potential and promotes them on a national basis, while the provincial branches design products with regional appeal and submit their design to the headquarters of PICC P&C for approval.

To make our product development more customer-oriented and forward-looking, we have established product development departments at the headquarters and each provincial branch of PICC P&C, which are responsible for the development and promotion of national and regional products, respectively. We are the first P&C insurance company in the PRC to establish product innovation experimental departments at provincial branches. Since 2008, we have established such experimental departments at provincial branches in provinces and municipalities including Beijing, Tianjin, Hebei, Jiangsu, Zhejiang and Shanghai. We utilize these experimental departments to pursue insurance product innovation, product development model innovation, management system innovation and professional talent cultivation, and to expand new business areas through promptly capturing business opportunities and satisfying customer needs. We were the first PRC P&C insurance company to establish an insurance product innovation laboratory. Established in Shenzhen in 2010, we seek to use this laboratory to develop forward-looking products that will lead the industry's development.

Following a "customer-centric, market-oriented" management philosophy, we design our P&C insurance products based on factors such as customer needs, the size of the potential market and the terms of similar products in the market. Once we complete the design for a product, we submit that product to the CIRC for approval or filing. After a new product is approved by or filed with the CIRC, we market that product through our distribution network and evaluate its competitiveness every two or three years. As of June 30, 2012, we offered more than 3,400 national sets of policy provisions of P&C insurance policy and more than 1,700 regional sets of policy provisions of P&C insurance policy.

We continue to improve our product development capabilities and strive to provide innovative products that satisfy the needs of new consumer groups and adapt to changing market conditions. As a result, we believe we are a leader in the development and innovation of P&C insurance products in the PRC. In the China Insurance Innovation Prizes ("中國保險創新大獎") sponsored by *Insurance Culture* magazine and several other organizations, we received the most awards among all P&C insurance companies in the PRC in each year since 2006. Our award-winning products include the Happiness Pathway ("幸福通保") Special Package Insurance, environmental protection liability insurance and technology insurance.

Pricing

Pricing for our P&C insurance products is based on generally accepted actuarial principles as well as relevant CIRC regulations. We principally take into account the following factors in pricing our P&C insurance products: applicable regulatory requirements, severity and frequency of loss, expenses relating to marketing and promotion, claims settlement expenses, target margins and pricing of similar products in the market. We strive to control our risk exposure and achieve profitability for our insurance products through effective pricing.

We focus on profitability in pricing our products and apply diversified pricing strategies to different products by considering the characteristics of the insurance involved. We take into consideration actuarial rates, as well as our estimated expenses associated with distribution, marketing and claims settlement, to determine our "breakeven" rates, and add in a suitable margin for profit. In respect of insurance products that affect public interests and compulsory insurance products, such as compulsory motor vehicle liability insurance products, the policy terms and premium rates are subject to prior review and approval by the CIRC. Formulation and material modification of policy terms and premium rates of other P&C insurance products do not require prior CIRC approval, but are required to be filed with the CIRC within 10 business days after the operation and use of such products. After launching a new product, we continue to monitor its pricing factors and its performance in the market. We collect information on the number of claims, claim amounts and claim frequency and, if necessary, adjust product pricing in accordance with these findings.

As of June 30, 2012, the actuarial team for our P&C insurance business comprised approximately 126 dedicated professionals, including two actuaries and 31 associate actuaries. We believe we have the largest P&C insurance actuarial database among all P&C insurance companies in the PRC. Our actuarial team utilizes industry-leading information technology systems such as the SAS actuarial platform and our comprehensive P&C insurance actuarial database to conduct data filtering and analysis, and carry out actuarial research cooperation with leading academic institutions in the PRC, which enables us to occupy a leading position in the pricing of P&C insurance products in the PRC.

Our Directors confirm that we have complied with relevant PRC laws, rules and regulations relating to the pricing of P&C insurance products during the Track Record Period in all material respects.

Distribution

We market and distribute our P&C insurance products through a multi-channel nationwide distribution network. As of June 30, 2012, our distribution network for P&C insurance products consisted of:

- approximately 169,300 individual insurance agents, approximately 1,800 professional insurance agencies and approximately 29,700 ancillary insurance agencies,
- approximately 13,400 branches and sales and service outlets located throughout the PRC and an in-house sales force of approximately 37,200 persons;
- approximately 900 insurance brokers;
- our "4001234567" hotline;
- our online sales portal at www.epicc.com.cn; and
- cross-selling by our life and health insurance businesses distribution network.

Insurance agents and direct sales are the two most important distribution channels for our P&C insurance products in terms of Original Premiums Income. Individual insurance agents and direct sales are two distribution channels that we can directly manage and control. The aggregate Original Premiums Income from our P&C insurance business attributable to sales by our individual insurance agents and direct sales was RMB81,326 million, RMB102,875 million, RMB113,339 million and RMB66,792 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, accounting for 68.1%, 66.8%, 65.3% and 66.2% of the aggregate Original Premiums Income from our P&C insurance business in the same periods.

The following table sets forth a breakdown of Original Premiums Income from our P&C insurance business by distribution channel for the Track Record Period:

Distribution Channel	For the year ended December 31, 2009		2010		2011		For the six months ended June 30, 2012	
	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total
Insurance agents	92,175	77.2	115,990	75.4	122,171	70.4	65,111	64.6
Individual insurance agents	59,991	50.2	74,245	48.2	72,305	41.7	37,596	37.3
Ancillary insurance agents	24,598	20.6	31,869	20.7	40,238	23.2	22,797	22.6
Professional insurance agents	7,586	6.4	9,876	6.4	9,629	5.5	4,718	4.7
Direct sales	21,335	17.9	28,630	18.6	41,034	23.6	29,196	28.9
Insurance brokers	5,954	5.0	9,310	6.0	10,348	6.0	6,604	6.5
Total	**119,464**	**100.0**	**153,930**	**100.0**	**173,553**	**100.0**	**100,911**	**100.0**

In 2009, 2010, 2011 and the six months ended June 30, 2012, Original Premiums Income of RMB1,623 million, RMB1,745 million, RMB1,595 million and RMB1,074 million, respectively, or, 1.4%, 1.1%, 0.9% and 1.1%, respectively, of the aggregate Original Premiums Income from our P&C insurance business, were from cross-selling of P&C insurance products through the distribution network of our life and health insurance businesses. Through such cross-selling efforts, our P&C insurance business gained access to additional customers to expand customer base and increase sales. For details of cross-selling of our P&C insurance business, see the section entitled "— Synergies of Our Group Operations."

Insurance Agents

Insurance agents are the most significant distribution channel for our P&C insurance products in terms of Original Premiums Income during the Track Record Period. Insurance agents sell our P&C insurance products on commission and are classified as individual insurance agents, ancillary insurance agencies and professional insurance agencies. Insurance agents do not make underwriting decisions for our P&C insurance products.

- Individual insurance agents are individuals who enter into agency agreements with us and sell our insurance products to earn commissions. Pursuant to relevant regulations promulgated by the CIRC, they are required to obtain the Insurance Qualification Certificates before they work as individual insurance agents. Individual insurance agents are compensated through commissions and are not our employees, although we are responsible for their recruitment, training, attainment of qualification and management. Pursuant to the agency agreements we enter into with our individual P&C insurance agents, they are not permitted to provide P&C insurance agency services for other insurance companies without our written approval;
- Ancillary insurance agencies are appointed companies or agencies which primarily engage in a business other than the insurance agency business, but use their distribution channels to sell insurance products of the insurance companies they represent. Our ancillary insurance agencies for P&C insurance include car dealerships, banks, PSB branches and railway agencies. We typically use ancillary insurance agencies to sell

standard or fixed-price insurance policies that do not require complicated underwriting skills or negotiation. Ancillary insurance agencies may only sell our products after they have obtained the necessary qualification certificate issued by the CIRC and with our written authorization; and

- Professional insurance agencies are institutional intermediaries established in accordance with relevant PRC laws and regulations and engage in insurance agency business within the scope of authorization provided by the insurers they represent.

Unlike ancillary or professional insurance agencies who are institutions or entities, individual insurance agents are individuals. The primary difference between ancillary and professional insurance agencies is their major business. The major businesses of ancillary insurance agencies are not insurance agency or selling, but some other businesses such as car sales and banking. That is the reason why such agencies are called "ancillary" insurance agencies. In contrast, the ,major business of professional insurance agencies is insurance agency and selling.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had approximately 145,000, 167,000, 161,000 and 169,300 individual P&C insurance agents, respectively. We attach great importance to the sales training of our individual insurance agents and have established an individual agent sales department to manage our individual insurance agents. The training programs we offer cover, among others, corporate culture, professional ethics, insurance products and marketing skills.

As of December 31, 2010 and 2011 and June 30, 2012, we sold our P&C insurance products through approximately 20,400, 26,600 and 29,700 ancillary insurance agencies, respectively. We provide training to our ancillary insurance agencies necessary to ensure that their sales personnel are familiar with our products and possess relevant sales skills. Ancillary insurance agencies have become an increasingly important distribution channel for our P&C insurance products. For example, car dealerships are an important distribution channel for our motor vehicle insurance policies, especially for policies covering motor vehicles purchased for private use. As of June 30, 2012, we had established close cooperation with approximately 11,200 car dealerships.

As of December 31, 2010 and 2011 and June 30, 2012, we had entered into P&C insurance agency agreements with approximately 1,200, 1,600 and 1,800 professional insurance agencies, respectively. These agreements typically have a term of three years and can be renewed on expiry.

Direct Sales

We conduct the direct sales of our P&C insurance business through our in-house sales force who work at our P&C insurance branches and sales and service outlets, our "4001234567" hotline and our online sales platform at www.epicc.com.cn. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our P&C insurance business had approximately 13,500, 13,800, 13,700 and 13,400 branches and sales and service outlets, respectively.

Our in-house sales force, all of whom are our employees, is responsible for selling our P&C insurance products directly to customers, particularly those products with complex terms and involving high risks and complex underwriting procedures, such as special risks insurance, commercial property insurance for large-scale enterprises, hull insurance and construction insurance. Our in-house sales force is the main channel through which we maintain long-term relationships with our P&C insurance customers. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had an in-house sales force for P&C insurance of approximately 24,300, 27,000, 29,100 and 37,200 persons, respectively.

We commenced our telephone sales in 2009 and our "4001234567" hotline currently provides diversified services to our customers, including responding to inquiries, policy renewal, claims settlement and sales. As of June 30, 2012, we had approximately 6,800 telephone marketing personnel. As of December 31, 2009, 2010 and 2011 and June 30, 2012, we had approximately 400, 1,000, 3,400 and 5,600 telephone sales seats, respectively, representing a CAGR of 179.3% from 2009 to 2011. In 2009, 2010, 2011 and the six months ended June 30, 2012, Original Premiums Income from telephone sales of our P&C insurance products was RMB339 million, RMB3,473 million, RMB12,450 million and RMB9,241 million, respectively, representing a CAGR of 506.9% from 2009 to 2011. During the same periods, Original Premiums Income generated from new P&C policies brought in by telephone sales was RMB131 million, RMB1,595 million, RMB5,166 million and RMB3,495 million, respectively, representing a CAGR of 528.0% from 2009 to 2011. The number of our telephone sales seats increased significantly during the Track Record Period primarily because we increased the number of telephone sales seats to meet the needs of our rapidly growing telephone sales business, and the commencement of operations of the South Information Center in 2011 also provided strong IT support for increasing the number of our telephone sales seats. The Original Premiums Income from telephone sales of our P&C insurance business increased rapidly, primarily because we attached great importance to developing our telephone sales and expanding the network coverage of our telephone sales, continued to increase our investment in advertisement for our telephone sales, which further enhanced the brand reputation of PICC motor vehicle insurance services, and strived to enhance renewal rate and customer loyalty. For details of our easily accessible services, see the section entitled "— Customers and Customer Service."

We established our online sales center for P&C insurance in August 2010 and offer insurance products such as motor vehicle, accidental injury and homeowner insurance through www.epicc.com.cn. In 2011 and the six months ended June 30, 2012, the Original Premiums Income generated from our online sales for P&C insurance was RMB1,368 million and RMB2,494 million, respectively.

Insurance Brokers

We also market and sell P&C insurance products through insurance brokers. Brokerage firms usually represent sophisticated corporate entities seeking insurance products and have valuable customer resources. We have established sound working relationships with some of the leading international insurance brokers. As of December 31, 2011 and June 30, 2012, we marketed our P&C insurance products through approximately 1,000 and 900 insurance brokers, respectively. The major differences between insurance brokers and professional insurance agencies are:

- Insurance brokers are typically retained by, and represent the interests of, the insurance customers, while professional insurance agencies are typically retained by, and represent the interests of, the insurance companies; and
- Insurance brokers provide to insurance customers "entire-process" services such as risks management, arrangements of insurance coverage and insurance claims assistance, while professional insurance agencies typically only sell insurance products on behalf of the insurance companies and collect commissions.

Underwriting

We implement a centralized underwriting management model and establish a two-tiered underwriting platforms at the headquarters and provincial branches of our P&C insurance business.

We have strengthened our control over underwriting conditions and have particularly strengthened underwriting management and control for high risk and low profitability businesses, so as to increase the proportion of high-quality businesses and effectively adjust our business structure.

Relying on our extensive underwriting database, we have compiled an underwriting manual and improved our ability to identify and control risks through strict underwriting policies, standardized operating procedures and further refinement and improvement of underwriting conditions for all types of insurance and business.

We have established professional qualification exams and recruitment mechanisms for underwriting specialists, so as to develop a high-quality underwriting specialist team and solidify and enhance our professional underwriting advantages.

We have established a sound underwriting risk diversification and management mechanism. On the one hand, we spread insurance risks through comprehensive reinsurance arrangements and differentiated design in reinsurance contracts systems; on the other hand, we manage insurance risks through setting a maximum retention amount, and ensure the implementation of "reinsurance first, policy issuance second" through our information technology systems.

Before underwriting insurance policies with extraordinary liabilities, we consider the following criteria:

- whether we can obtain sufficient reinsurance for the portion exceeding our maximum retention amount. If we cannot obtain sufficient reinsurance, we will not underwrite the relevant insurance policies;
- whether our underwriting is in line with internationally accepted underwriting practice;
- whether to increase premiums or impose specific underwriting conditions for insurance policies that deviate from typical market price;
- whether the underwriting risks can be ascertained and whether the subject matter can be investigated and surveyed; and
- whether we can ascertain underwriting risks through responses to high-risk insurance questionnaire.

Claims Settlement

We have established a centralized claims settlement management system to ensure the professionalism and independence of our claims settlement. By establishing a claims settlement department, we have achieved vertical management over the human, financial and business resources of all of our P&C insurance sales branches and outlets with respect to claims settlement. We operate our claims settlement department independently from our marketing departments and product sales, but enable the marketing departments and product sales to evaluate the services provided by the claims settlement department.

We believe we have established a sound claims settlement management system and systematic claims settlement standards, including various manuals and guidance regarding claims settlement practice and claims settlement quality. We apply an Internet-based claims settlement information system which centers on customer services and cost control, and which includes a remote loss-determination system and a large claims settlement database, covering the entire claims settlement process from loss reporting to payment of claims for each type of our P&C insurance products.

We attach great importance to managing the quality of claims settlement to control losses resulting from improper claims settlement practice. We have established a centralized claim settlement system, a closed file review (CFR) system and an anti-fraud and subrogation system to strictly control and lower costs for claims settlement and reduce excessive payments. We also cooperate with leading international and domestic insurance surveyors to ensure the fairness and accuracy of our claims settlement.

We are committed to creating a claims settlement culture emphasizing "accuracy and professionalism" and have established a claims adjuster system in our claims settlement. Our claims adjusters typically possess technical knowledge of the industries for which we provide insurance services. We have also established a system for training, assessing and appointing our claim adjusters. All of our claim adjusters must pass internal examination and professional accreditation, so as to improve their professional skills.

We constantly introduce innovations to our claims settlement system and strive to provide our customers with a superior claims settlement experience. As of October 31, 2012, our P&C insurance business had a nationwide claims settlement network of approximately 33,300 claims settlement professionals and approximately 15,900 claims settlement service vehicles. In addition, we have established a claims settlement service supervision system to committed to providing satisfactory claim settlement services to customers. The efficiency of our claims settlement had been improved during the Track Record Period. The claims settlement turnover for motor vehicle insurance claims above RMB0 and below RMB10,000 settled within the same year of reports (other than motor vehicle theft and robbery insurance claims) decreased from 34.5 days in 2009 to 14.3 days in the six months ended June 30, 2012. The claims settlement turnover for non-motor vehicle insurance claims above RMB0 and below RMB10,000 settled within the same year of reports decreased from 31.1 days in 2009 to 10.6 days in the six months ended June 30, 2012.

Customers and Customer Service

We believe we have the largest P&C insurance customer base in the PRC. As of June 30, 2012, our P&C insurance business had approximately 72,208,000 individual customers and approximately 2,294,000 institutional customers.

The table below sets forth details of our customer base during the Track Record Period:

Item	As of December 31, 2009	2010	2011	As of June 30, 2012
	(in thousands)			
Number of individual customers(1)	49,947	67,543	72,021	72,208
Number of institutional customers(2). . . .	3,042	2,828	2,392	2,294

(1) Represents the aggregate number of (a) the individual holder of all policies and (b) the individual insured of all policies, in each case within the 12 months ending as of the dates indicated, respectively, without duplicated calculation of (a) and (b). In the calculation above, the aggregate policies within a certain period include the policies naturally expired within preceding 12 months and the policies remaining effective at the end of the period.

(2) Represents the number of institutional holder of all policies with the 12 months ending as of the dates indicated. In the calculation above, the aggregate policies within a certain period include the policies naturally expired within preceding 12 months and the policies remaining effective at the end of the period.

The number of individual customers of our P&C insurance business increased steadily from 49,947,000 as of December 31, 2009 to 72,208,000 as of June 30, 2012. This increase was in line with the increase in Original Premiums Income and overall development of our P&C insurance business from 2009 to 2011. The number of institutional customers of our P&C insurance business decreased from 3,042,000 as of December 31, 2009 to 2,294,000 as of June 30, 2012. This decrease is primarily because during the Track Record Period, our P&C insurance business focused on improving the quality of its underwriting business and selectively terminated business relations with certain customers that did not meet our business development and profitability requirements.

As of June 30, 2012, we had established an extensive customer service network consisting of approximately 13,400 branches and sales and service outlets and extended service points including more than 38,000 car dealerships and maintenance and repair shops to provide customers in both Urban Areas and County Areas with efficient and easily accessible services. The 13,400 branches and sales and service outlets are owned by PICC P&C. The extended service points, which include more than 38,000 car dealerships and maintenance and repair shops, are not owned by, but rather have a cooperation relationship with, PICC P&C.

As of June 30, 2012, we had established 36 "95518" customer service centers throughout the PRC and various types of expert service platforms to provide support for those service centers. As of the same date, our "95518" service centers had approximately 4,400 service specialists, approximately 4,100 designated telephone lines and approximately 4,000 service seats, and provide diversified services including loss reporting, claim investigation coordination, policy search, policy purchase appointments, responding to inquiries and customer complaints, transportation guidance and natural disaster forecasts on a 24-hours-a-day, seven-days-a-week basis. Our "95518" hotline received the Ten-year Glorious Achievement of Call Center in China award ("中國呼叫中心十年輝煌成就獎") from the 10th Best Call Center and Manager Prize sponsored by the China Federation of IT Promotion ("中國信息化推進聯盟") in 2012.

We strive to provide easily accessible services that meet our customers' expectations:

- we provide claims settlement service within one hour for motor vehicle insurance claims that do not involve personal injury and property (exclusive of motor vehicle) damage below RMB10,000;
- we have established an accident and breakdown rescue network and provide our motor vehicle insurance customers with towing, charging and gas filling services;
- we also provide cross-regional claims settlement services for our motor vehicle insurance customers;
- we provide customers in key cities such as Beijing and Shanghai with services such as self-service claims settlement based on mobile phones and collection of claims settlement receipts and materials at home;
- we provide motor vehicle insurance concierge services to our telephone and Internet sales customers, covering underwriting, policy delivery, fee collection and handling of annual car inspection;
- we have established a customer relation management, or CRM system, and divide our customers into different groups;
- we provide value-added services to our VIP customers such as driving services after alcohol consumption, access to VIP lounges at airports and free car-rental service when their cars are under maintenance.

We have established customer service standards covering each stage of our service such as sales, underwriting, claims settlement, direct-sales outlets and call centers. To ensure the implementation of such service standards and improve our service quality, we engage independent third parties to evaluate our services on an anonymous basis and base the performance review of our branches and outlets on such evaluation results.

The table below sets forth the geographic distribution of the Original Premiums Income recorded by our P&C insurance business for the periods indicated:

Areas	For the year ended December 31, 2009	2010	2011	For the six months ended June 30, 2012
	(RMB in millions)			
Jiangsu Province	8,747	11,551	13,821	8,088
Guangdong Province	8,988	10,636	12,367	7,190
Zhejiang Province	7,467	9,280	10,783	6,201
Hebei Province	6,513	10,019	10,695	6,106
Sichuan Province	6,831	8,178	9,479	5,122
Shandong Province	7,202	9,005	9,368	5,277
Beijing	5,848	8,090	8,586	4,347
Henan Province	3,939	5,501	6,024	3,468
Shanxi Province	3,857	5,073	5,834	3,377
Liaoning Province	4,245	5,477	5,716	3,333
Other Areas	55,827	71,120	80,880	48,402
Total	**119,464**	**153,930**	**173,553**	**100,911**

Reserves

The following discussion relates to the determination of our P&C insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I, which are prepared in accordance with IFRS.

Claim Reserves

When claims are made by or against our policyholders, any amount that our P&C insurance business pays or expects to pay the claimant are referred to as losses, and the costs of investigating, resolving and processing these claims are referred to as loss adjustment expenses ("LAE"). We divide our products based on risk nature and data reliability and establish claim reserves ("Claim Reserves") for payment of losses and LAE for claims that arise under our P&C insurance policies by product lines. These reserves are determined based on actuarial assumptions, appropriate actuarial methods and models, historical loss experience and adjustments for future trends.

Our claim reserves are segmented into three major categories: reserves for incurred and reported claims, IBNR reserves and loss adjustment expenses reserves. Reserves for incurred and reported claims are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims, and will not be higher than the sum insured. These estimates are made using case estimate method or payment per claim incurred method, based on the facts and circumstances at the time the reserves are established. We also consider historic trends of disposition patterns and loss payments, levels of pending unpaid claims and types of coverage. In addition, judicial decisions, economic conditions and public attitudes affect the estimation of reserves, as well as the ultimate costs of claims.

IBNR reserves are established to recognize the estimated cost of losses for claims that have been incurred but not yet known or fully considered by our claims settlement teams, including the possible losses for claims that have been incurred but not yet reported to us, the possible losses for claims that have been incurred and reported to us but not yet filed, the losses for claims that have been filed with an overestimated or underestimated amount and the possible losses for claims that have been settled but may need to be re-filed in the future. We establish these reserves, like the reserves for incurred and reported claims, to recognize the estimated costs and related expenses necessary to settle such claims. We rely on past experience adjusted for current trends and other factors that would modify past experience to estimate our IBNR liability. These reserves are estimates that involve actuarial and statistical projections of the expected cost of the ultimate settlement and claims settlement expenses. We base our analyses on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. In addition, we consider other factors in projecting our IBNR reserve, such as reported claim trends, claim severity, exposure growth and future inflation. We review and revise these reserves periodically as additional information becomes available and actual claims are reported.

The time required to learn of and settle claims is also an important consideration in establishing reserves. Short-tail claims, such as motor vehicle and property damage claims, are reported within a few days or weeks and are generally settled within several weeks, while long-tail claims can take years to complete. For long-tail claims, due to the nature of the loss, information concerning the event may not be readily obtainable. In addition, the analysis of long-tail losses is generally more difficult, requires more detailed work and is subject to greater uncertainty. As of June 30, 2012, we did not have any material long-tail claims and the average duration of our unsettled P&C insurance liabilities was shorter than one year.

The ultimate cost of loss and LAE is subject to a number of highly variable circumstances. As time passes between the report of a claim and the final settlement of the claim, circumstances could change that may require established reserves to be adjusted either upwards or downwards. Items such as changes in the legal environment, results of litigation and changes in medical costs, costs of motor vehicle and repair materials and labor rates could substantially impact claim costs. These factors may cause actual developments to vary from expectations. We review and update claim reserve estimates periodically, using the most current information available to management, and reflect any adjustments resulting from changes in reserve estimates in our results of operations. Based on our internal procedures and currently available information, management believes that our claim reserves are reasonable. However, the establishment of claim reserves is an inherently uncertain process, and ultimate losses may differ from our initial estimates. See the section entitled "Risk Factors — Risks Relating to Our Business — Differences between our actual benefit and claim payments and those assumptions and estimates used in pricing of, and setting reserves for, our insurance products could have a material adverse effect on our business, financial condition, results of operations and prospects."

For details of our claims reserve development from 2007 to 2011, see Note 46(a) to the Accountants' Report set forth in Appendix I to this prospectus.

Unearned Premium Reserves

Unearned premium reserves are provided for our unexpired insurance obligations under P&C insurance contracts. Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax and surcharges, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period and earned premiums are recognized.

At each balance sheet dates, adequacy tests are performed on the unearned premium reserves and claim reserves to ensure the adequacy of reserves for the insurance contract liabilities and the respective reserves for the insurance contract liabilities will be adjusted based on the test results.

Reinsurance

We reinsure certain portions of the P&C insurance risks we underwrite to reduce risk exposure, protect capital resources and maintain stability in operations. We also use reinsurance to improve our underwriting capacity and limit our exposure to potential extraordinary losses.

We determine our retention amount and our cession ratio based on the relevant insurance laws and regulations in the PRC, the development strategies of our P&C insurance business, our solvency margin, the characteristics of different insurance products, as well as the needs of our business operations. According to Article 102 of the PRC Insurance Law, retained premiums of a P&C insurance company for the current year may not exceed four times the sum of its paid-in capital and the capital reserve. According to Article 103 of the PRC Insurance Law, the liability of an insurance company for the maximum amount of loss that may be caused by a single insured event may not be more than 10% of the sum of paid-in capital and the capital reserve. Any part exceeding the 10% limit must be reinsured. According to Article 10 of the Provisions on the Administration of Reinsurance Business promulgated by the CIRC, an insurance company must determine its total retained premium and its retained liability for each risk unit for the current year. Reinsurance must be obtained for the excess.

The table below sets forth our typical maximum retention amounts per insured risk for some of our major P&C insurance products as of June 30, 2012:

P&C insurance products	Maximum retention (RMB in millions)
Motor vehicle insurance	80
Commercial property insurance	500
Liability insurance(1)	120 or 1-80
Cargo insurance	270
Hull insurance	78

(1) The maximum retention amounts for different liability insurance differ, with the amount for public liabilities being RMB120 million and the amount per person for other liabilities in the range of RMB1 million to RMB80 million.

We categorize our P&C reinsurance into treaty reinsurance, facultative reinsurance and catastrophe reinsurance. Treaty reinsurance is reinsurance for a group of risks. Pursuant to the terms of a reinsurance agreement, we have the obligation to offer, and the reinsurer has the obligation to accept, a portion of all of the risks of a particular category underwritten by us. Facultative reinsurance is reinsurance of all or a portion of the risks under a single policy. Each facultative reinsurance contract is separately negotiated. We purchase catastrophe excess-of-loss reinsurance in order to limit our exposure to extraordinary losses resulting from a single natural catastrophe or material accidents. Such reinsurance policy protects us from severe cumulative losses due to floods, typhoons, earthquakes and other natural catastrophes. Excess-of-loss reinsurance is a method of reinsurance in which a ceding company first determines a retention amount for each risk unit, and reinsures the portion of the sum insured in excess of that retention amount.

We select our P&C insurance reinsurers carefully, based on their financial strength, service, terms of coverage, efficiency of claims settlement and price. We generally only reinsure our risk exposure with PRC reinsurance companies with proven track records or international reinsurance companies with A- equivalent or better ratings by internationally-recognized rating agencies. During the Track Record Period, our top three reinsurers in terms of ceded Original Premiums Income were China Property & Casualty Reinsurance Company Ltd. ("China P&C Re"), a subsidiary of China Reinsurance (Group) Corporation, Munich Reinsurance Company ("Munich Re") and Swiss Reinsurance Company ("Swiss Re").

In 2009, 2010, 2011 and the six months ended June 30, 2012, we ceded Original Premiums Income of RMB16,422 million, RMB17,618 million, RMB37,343 million and RMB14,676 million, respectively, accounting for 13.7%, 11.4%, 21.5% and 14.5% of the aggregate Original Premiums Income from our P&C insurance business in the PRC in these periods, respectively, to reinsurers. From 2009 to 2011, the premiums ceded to reinsurers by our P&C insurance business kept increasing on a yearly basis, primarily because the Original Premiums Income of our P&C insurance business grew rapidly. In particular, we increased the cession ratio in 2011 to keep healthy and stable development of our P&C insurance business.

The following table sets forth certain information about our P&C insurance policies with extraordinary liabilities and related reinsurance arrangements as of June 30, 2012:

No.	Customer/Applicant	Insured Amount (RMB millions)	Type of Insurance	Major Reinsurers	Cession Ratio
1	Commercial Bank A	932,370	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	90.0%
2	Commercial Bank A	918,105	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	90.0%
3	Commercial Bank A	900,480	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	90.0%
4	China Petrochemical Corporation	643,599	All-risk commercial property insurance	China P&C Re, Swiss Re, Munich Re and others	37.8%
5	Commercial Bank A	607,625	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	70.0%
6	Commercial Bank A	504,965	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	70.0%
7	Commercial Bank A	284,916	Accidental insurance for operating vehicles	AIG, Chubb Insurance (China) Company Limited, Swiss Re and others	55.0%
8	China National Petroleum Corporation	106,179	All-risk commercial property insurance	China P&C Re, Swiss Re, Munich Re and others	51.2%
9	China National Cotton Reserves Corporation	61,632	Comprehensive commercial property insurance	China P&C Re, Swiss Re, Munich Re and others	87.8%
10	Registered representative offices of Carrefour	38,748	Public liability insurance (concerning foreign affairs)	China P&C Re, Swiss Re, Munich Re and others	20.0%

PICC Hong Kong

We conduct our P&C insurance business in Hong Kong through PICC Hong Kong, in which PICC Group holds a 75% equity interest. PICC Hong Kong's insurance products primarily include automobile insurance, hull insurance, cargo insurance, property damage insurance, general liability insurance, pecuniary losses insurance and accidental injury and health insurance.

We consolidate the results of operations of PICC Hong Kong into the overall results of operations of our P&C insurance business. In 2011 and the six months ended June 30, 2012, Original Premiums Income from PICC Hong Kong was approximately RMB90.96 million and RMB57.45 million, respectively, and its net profits were approximately RMB47.70 million and RMB33.38 million, respectively.

LIFE AND HEALTH INSURANCE

Overview

We operate our life insurance business through PICC Life and operate our health insurance business through PICC Health, in which we directly and indirectly hold 80.00% and approximately 90.98% equity interests, respectively. We commenced our life and health insurance businesses in 2005. Leveraging the reputation and influence of our "PICC" brand, differentiated management strategies, and our knowledge of the PRC life and health insurance market, we achieved the most rapid development among all PRC life and health insurance companies established before December 31, 2005 in terms of CAGR of TWPs from 2006 (the first full year of operation for our life and health insurance businesses) through 2011, according to the data published by the CIRC. The CAGR of TWPs of our life and health insurance businesses from 2006 to 2011 was 122.3%, while the CAGR of the aggregate TWPs of all the PRC life and health insurance companies for the same periods was 22.1%. According to data published by the CIRC, in terms of TWPs, our market share among PRC life and health insurance companies grew rapidly from 0.43% in 2006 to 8.65% in the six months ended June 30, 2012, and our ranking among all PRC life and health insurance companies rose from eleventh in 2006 to third in 2012. TWPs from our life and health insurance businesses were RMB58,620 million, RMB92,144 million, RMB94,271 million and RMB57,228 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, representing a CAGR of 26.8% from 2009 to 2011. Unless indicated otherwise, in this section entitled "Life and Health Insurance," the descriptions of the business and products of our life insurance business refer to those of PICC Life, and the descriptions of the business and products of our health insurance business refer to those of PICC Health.

Benefiting from our well-recognized brand, multi-channel distribution network, synergies of our group operations and forward-looking management, during the Track Record Period, our life and health insurance businesses experienced rapid business and asset growth, effectively controlled costs and obtained a leading position in the PRC life and health insurance market. Both our life insurance and health insurance businesses achieved profitability in 2009, the fourth full year after they commenced operations. As of December 31, 2011, the cumulative profits of our life insurance business surpassed its cumulative losses. According to the data published by the CIRC and the websites of the relevant insurance companies, as of December 31, 2011, PICC Life was the only company whose cumulative profits surpassed its cumulative losses among the 8 PRC life and health insurance companies established in 2005. The net profits of our life insurance business in the six months ended June 30, 2012 were RMB912 million, exceeding the net profits of our life insurance business in each of 2009, 2010 and 2011. PICC Life ranked fourth, second, second and second among all PRC life insurance companies in 2009, 2010, 2011 and the six months ended June 30, 2012, in terms of TWPs generated from new insurance policies of RMB51,596 million, RMB79,297 million, RMB78,198 million and RMB45,814 million, respectively.

We offer a broad range of life and health insurance products, with more than 270 life and health insurance products on offer as of June 30, 2012. We have a nationwide life and health insurance distribution and service network. As of June 30, 2012, our life and health insurance businesses had approximately 2,200 branches and sales and service outlets, a bancassurance network consisting of approximately 108,700 branches of commercial banks, rural credit cooperatives and PSB and approximately 21,900 bancassurance managers, approximately 120,400 individual life and health insurance agents, a group sales force of approximately 10,800 persons, approximately 14,200 cross-selling specialists and approximately 2,000 branches and outlets of insurance intermediaries. We also distribute our life and health insurance products through cross-selling arrangements with our P&C insurance distribution network. We believe cross-selling will contribute to the continuing rapid growth of our life and health insurance businesses in the future. See the section entitled "— Synergies of Our Group Operations."

We had one of the largest and fastest-growing life and health insurance customer bases among all PRC life and health insurance companies during the Track Record Period. As of June 30, 2012, we had approximately 51,380,000 individual life insurance customers, approximately 97,000 institutional life insurance customers, approximately 7,343,000 individual health insurance customers and approximately 38,000 institutional health insurance customers.

Based on the features of the PRC life insurance market, our life insurance business has adopted differentiated strategies for market positioning, products, organizational structure and regional market development. By attaching great importance to market development in both the Urban Areas and County Areas, we have focused on key regional markets including Henan province, Hebei province, Jiangsu province, Zhejiang province, Shandong province and Guangdong province to achieve national expansion. In 2011 and the six months ended June 30, 2012, TWPs from Henan province, Hebei province, Jiangsu province, Shandong province, Guangdong province and Zhejiang province accounted for 47.4% and 44.3% of the aggregate TWPs from our life insurance business, respectively. We have established a flat and centralized organizational structure in our life insurance business to improve operating efficiency and reduce operating costs.

Capturing business opportunities from the reform of the health care system by the PRC Government, we have participated in the establishment of the health care system in China and have developed a new operation and management model of health insurance represented by Government-entrusted Business, which has expanded opportunities for the development of health insurance business and contributed to the rapid growth at our health insurance business.

We introduced industry-leading insurance companies such as Sumitomo Life Insurance Company ("Sumitomo") and DKV Deutsche Krankenversicherung AG ("DKV") as strategic investors of our life and health insurance businesses and have cooperated extensively with them.

Sumitomo, established in 1907, is a comprehensive insurance group and one of the largest insurance groups in Japan primarily engaged in life insurance and related businesses. Sumitomo currently has 73 branches and 1,679 outlets. In December 2005, PICC Life and Sumitomo entered into a Personnel Secondment Agreement and Technology Assistance Agreement, pursuant to which Sumitomo agreed to provide assistance and support to PICC Life with respect to actuarial practices, product development, sales management, claims settlement services, risk control, information technology, utilization of funds and operation management, among others.

DKV, which was established in 1927, is one of the largest commercial health insurance corporations in Europe with branches in many countries and regions in Europe. DKV was one of the founders of PICC Health, in which it held a 19% equity interest at the time of establishment. From the time PICC Health started its business, DKV provided specialized technical assistance and guidance with respect to product development and application of actuarial techniques. Through its cooperation with DKV, PICC Health has drawn upon DKV's specialized health insurance operations experience and broadened its international perspective. We believe that any possible termination or discontinuation of our cooperation with DKV or Sumitomo will not have any material impact on our business and operations.

Our life and health insurance businesses have received various awards and recognitions during the Track Record Period, including:

PICC Life:

- The Insurance Brand with the Most Rapid Growth in 2009 ("2009年度最具成長性保險品牌大獎"), by the "2nd Insurance Culture and Innovation Forum" sponsored by the *Insurance Culture* magazine and several other organizations in 2010;
- The Annual Life Insurance Company with the Highest Growth ("年度最具成長性壽險公司"), by the "Golden Dragon Prize of the PRC Financial Institutions Gold Medal List (2009-2010)" jointly sponsored by *Financial News* and the Institute of Finance and Banking of the Chinese Academy of Social Sciences;
- The Best Annual Risk Management Team ("最佳風險控制團隊獎") in a competition sponsored by *21st Century Business Herald* and the 21st Century Financial Research Institute in 2010; and
- The Best Service Company in 2010 ("2010年度最佳服務企業獎") in a competition sponsored by www.jrj.com.cn, *Securities Daily* and University of International Business and Economics.

PICC Health:

- Top Ten (Industry) Innovation Brand in China ("中國(行業)十大創新品牌獎") in the Fifth Asia Brand Ceremony (第五屆亞洲品牌盛典活動) jointly sponsored by the SASAC Research Center (國務院國資委研究中心), *Wen Wei Po* (香港文匯報) and several other organizations in 2010;
- Best Professional Insurance Company of the Year ("年度最佳專業保險公司"), by the "Golden Dragon Prize of the PRC Financial Institutions Gold Medal List (2011)" jointly sponsored by *Financial News* and the Institute of Finance and Banking of the Chinese Academy of Social Sciences;
- 2009-2010 Excellent Health Management Services Enterprises ("2009-2010年度健康管理優質服務單位") by "The Fourth Health Insurance Services Forum" ("第四屆中華健康管理論壇") sponsored by China International Medical Exchange Fund (中華國際醫學交流基金會); and
- Service Innovation Prize ("年度服務創新獎") in both 2010 and 2011, by the 5th and 6th China Insurance Innovation Prizes ("第五屆及第六屆中國保險創新大獎"), respectively, sponsored by the *Insurance Culture* magazine and several other organizations.

Life Insurance Products

We provide four types of life insurance products to our customers: traditional life and health insurance, participating life insurance, universal life insurance and accidental injury and short-term health insurance. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our life insurance products were RMB52,436 million, RMB82,425 million, RMB83,957 million and RMB49,510 million, respectively, representing a CAGR of 26.5% from 2009 to 2011 and accounting for 89.5%, 89.5%, 89.1% and 86.5%, respectively, of the aggregate TWPs from our life and health insurance businesses. Participating life insurance is our most important life insurance product and accounted for 90.7%, 93.6%, 87.8% and 84.9% of the aggregate TWPs from our life insurance products in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively. See the section entitled "Embedded Value" for the new business value of life insurance products during the Track Record Period.

Our core life insurance product series are the Prosperity series ("富貴"系列), the Happiness series ("福"字系列), the Lifetime series ("人生"系列) and the Group Annuity series (團體年金系列), most of which are participating products. We also tailor our life insurance products to meet the diversified risk protection, investment and wealth management needs of our customers. For example, we designed a variety of small-sum insurance products to satisfy the needs of our customers in the County Areas.

The table below provides the breakdown of TWPs by our life insurance products for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,	
Life Insurance Products	**2009**		**2010**		**2011**		**2012**	
	RMB in millions	**% of total**	**RMB in millions**	**% of total**	**RMB in millions**	**% of total**	**RMB in millions**	**% of total**
Traditional life and health insurance	359	0.7	431	0.5	587	0.7	1,535	3.1
Participating life insurance	47,576	90.7	77,184	93.7	73,680	87.8	42,052	84.9
Universal life insurance	3,856	7.4	3,646	4.4	7,938	9.4	4,896	9.9
Accidental injury and short-term health insurance	645	1.2	1,164	1.4	1,752	2.1	1,027	2.1
Total	**52,436**	**100.0**	**82,425**	**100.0**	**83,957**	**100.0**	**49,510**	**100.0**

We devoted significant sales efforts to single premium life insurance products in response to consumption habits in the PRC life insurance market. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs of RMB51,791 million, RMB81,261 million, RMB82,205 million and RMB48,483 million, respectively, of our life insurance business were from products with a term of one year or more. Of these TWPs, 89.6%, 91.9%, 90.1% and 89.0%, respectively, were from single premium products. For consumption preferences and habits in the PRC life and health insurance market, see the section entitled "The PRC Insurance Industry — Current Condition of the PRC Insurance Market — Product and Business Structure."

Traditional Life and Health Insurance

Our traditional life and health insurance products primarily include whole life insurance, term life insurance, endowment life insurance, annuities and long-term health insurance. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our traditional life and health insurance products were RMB359 million, RMB431 million, RMB587 million and RMB1,535 million, respectively, representing a CAGR of 27.9% from 2009 to 2011 and accounting for 0.7%, 0.5%, 0.7% and 3.1%, respectively, of the aggregate TWPs from our life insurance business for those periods. For reasons for the relatively slow development of traditional life and health insurance in our overall life insurance business, see the section entitled "The PRC Insurance Industry — Current Condition of the PRC Insurance Market — Product and Business Structure."

Whole Life Insurance. Our whole life insurance products generally provide insurance coverage for the entire lifetime of the insured party in exchange for a single premium payment or the periodic payment of premium by the policyholder over a pre-determined period. The face amount of the policy is paid upon the death of the insured party. Upon early termination of the whole life insurance policy, we pay the cash surrender value to the policyholder. Due to its long-term, traditional whole life insurance carries both protection functions and cash value and is therefore regarded as having saving features.

Term Life Insurance. Our term life insurance products generally provide insurance coverage for a specified time period in exchange for a single premium payment or the periodic payment of the premium by the policyholder. Term life insurance products are sometimes referred to as pure protection products because they generally lack a savings or investment component. In addition, term life insurance contracts generally expire without any cash value if the insured party is still alive at the end of the coverage period.

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

Annuities. Our annuity products generally provide guaranteed levels of payments to the beneficiary during the payoff period as specified in the annuity contracts in exchange for a single premium payment or periodic payment of the premium by the policyholder.

Long-Term Health Insurance. The long-term traditional health insurance products offered by our life insurance business primarily include critical illness and medical allowance insurance products. Our critical illness insurance products generally provide insurance coverage throughout the insured's entire life or for a specified time period. Our medical insurance products generally provide medical costs insurance to the beneficiary. Policyholders can pay premiums for our long-term health insurance products either in a single payment or periodically.

Participating Life Insurance

Our participating life insurance products not only provide similar protection offered by our traditional life and health insurance products, but also entitle policyholders to receive dividends in accordance with the results of operations of our participating life insurance business and applicable regulatory provisions. PRC life insurance companies are required by the CIRC to distribute at least 70% of the annual distributable surplus to policyholders of participating life insurance. Participating life insurance products offer both risk protection and investment returns, combining the characteristics of traditional life and health insurance products and investment-type products to meet customer needs for insurance protection, savings and investment. Currently, participating insurance products are the prevalent insurance products in the PRC life insurance market. According to premium income data published by Annual Report of China Insurance Market (2012) (2012中國保險市場年報), the market share of participating life insurance products in the PRC life insurance market was 80.2% for 2011. Our participating life insurance products mainly include participating whole life and endowment insurance as well as annuity products. For detailed descriptions of such products, see the section entitled "— Traditional Life and Health Insurance" above.

In 2009, 2010, 2011 and six months ended June 30, 2012, TWPs from our participating life insurance products were RMB47,576 million, RMB77,184 million, RMB73,680 million and RMB42,052 million, respectively, representing a CAGR of 24.4% from 2009 to 2011 and accounting for 90.7%, 93.6%, 87.8% and 84.9%, respectively, of the aggregate TWPs from our life insurance business for those periods. In the second half of 2008, PBOC lowered China's RMB benchmark interest rate several times due to the impact of the world financial crisis. Capitalizing on the opportunities from the low assumed pricing rates for our insurance policies and low benchmark interest rates, we increased our sales efforts with respect to participating life insurance products in order to swiftly accumulate assets at low cost. As a result, TWPs from our participating life insurance products increased by RMB29,608 million or 62.2% in 2010 compared to 2009. TWPs from our participating life insurance products decreased by RMB3,504 million or 4.5% in 2011 compared to 2010. This decrease was primarily attributable to (1) the high level of consumer price index or CPI in 2011, which adversely affected the appeal of the expected returns of participating life insurance products, and (2) certain changes in macro-economic conditions and interest rate environment in the PRC as well as the implementation of the New Policy on bancassurance business, which adversely affected our bancassurance channel, the primary distribution channel for our participating life insurance products. Changes in macro-economic conditions and interest rate environment in the PRC in 2011 mainly included: (1) the slowdown of China's economic growth, namely the decrease in its GDP growth rate from 10.3% in 2010 to 9.2% in 2011, according to the data published by the National Bureau of Statistics of China; (2) the 5.4% increase in China's Consumer Price Index from 2010 to 2011; (3) in 2011, the PBOC raising the RMB benchmark interest rate for financial institutions three consecutive times, raising the benchmark interest rate of one-year term deposits from 2.75% to 3.50%; and (4) in 2011, the PBOC raising the reserve requirement ratio for deposit-taking financial institutions six consecutive times, each time by half a percentage point. In 2011, 81.4% of the TWPs from our participating life insurance products were from the bancassurance channel. For detailed descriptions of our TWPs generated from the bancassurance channel and reasons for their changes, see the section entitled "Business — Life and Health Insurance — Distribution — Bancassurance Channel." Because we anticipated that the aforementioned changes in macroeconomic conditions and the interest rate environment might have an adverse effect on the sales of our participating life insurance products, through in-depth research on market demand, we strengthened our product development efforts to develop two categories of insurance products. One of these categories includes traditional insurance products and short-term insurance products which focus on insurance protection with low interest rate sensitivity, including 12 traditional life insurance products and 11 accidental injury insurance and short-term health insurance products developed in 2011 and the six months ended June 30, 2012. The other category includes universal insurance products which respond promptly to interest rate changes by timely adjusting settlement interest and thus limiting the impact of interest rate changes on sales, including four universal insurance products developed in 2011 and the six months ended June 30, 2012. In addition, we strengthened our product innovation capabilities with the targeted development of products based on customer and market segmentation, such as "Selective Term Life Insurance", which played an important role in the growth in premiums income of our traditional life insurance, universal life insurance and accidental injury insurance and short-term health insurance products. We also provide premier services in payment of term life insurance benefits and benefits upon expiration of policies so as to keep our customers' funds with us for a longer period.

Universal Life Insurance

Our universal life insurance products offer insurance protection as well as returns at a rate not lower than the guaranteed rate. Premium payments, after deduction of certain initial expenses, are credited to an individual policy account. We invest the funds from the individual policy account in various investment assets and, in exchange, share the returns of those investments with our universal life insurance policyholders. We pay interest returns to the policyholders periodically. We charge our policyholders periodic premiums to cover insurance risks and management fees for managing their policy accounts. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our universal life insurance products were RMB3,856 million, RMB3,646 million, RMB7,938 million and RMB4,896 million, representing a CAGR of 43.5% from 2009 to 2011 and accounting for 7.4%, 4.4%, 9.5% and 9.9%, respectively, of the aggregate TWPs from our life insurance business for those periods.

Accidental Injury and Short-term Health Insurance

The accidental injury and short-term health insurance products offered by our life insurance business generally provide benefits to the insured in the event of death or disability of the insured party as a result of an accident during the policy period or provide the insured with disease and medical benefits during the policy period. The term of such insurance policies is typically one year or less. We record the TWPs from the accidental injury and short-term health insurance products offered by our life insurance business as TWPs from our life insurance business. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from the accidental injury and short-term health insurance products offered by our life insurance business were RMB645 million, RMB1,164 million, RMB1,752 million and RMB1,027 million, respectively, representing a CAGR of 64.8% from 2009 to 2011 and accounting for 1.2%, 1.4%, 2.1% and 2.1%, respectively, of the aggregate TWPs from our life insurance business for those periods.

Health Insurance Products

Our health insurance business provides five types of products, namely illness insurance, medical care insurance, disability losses insurance, nursing care insurance and accidental injury insurance, which cover all areas of health insurance. Our health insurance business also started to sell participating endowment insurance products on a pilot basis since September 2011. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our health insurance products were RMB6,184 million, RMB9,719 million, RMB10,314 million and RMB7,718 million, respectively, representing a CAGR of 29.1% from 2009 to 2011 and accounting for 10.5%, 10.5%, 10.9% and 13.5%, respectively, of the aggregate TWPs from our life and health insurance businesses for those periods.

In terms of TWPs contribution, our most important health insurance products are the Healthy Life series ("健康人生"系列), the Harmonious and Prosperous Dynasty series ("和諧盛世"系列), the Guarding Experts series ("守護專家"系列) and the Caring Experts series ("關愛專家"系列). We developed and nationally promoted the Worry-free ("全無憂") long-term nursing care individual health insurance product beginning in 2006, which is the first of such type of health insurance product nationally marketed in China and which provides both long-term nursing care and coverage for diseases of senior citizens. We subsequently developed more than 20 types of long-term nursing care insurance products. We believe we have the most comprehensive nursing care insurance product offerings in the PRC insurance industry.

The following table below sets forth the breakdown of TWPs by health insurance product during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
Health Insurance Products	**2009**		**2010**		**2011**		**2012**	
	RMB in millions	**% of total**	**RMB in millions**	**% of total**	**RMB in millions**	**% of total**	**RMB in millions**	**% of total**
Illness insurance	107	1.6	131	1.4	150	1.5	84	1.1
Medical care insurance	3,182	51.5	2,724	28.0	4,707	45.6	4,581	59.4
Disability losses insurance	0	0.0	7	0.1	6	0.1	49	0.6
Nursing care insurance	2,712	43.9	6,533	67.2	4,533	43.9	1,118	14.5
Accidental injury insurance	183	3.0	324	3.3	485	4.7	293	3.8
Participating endowment insurance	—	—	—	—	433	4.2	1,593	20.6
Total	**6,184**	**100.0**	**9,719**	**100.0**	**10,314**	**100.0**	**7,718**	**100.0**

In 2009, 2010, 2011 and the six months June 30, 2012, TWPs of RMB4,235 million, RMB7,001 million, RMB6,311 million and RMB4,097 million, respectively, of our health insurance business were from policies with a term of one year or above. Of these TWPs, 83.8%, 87.2%, 88.4% and 88.8%, respectively, were from single premium products.

Illness Insurance

Our illness insurance products provide insurance coverage to the insured parties upon the occurrence of certain illnesses covered by the policy. We have a broad range of illness insurance product offerings covering different customer groups. For example, we offer specially designed illness insurance products for women and children. In terms of policy terms, we offer both long-term (term and whole) and short-term illness insurance products; in terms of scope of coverage, we offer general illness insurance products which cover 31 critical illnesses and special products covering cancer and other specific illnesses; in terms of benefits payment, we have products offering single benefit payment, which causes the policy to terminate, and products offering a second benefit payment if certain conditions are met.

Medical Care Insurance

Our medical care insurance products provide insurance coverage for medical care expenses incurred by the insured party. Such insurance can be further divided into supplemental medical care insurance and fixed amount medical care insurance. Supplemental medical care insurance reimburses a pre-determined percentage of the out-of-pocket medical expenses incurred by the insured party when the medical expenses exceed pre-determined thresholds, while the fixed amount medical care insurance reimburses a pre-determined amount when the insured parties receive pre-determined medical treatments. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our medical care insurance products were RMB3,182 million, RMB2,724 million, RMB4,707 million and RMB4,581 million, respectively, accounting for 51.5%, 28.0%, 45.6% and 59.4%, respectively, of the aggregate TWPs from our health insurance business for those periods. We offer our medical care insurance primarily through the Government-entrusted Business of the Group Sales Channel. For detailed descriptions of our Government-entrusted Business, see the section entitled "— Distribution — Group Sales Channel."

Disability Losses Insurance

Our disability losses insurance products provide insurance coverage for the income losses resulting from the loss of working ability caused by accidents and disease covered by the policy. As a new type of insurance in the PRC health insurance market, the group disability losses insurance which we have promoted nationwide, together with medical care insurance, illness insurance and accidental injury insurance, constitute a complete group employee health benefit plan.

Nursing Care Insurance

Our nursing care insurance products provide insurance coverage for nursing care expenses incurred when the insured parties are in need of nursing care due to certain pre-determined disorders of daily living abilities. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our nursing care insurance products were RMB2,712 million, RMB6,533 million, RMB4,533 million and RMB1,118 million, respectively, accounting for 43.9%, 67.2%, 44.0% and 14.5%, respectively, of the aggregate TWPs from our health insurance business for those periods.

Our nursing care insurance products are primarily sold as universal insurance products. Our universal nursing care insurance products offer policyholders insurance protection as well as individual policy accounts with interest returns at a rate not lower than the guaranteed rate. Premium payments, after deduction of certain initial expenses, are credited to an individual policy account. We invest a portion of the funds in our universal nursing care insurance individual policy accounts in various investment assets and, in exchange, share the returns of those investments with our universal nursing care insurance policyholders. We pay interest returns to the policyholders periodically. We charge our policyholders periodic premiums to cover insurance risks and management fees for managing their policy accounts.

TWPs from our nursing care insurance products decreased by RMB2,000 million or 30.6% in 2011 compared to 2010. This decrease was primarily attributable to (1) the high level of consumer price index or CPI in 2011, which adversely affected the appeal of the expected returns of universal nursing care insurance products, and (2) certain changes in macro-economic conditions and interest rate environment in the PRC and the implementation of the New Policy on bancassurance business, which adversely affected our bancassurance channel, the primary distribution channel for our universal nursing care insurance products. Changes in macro-economic conditions and interest rate environment in the PRC in 2011 mainly included: (1) the slowdown of China's economic growth, namely the decrease in its GDP growth rate from 10.3% in 2010 to 9.2% in 2011, according to the data published by the National Bureau of Statistics of China; (2) the 5.4% increase in China's Consumer Price Index from 2010 to 2011; (3) in 2011, the PBOC raising the benchmark interest rate for financial institutions three consecutive times, raising the benchmark interest rate of one-year term deposits from 2.75% to 3.50%; and (4) in 2011, the PBOC raising the reserve requirement ratio for deposit-taking financial institutions six consecutive times, each time by half a percentage point. In 2011, 86.9% of the TWPs from our universal nursing care insurance products were from the bancassurance channel. For detailed descriptions of the TWPs generated from the bancassurance channel and reasons for their changes, see the section entitled "Business — Life and Health Insurance — Distribution — Bancassurance Channel."

In addition to nursing care insurance products, we also offer illness insurance, medical care insurance, disability losses insurance, accidental injury insurance and participating endowment insurance. Illness insurance, medical care insurance, disability losses insurance and accidental injury insurance are traditional protection-type insurance products, which differ from universal nursing care insurance. Customers of these traditional insurance products focus more on the protection features, not investment features, of these protection-type insurance product. As a result, these products are less vulnerable to changes in macro-economic conditions and interest rate environment. In addition, through research on market demand, we strengthened our product development efforts to develop traditional health protection insurance products such as illness insurance, medical care insurance and accidental injury insurance products, including seven traditional long-term health insurance products, seven short-term health insurance and six accidental injury health insurance products in 2011 and the six months ended June 30, 2012. In addition, we strengthened our product development efforts to develop specific products based on customization for specific customers and markets, such as the "Beautiful Life" female specific critical-illness insurance, in order to promote an overall increase in the premiums generated from our health insurance business. Our health insurance business was approved by the CIRC to sell participating endowment insurance on a pilot basis starting from August 2011. The impact of changes in macro-economic conditions and interest rate environment on such participating endowment insurance products remains to be seen.

Accidental Injury Insurance

Our accidental injury insurance products generally provide benefits in the event of death or disability of the insured party resulting from an accident during the policy period. We provide a wide variety of accidental injury insurance products, including both the Blessing Experts series ("福佑專家"系列), which are stand-alone accidental injury insurance products, and supplemental accidental injury insurance products that can be added to stand-alone health insurance products.

In addition to traditional accidental injury insurance products, we also provide customized accidental injury insurance products covering risks of special customer groups. Such products include the "Mother-Baby-Safety"(母嬰安康), "Surgery Anesthesia" (手術麻醉) and "Construction Accidents" (建工意外險) series.

Participating Endowment Insurance

Our participating endowment insurance product Healthy and Prosperous Life Endowment Insurance (Participating) ("康利人生兩全保險 (分紅型)") was approved by the CIRC on August 31, 2011, and we therefore became the first insurance company specializing in health insurance to offer participating insurance products on a pilot basis in the PRC. In addition to having the characteristics of traditional participating endowment insurance products, this product can be purchased together with the Supplemental Healthy and Prosperous Life Nursing Care Insurance ("附加康利人生護理保險"), which has been attractive to our customers. Healthy and Prosperous Life Endowment Insurance (Participating) Benefit Plan was awarded the Best Insurance Product for Wealth Management by the 6th China Insurance Innovation Prizes ("第六屆中國保險創新大獎"), sponsored by the *Insurance Culture* magazine in 2011.

Distribution

We market and distribute our life and health insurance products through our multi-channel nationwide distribution network. We distribute our life and health insurance products through the individual insurance agent channel, bancassurance channel, and group sales channel. We also distribute our life and health insurance products through the distribution channels of our P&C insurance business. We emphasize using new distribution methods such as telephone and Internet sales. We distribute our products on a cross-channel basis to accommodate customer needs. We have formulated the *Tentative Measures for Management of Comprehensive Sales Forces* (綜合開拓營銷人員管理暫行辦法) and have strived to enhance capabilities of sales personnel of each of our distribution channel to provide our customers with diversified products and services, so as to meet the increasingly sophisticated insurance as well as investment needs of our customers. As of June 30, 2012, our distribution network for life and health insurance products consisted of:

- approximately 2,200 branches and sales and service outlets;
- approximately 108,700 branches of commercial banks, rural credit cooperatives and PSB and approximately 21,900 bancassurance managers;
- approximately 120,400 individual insurance agents;
- approximately 10,800 group sales personnel;
- cross-selling of life and health insurance products through the distribution network of our P&C insurance business and approximately 14,200 cross-selling specialists;
- 24-hours-a-day, seven-days-a-week "4008895518," "4006695518" and "95591" telephone hotlines;
- online sales portal at www.e-picclife.com and eshop.picchealth.com; and
- approximately 2,000 branches and outlets of professional insurance agencies, ancillary insurance agencies and insurance brokers.

The following table sets forth the breakdown of TWPs by life and health insurance distribution channel during the Track Record Period:

Channel	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total
Bancassurance channel	46,807	79.8	70,704	76.7	65,448	69.4	34,255	59.9
Individual insurance agent channel	5,622	9.6	10,639	11.6	16,392	17.4	10,125	17.7
Group sales channel	6,191	10.6	10,801	11.7	12,431	13.2	12,848	22.4
Total	**58,620**	**100.0**	**92,144**	**100.0**	**94,271**	**100.0**	**57,228**	**100.0**

In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs of RMB3,965 million, RMB7,026 million, RMB8,977 million and RMB7,319 million, respectively, from our life and health insurance businesses were from cross-selling of life and health insurance products through the distribution network of our P&C insurance business, accounting for 6.8%, 7.6%, 9.5% and 12.8%, respectively, of the aggregate TWPs from our life and health insurance businesses for those periods. For further information on the cross-selling of our life and health insurance products, see the section entitled "Business — Synergies of Our Group Operations."

Bancassurance Channel

Bancassurance is an important distribution channel for our life and health insurance products in terms of TWPs. We offer life and health insurance products primarily through PSB, Agricultural Bank of China, China Construction Bank, Bank of China, Industrial and Commercial Bank of China, Bank of Communications, as well as other financial institutions such as other joint stock commercial banks, local commercial banks and rural credit cooperatives. We have extended our bancassurance network through cooperation with these institutions to substantially all provinces, autonomous regions and municipalities in the PRC, covering substantially all regions where branches of such institutions are located. Pursuant to our bancassurance arrangements with these institutions, we sell our products to their customers primarily through their employees at their branches and operational outlets in exchange for sales commissions that we pay to them. According to the *Yearbook of China's Insurance*, we ranked second among all PRC life and health insurance companies in terms of the premium income generated by our bancassurance channel in 2009, 2010 and 2011.

In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our bancassurance channel were RMB46,807 million, RMB70,704 million, RMB65,448 million and RMB34,255 million, representing a CAGR of 18.2% from 2009 to 2011 and accounting for 79.8%, 76.7%, 69.4% and 59.9%, respectively, of the aggregate TWPs from our life and health insurance businesses for those years. In 2011, TWPs from our bancassurance channel decreased by RMB5,256 million or 7.4% compared to 2010. Such decrease was primarily attributable to the tightening of liquidity in the market resulting from the changes of monetary policies by the PRC Government from "moderately easy" to "prudent" in 2011 in an effort to curb inflation, which in turn led to several increases in RMB benchmark interest rate for financial institutions and reserve requirement ratio by the PBOC. Against this background, commercial banks, on one hand, had less incentive to sell insurance products under the pressure of meeting loan to deposit ratio requirements, and on the other hand increased their efforts to sell their own wealth management products. These market developments in 2011 adversely affected the sale of our participating life insurance products and universal health insurance products, which were primarily distributed through the bancassurance channel. In addition, the prevalence of private lending in 2011 also reduced the availability of funds for purchasing insurance products offered through the bancassurance channel.

Bancassurance branches and outlets refer to branches and outlets of commercial banks that possess the qualifications necessary to conduct insurance business and that have entered into an agency agreement with us. Bancassurance managers refer to certain sales representatives that engage in bancassurance business, and differ from bancassurance branches and outlets in that they refer to individuals rather than an entity or institution.

The first table below sets forth the numbers of bancassurance branches and outlets, and bancassurance managers of our life insurance business as of the respective dates; the second table below sets forth the numbers of effective bancassurance branches and outlets of our life insurance business for the periods indicated:

	As of December 31,				As of June 30,
Item	**2009**	**2010**	**2011**	**CAGR (2009-2011)**	**2012**
Bancassurance branches and outlets	53,375	72,811	80,763	23.0%	107,843
Bancassurance managers	9,671	19,728	20,487	45.5%	20,453

	For the year ended December 31,				For the six months ended June 30,
Item	**2009**	**2010**	**2011**	**CAGR (2009-2011)**	**2012**
Effective bancassurance branches and outlets(1)	20,155	26,048	24,098	9.3%	23,481

(1) The number of effective bancassurance branches and outlets for a year/reporting period is calculated by adding up the total monthly numbers of bancassurance branches and outlets that have issued at least one in-force policy for each month in that year/reporting period, and dividing the sum by 12 or the number of months in that reporting period.

In terms of TWPs, bancassurance is the most important distribution channel for our life insurance business. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs for our life insurance business from the bancassurance channel were RMB44,459 million, RMB64,962 million, RMB61,354 million and RMB31,965 million, respectively, representing a CAGR of 17.5% from 2009 to 2011 and accounting for 84.8%, 78.8%, 73.1% and 64.6%, respectively, of the aggregate TWPs from our life insurance business. Based on the written confirmations provided by the relevant bancassurance partners, in 2011 and the six months ended June 30, 2012, our life insurance business was the largest bancassurance partner of Bank of Communications, the third largest bancassurance partner for Bank of China and the fourth largest bancassurance partner for Industrial and Commercial Bank of China. These three banks have extensive distribution networks covering the more economically developed regions and key cities in the PRC. In the same periods, our life insurance business was also the second largest bancassurance partners of PSB and Agricultural Bank of China, both of which have extensive distribution networks and strong market influence in the County Areas and may provide strong support for our life insurance business development in the County Areas. In addition, we have established close cooperation with numerous rural credit cooperatives and local commercial banks and become their important business partner.

The following table below sets forth the breakdown of TWPs of our life insurance business from the bancassurance channel by product type for the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
Life Insurance Product	2009		2010		2011		2012	
	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total	RMB in millions	% of total
Traditional life and health insurance	—	—	1	0.0	0	0.0	0	0.0
Participating life insurance	43,975	98.9	63,576	97.9	59,966	97.8	31,715	99.2
Universal life insurance	484	1.1	1,356	2.1	1,316	2.1	181	0.6
Accidental Injury and Short-term Health Insurance	—	—	29	0.0	72	0.1	70	0.2
Total	**44,459**	**100.0**	**64,962**	**100.0**	**61,354**	**100.0**	**31,966**	**100.0**

The first table below sets forth the number of bancassurance branches and outlets, and bancassurance managers of our health insurance business as of the respective dates; the second table below sets forth the number of effective bancassurance branches and outlets of our health insurance business for the periods indicated:

	As of December 31,				As of June 30,
Item	2009	2010	2011	CAGR (2009-2011)	2012
Bancassurance branches and outlets	4,099	5,492	8,094	40.5%	8,333
Bancassurance managers	1,516	1,476	1,624	3.5%	1,487

	For the year ended December 31,				For the six months ended June 30,
	2009	2010	2011	CAGR (2009-2011)	2012
Effective bancassurance branches and outlets[(1)]	860	1,805	1,467	30.6%	1,481

(1) The number of effective bancassurance branches and outlets for a year/reporting period is calculated by adding up the total monthly numbers of bancassurance branches and outlets that have issued at least one in-force policy for each month in that year/reporting period, and dividing the sum by 12 or the number of months in that reporting period.

In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs for our health insurance business from the bancassurance channel were RMB2,348 million, RMB5,742 million, RMB4,094 million and RMB2,290 million, representing a CAGR of 32.0% from 2009 to 2011 respectively, accounting for 38.0%, 59.1%, 39.7% and 29.7%, respectively, of the aggregate TWPs of our health insurance business for those periods.

On November 1, 2010, the CBRC issued the Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks (關於進一步加强商業銀行代理保險業務合規銷售與風險管理的通知), or Notice No. 90. On March 7, 2011, the CIRC and the CBRC jointly issued Guidelines on Regulating the Bancassurance Business of Commercial Banks (商業銀行代理保險業務監管指引), or Bancassurance Guidelines (together with Notice No. 90, the "New Policy on bancassurance business"). The New Policy on bancassurance business has adversely affected the bancassurance channels of PRC life and health insurance companies. For detailed provisions of the New Policy on bancassurance business, and its impacts on our business and operations, see the section entitled "Risk Factors — Risks Relating to Our Business — Any termination of, or any adverse change to, our bancassurance arrangements may have a material adverse effect on our business, financial condition, results of operations and prospects." After the implementation of the New Policy on bancassurance business, the number of effective bancassurance branches and outlets of our life insurance business and health insurance business decreased from 26,048 and 1,805, respectively, as of December 31, 2010, to 24,098 and 1,467, respectively, as of December 31, 2011, representing decreases by 7.5% and 18.7%, respectively. However, the total number of bancassurance branches and outlets of our life insurance and health insurance businesses increased to 80,763 and 8,094, respectively, as of December 31, 2011, from 72,811 and 5,492, respectively, as of December 31, 2010 representing increases by 10.9% and 47.4%, respectively. The number of our effective bancassurance branches and outlets decreased after Notice No. 90 was implemented, primarily because Notice No. 90 prohibited insurance companies from selling insurance products through on-site representatives at commercial bank branches. Thus, while most of our life and health insurance products distributed through the bancassurance channel were previously sold by such on-site representatives, after Notice No. 90 was promulgated, most of these life and health insurance products began to be sold by the staff members of the banks, whose knowledge of our life and health insurance products, desire to sell these products, capabilities and experience are generally quite limited compared to that of our sales representatives, and this in turn reduced the TWPs of certain bancassurance branches and outlets to nil. Effective bancassurance branches and outlets are those which issue at least one in-force policy during a specified period, and thus the number of our bancassurance branches and outlets meeting this criteria decreased as a result of the aforementioned reasons. As of June 30, 2012, the number of effective bancassurance branches and outlets for our life and health insurance businesses was 23,481 and 1,481, respectively.

The total number of our bancassurance outlets and branches increased after Notice No. 90 was implemented, primarily because under Notice No. 90, individual branches of commercial banks are generally not permitted to carry out bancassurance business with more than three insurance companies, and when an insurance company entrusts a commercial bank to conduct insurance agency business, the headquarters of that insurance company and the bank shall, in principle, enter into an agency agreement. We achieved a significant increase in the total number of our bancassurance outlets and branches through entering into "headquarter-to-headquarter" agreements with major commercial banks, as we strengthened our efforts in coordinating communication and expanding business with major commercial banks and their branches by leveraging our reputable brand, experience in bancassurance insurance business as well as our long-term strategic cooperation with major state-owned commercial banks. In addition, we also strengthened our expansion efforts with respect to branches and outlets of city commercial banks and County Area financial institutions, and as a result increased the number of our bancassurance branches and outlets. As of June 30, 2012, the total number of bancassurance branches and outlets for our life and health insurance businesses was 107,843 and 8,333, respectively.

We believe that, although the New Policy on bancassurance business has resulted in a short-term negative impact on our bancassurance channel by decreasing the number of our effective bancassurance branches and outlets, this impact has been relatively modest and will gradually be reduced in the long-term due to our well-recognized brand, leading market position, comprehensive distribution network, wide customer base, and long-term strategic cooperation with major state-owned commercial banks in the PRC.

We took various measures in response to the decrease in TWPs from the bancassurance channel, including:

- Continuing to solidify our long-term strategic cooperation with large state-owned commercial banks in the PRC and deepen the implementation of cooperation agreements between PICC Group and these commercial banks at the headquarters level at local branches of those banks through resource sharing, such as negotiated deposits and funds entrustment; further expanding our cooperation with local financial institutions such as rural credit cooperatives and city commercial banks by relying on our well-recognized PICC brand;
- Increasing customer education efforts to highlight the risk protection feature of our products and educate the customers to focus on the long-term returns of insurance products; improving the ability of bancassurance channel to acquire new customers and maintain existing customers through emphasizing the quality of customer service, further enhancing post-sale service and developing innovative sales methods, such as introducing health management service to the bancassurance channel; ensuring the stability and competitiveness of the investment returns of our insurance products by increasing the percentage of fixed-income investments in our investment portfolio in response to volatility in the capital markets;
- Establishing professional training teams satisfying the needs of our bancassurance partners and increasing the training of bancassurance sales personnel; starting from commercial banks whose business concentrates on mid-sized and large cities, gradually increasing the promotion efforts of regular premium products; further expanding the teams and increasing the training of individual insurance agents and renewal service professionals, so as to further enhance their ability to provide service to customers not captured by the bancassurance channel and achieve follow-on sales and customer development;
- Leveraging our advantages, including brand recognition, customer base and distribution network, and further diversifying our distribution channels as our insurance premiums generated from group sales channel and cross-selling increased significantly in the six months ended June 30, 2012, which effectively offset the decrease in our insurance premiums generated from bancassurance channel.

We expect to continue to develop our bancassurance channel, and will not only focus on the more economically developed cities but also will further improve market penetration in the County Areas. We provide regular training and support systems to the branches of our bancassurance partners so as to market our products in a more effective manner.

Individual Insurance Agent Channel

As of June 30, 2012, we have established sales and service outlets in 34 provinces, municipalities, autonomous regions and specially-designated cities in the state plan (計劃單列市), more than 270 prefecture level cities and 1,600 counties and districts to provide life and health insurance products to our individual customers through approximately 120,400 individual insurance agents. In addition, we have a renewal service team of approximately 2,800 specialists, responsible for the collection of renewal premiums. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from our individual insurance agent channel were RMB5,622 million, RMB10,639 million, RMB16,392 million and RMB10,125 million, respectively, representing a CAGR of 70.8% from 2009 to 2011 and accounting for 9.6%, 11.5%, 17.4% and 17.7%, respectively, of the aggregate TWPs from our life and health insurance businesses for those years.

We established our system of individual life and health insurance agents in 2006. We attach great importance to developing the individual insurance agent channel and have established a large-scale individual insurance agent team. Through strict management and training, our individual insurance agent team has contributed to our rapid development within a short period of time. Our individual life and health insurance agents are not our employees but instead enter into exclusive agency agreements with us typically for a term of three years (for life insurance) or one year (for health insurance). Under the PRC Insurance Law and relevant regulations, individual insurance agents are prohibited from accepting commissions from more than one life or health insurance company concurrently.

We provide a sales career track and a management career track to our individual insurance agents. Generally, individual insurance agents may join our sales career track, while individual insurance agents with better team building and management capabilities may join our management career track. Individual insurance agents who are currently in the sales career track and prove to have excellent performance and strong management capabilities can switch to the management career track. This system provides our individual insurance agents with more flexible career advancement opportunities and helps us recruit, select, train and retain outstanding individual insurance agents.

We strive to provide our individual agents with systematic and ongoing training. Prior to formally becoming our individual insurance agents, each potential agent is required to undergo a training of approximately six to 13 weeks as well as to pass our examinations. The courses we provide cover, among others, insurance business theory, customer development and product distribution. We also provide extensive on-site practical training conducted by our experienced individual insurance agents. As we regard continued training of individual insurance agents as an important means to improve their sales and customer service capabilities, we provide a wide variety of continuing training courses and plans to improve their productivity and professionalism.

We closely tie the compensation of our individual insurance agents to their sales performance and policy persistency ratio, and adopt a flat sales organization structure and a compensation structure in favor of our individual insurance agents directly responsible for policy sales. We have also adopted measures to encourage our individual insurance agents with demonstrated sales capabilities to further increase their productivity and those with management capabilities to develop their own sales teams. In addition, through our operations centers, call centers and our internal information technology systems, we provide comprehensive support to our individual insurance agents to increase their productivity.

The following tables set forth the number of our individual life insurance agents as well as certain indicators of their productivity during the Track Record Period:

	As of December 31,			As of June 30,
Item	**2009**	**2010**	**2011**	**2012**
Number of individual life insurance agents	103,125	109,913	125,059	110,239

	For the year ended December 31,			For the six months ended June 30,
Item	**2009**	**2010**	**2011**	**2012**
Average monthly first year life insurance TWPs per agent (RMB).	3,508	5,154	6,259	7,324
New life insurance policies per agent per month	1.32	1.53	1.76	2.18

The number of our individual life insurance agents increased slightly by 6.6% from 103,125 as of December 31, 2009, to 109,913 as of December 31, 2010, following our decision to maintain a prudent increase in the number of our individual life insurance agents by improving performance review methods, strengthening training and terminating insurance agents who failed to meet performance targets. The number of our individual life insurance agents increased by 13.8% to 125,059 as of December 31, 2011, from 109,913 as of December 31, 2010, because we increased efforts to expand our individual life insurance agents team so as to enhance the premiums contribution from the individual insurance agent channel. The increase in the number of individual life insurance agents in 2009, 2010 and 2011 was also in line with the overall development of our life insurance business during the same periods. The number of our individual life insurance agents as of June 30, 2012, decreased by 11.9% to 110,239 from December 31, 2011, because (1) it has become more difficult to recruit and train qualified individual life insurance agents in the Urban Areas due to intensified market competition and increase in labor costs and (2) to control costs of sales and improve the productivity of our individual life insurance agents team, we have enhanced the review of our individual life insurance agents team since 2012, especially individual life insurance agents in the Urban Areas, and terminated insurance agents who failed to meet performance targets. Since early 2011, we have enhanced recruiting efforts of sales force in the County Areas, as a result of which our individual life insurance agents in the County Areas and their sales performance have increased steadily.

The following tables set forth the number of our individual health insurance agents as of the dates indicated as well as certain indicators of their productivity during the Track Record Period:

	As of December 31,			As of June 30,
Item	**2009**	**2010**	**2011**	**2012**
Number of individual health insurance agents	19,030	17,817	13,074	10,147

Item	For the year ended December 31, 2009	2010	2011	For the six months ended June 30, 2012
Average monthly first year health insurance TWPs per agent (RMB)	2,263	3,423	5,183	4,634
New health insurance policies per agent per month	0.92	0.34	0.32	0.68

The number of our individual health insurance agents decreased during the Track Record Period primarily because we increased efforts to terminate individual health insurance agents failing to meet our performance targets and because we shifted the focus from purely increasing the number of individual insurance agents to establishing a team composed of individual health insurance agents with high compensation, high productivity and better educational backgrounds. Our health insurance business focused on the quality rather than the number of its individual insurance agents because it intended to develop a high-quality individual insurance agent team compatible with the development of high-end health insurance business and Government-entrusted Business. These types of businesses require higher level of expertise and may help differentiate our health insurance services from those of our competitors.

Group Sales Channel

Unlike our individual insurance agent channel which focuses on individual customers, our group sales channel focuses on institutional customers. Our group sales channel consists of sales personnel who have entered into employment contracts or agency agreements with us. The sales personnel who enter into agency agreements with us are individual insurance agents, who pursuant to such agreements conduct sales of insurance products as well as provide the related services, and receive commissions or fees from us. The sales personnel who enter into employment contracts with us are our employees, and they do not receive commissions or fees but rather earn salaries from us. We determine standards for entering into employment contracts with sales personnel for our life insurance business according to our overall business and human resources development plan and considering factors such as the business capabilities and working experience of such sales personnel. If a given member of the sales personnel meets our predetermined conditions, we enter into an employment contract with that person; otherwise, we only enter into an agency agreement with that person. The agency agreements we have entered into with individual insurance agents under our group sales channel provide explicitly that these personnel shall engage in insurance agency business on a full-time basis and shall not engage in other insurance businesses without our prior permission, which make these agency agreements exclusive in nature. As a result, the terms of the agency agreements we entered into with the individual insurance agents in both our group sales channel and individual insurance agent channel are substantially the same. The key difference is that the individual insurance agents under our group sales channel focus on institutional customers, while those under our individual insurance agent channel focus on individual customers.

Our group sales personnel are located at the branches and sales and service outlets of our life and health insurance businesses. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our life and health insurance businesses had approximately 1,700, 2,000, 2,200 and 2,200 branches and sales and service outlets, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from the group sales channel of our life and health insurance businesses were RMB6,191 million, RMB10,801 million, RMB12,431 million and RMB12,848 million, representing a CAGR of 41.7% from 2009 to 2011 and accounting for 10.6%, 11.7%, 13.2% and 22.4%, respectively, of the aggregate TWPs from our life and health insurance businesses for those years.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, our life insurance group sales channel consisted of approximately 3,100, 6,100, 9,400 and 10,000 sales personnel, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs for our life insurance business from our group sales channel were RMB2,833 million, RMB7,738 million, RMB7,169 million and RMB7,894 million, respectively, representing a CAGR of 59.1% from 2009 to 2011 and accounting for 5.4%, 9.4%, 8.5% and 15.9%, respectively, of the aggregate TWPs from our life insurance business for those years. In the six months ended June 30, 2012, the TWPs of our life insurance business generated from the group sales channel exceeded the full-year TWPs of our life insurance business generated from the group sales channel in 2011, primarily because we expanded large institutional customers in response to the impact of the macroeconomic condition in the PRC and changes in market interest rates, and further developed our existing group insurance products, which resulted in the rapid increase in TWPs generated from group sales channel.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, our health insurance group sales channel consisted of approximately 730, 830, 910 and 870 sales personnel, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs for our health insurance business from our group sales channel were RMB3,359 million, RMB3,063 million, RMB5,263 million and RMB4,954 million, respectively, representing a CAGR of 25.2% from 2009 to 2011 and accounting for 54.3%, 31.5%, 51.0% and 64.2%, respectively, of the aggregate TWPs from our health insurance business for those years. In terms of TWPs, group sales channel is the most important distribution channel for our health insurance business.

In terms of TWPs, Government-entrusted Business is one of the most important components of our health insurance business, and it is distributed entirely through our group sales channel. We believe that we occupy a dominant position in the PRC market of health insurance Government-entrusted Business. Beginning in Zhanjiang City in Guangdong province in 2009, our health insurance business has provided comprehensive solutions to local governments through our offerings of Supplemental Basic Medical Care Insurance, seizing the opportunities from China's health care reform and leveraging our experience and professional skills in health insurance. The comprehensive solutions we provided have the following features:

- We provided handling services related to basic medical care insurance and provided Supplemental Basic Medical Care Insurance to residents in both the Urban Areas and County Areas. Without increasing the financial burden of residents having access to our services, a certain portion of the premiums paid by the local residents for their basic medical care insurance will be used to establish a guarantee fund for obtaining supplemental medical care services. We managed this fund and provided insurance coverage to residents in both the Urban Areas and County Areas on top of the maximum coverage of the basic medical care insurance provided by the government (subject to certain coverage limitations);
- We formulated deductible levels and benefit payment ratios based on the ratings and management capabilities of hospitals to reduce unnecessary medical expenses through marketization;
- We have developed a comprehensive claims settlement system, namely the "Social Security Express" ("社保通") system, which was awarded Model Insurer Asia 2011 sponsored by Celent LLC, and have developed the "Medical Care Express" ("醫保通") system, which is connected to the internal operational systems of medical institutions.

These systems enable us to perform real-time search and settlement of medical expenses, share medical care information of the insured with medical institutions and prevent fraudulent or excessive medical care by learning medical care information of the insured on a timely basis;

- We supervise the entire service process of medical institutions by means of on-site inspection through cooperation with local social security authorities. We have established a risk control system that focuses on on-site inspections throughout the medical treatment process, conducting medical service review and providing professional medical advice, which has reduced the average medical expenses of the insured and in turn reduced our benefits payments; and
- We have also established medical insurance service hotlines that serve urban and rural residents and provide medical insurance information and health management consulting services, which promote ideas for healthy living, improve health conditions of the insured and reduce morbidity.

The CIRC named the aforementioned comprehensive solutions we provided the "classic example of insurance companies contributing to the development of the national health care system — Zhanjiang Model" ("保險業服務國家醫療保障體系建設的典型樣本 — 湛江模式"). In 2009, 6,440,000 people, or 86.4% of the total population of Zhanjiang City, participated in the plan. Based on the "Zhanjiang Model", in 2011, we localized such model in Taicang City, Jiangsu Province, and further developed a new opportunity for Government-entrusted Business in developed areas. We cooperated closely with the local government and used certain funds from the surplus of basic medical care funds to establish a major illness insurance system covering both urban and rural residents which provides compensation with an equal progressive percentage for major illness medical expenses chargeable to individuals in employee medical care insurance and urban and rural residents medical care insurance. In 2011, 518,000 insured, or 64.7% of the total population of Taicang City, participated in the project. Taicang Project follows the policy of "effective improvement of protection against critical illnesses by proactively developing and utilizing basic medical insurance fund to purchase commercial major illness insurance or provide supplemental insurance" as indicated in the Plan and Implementation Scheme to Further Reform and Implement Medical and Health System during the 12th Five-year Plan Period ("十二五"期間深化醫藥衛生體制改革規劃暨實施方案). It enables us to seize the policy opportunities and obtain a first-mover advantage to further expand the market share of our Government-entrusted Business.

We believe that the aforementioned comprehensive solutions we first provided in Zhanjiang City and Taicang City enabled the insured to enjoy better coverage and higher quality services and helped the governments improve the means through which they perform social management functions and serve the public. Such comprehensive solutions also enabled us to effectively control business risks of our Government-entrusted Business and increase revenues, as well as further improved our brand awareness and reputation. We also accumulated numerous customer resources and valuable information by providing these comprehensive solutions. As a result of the success of the Zhanjiang Model and its diversified promotion and innovative implementation, our health insurance Government-entrusted Business had rapidly expanded to 126 prefecture-level cities in 24 provinces, autonomous regions, municipalities and specially-designated cities in the state plan (計劃單列市) as of June 30, 2012, and had approximately 56 million and 57.3 million insured in 2011 and the six months ended June 30, 2012, respectively. We customize our products and services and further divide our Government-entrusted Business customers according to their needs and conduct follow-on sales based on existing customer resources, which has effectively facilitated the sales of our other health insurance products. In 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, TWPs from our health insurance Government-entrusted Business were RMB1,309 million, RMB1,948 million, RMB2,711 million and RMB2,881 million, respectively, representing a CAGR of 43.9% from 2009 to 2011.

Group accidental injury insurance is one of the primary profitable products in our health insurance business. This product provides a wide variety of coverage, including employee accidental injury, occupational injury, construction workers accidental injury, accidental injury for borrowers of small-sum loans in the rural areas, civil aviation accidental injury, student safety and travel injury. We have formulated proactive business plans to market our group accidental injury insurance products. For example, we increased marketing efforts for group accidental injury insurance products such as construction worker accidental injury insurance, student safety insurance, and accidental injury insurance for small-sum loan borrower in rural areas. We also increased marketing efforts of accidental injury insurance as a part of comprehensive health protection plans and supplemental accidental insurance in our Government-entrusted Business. We improved our IT system to meet the needs of short-term insurance products which enhanced our marketing and service efficiency, which in turn promoted the sales of our group accidental injury insurance. As a result, in 2009, 2010, 2011 and the six months ended June 30, 2012, TWPs from the group accidental injury insurance of our health insurance and life insurance businesses were RMB432 million, RMB776 million, RMB1,180 million and RMB665 million, respectively, representing a CAGR of 65.3% from 2009 to 2011.

As of June 30, 2012, we have commenced trial operations for rural small-sum life and health insurance in 15 provinces and autonomous regions, which provides us with new business opportunities and revenue sources.

Product Development and Pricing

We have established standardized product development and management systems for our life and health insurance products that are market- and customer-oriented. The product development committees are responsible for reviewing and confirming the feasibility of product development projects, which are then executed by our product development project teams comprising professionals specialized in product development, actuarial practices, investment, distribution channels, business management, customer service, finance, information technology, risk management and compliance, among others. After the review and approval of both chief actuary and appointed legal counsel, insurance clauses and insurance premium rates of newly-developed life and health insurance products in compliance with the CIRC regulations shall be filed with the CIRC. Our product development system includes multiple phases and involves many participants who have clearly defined responsibilities at each phase. We have also established the product liaison post at each of our branches to ensure that we can learn of changes in the customer base and the customer demand in regional markets and allow our life and health insurance products to satisfy market needs.

We believe that we have industry-leading life and health insurance product development capabilities. For example, our Golden Tripod Prosperity Endowment Life Insurance (Participating) ("金鼎富貴兩全保險(分紅型)") was recognized as one of the Ten Most Excellent Wealth Management Products in 2009 ("2009中國十大最佳理財產品") on the "2009 Top Insurance Products List for Millions of Middle Classes in China" ("2009中國百萬中產家庭首選保險品牌榜") sponsored by *Wealth Management Weekly* (理財週報). Our Harmonious Life Whole Life Insurance (Universal) (A Series) ("和諧人生終身壽險(萬能型)(A款)") was recognized as the Innovative Insurance with the Highest Value in 2009 ("2009年度最具價值創新型保險") at the fifth "China Public Wealth

Management Annual Meeting" ("中國大衆理財年會"). Our Caring Experts Lifetime Serious Disease Individual Illness Insurance ("關愛專家終身重疾個人疾病保險") won the Most Popular Serious Disease Insurance Product Prize ("最受歡迎的重疾險產品獎") in the Financing and Wealth Management Online Ceremony ("金融理財網絡盛典") sponsored by sohu.com in 2009. Our "Healthy Life Individual Nursing Care Insurance (Universal) (D Series)" ("健康人生個人護理險（萬能型、D款）") was recognized as the Most Influential Insurance Product ("最具市場影響力保險產品") in 2011 at the fifth China Insurance Innovation Prizes ("中國保險創新大獎") sponsored by the *Insurance Culture* magazine and several other organizations.

We believe our Selective Term Life Insurance ("精心優選定期壽險") is the first term life insurance product that categorizes the insured based on their health conditions in the PRC. Unlike traditional approaches which divide the insured into the healthy and unhealthy, we first divide the insured into smokers and non-smokers, and then adopts diversified criteria to sub-divide the smokers into two sub-categories and non-smokers into four sub-categories. The insured in these six different sub-categories are subject to different premium rates and those with better health conditions enjoy lower rates.

Our pricing strategies focus on ensuring the long-term growth of our life and health insurance businesses while balancing the interests of various parties, including our customers, our distribution channels and ourselves. We price our life and health insurance products in compliance with relevant CIRC regulations and primarily on the basis of relevant mortality and morbidity rates, expense ratio, average hospitalization costs (health insurance) and interest rates. We determine the mortality and morbidity rates based on industry experiences, our historical claim experience data, as well as information and data provided by third parties such as reinsurance companies. We determine the expense ratio primarily based on our historical experiences and projections for future events. We have established a profitability test model for the development of our life and health insurance products, under which all of our products must pass our internal profitability benchmarks such as internal rate of return, which ensures that our products have a positive prospect of profitability. The pricing of our life and health insurance products shall be filed with the CIRC and, under particular circumstances, be approved by the CIRC.

Actuarial Practices

As of June 30, 2012, we had 31 actuarial professionals, including 6 actuaries and 16 associate actuaries. Most of our actuarial professionals work in the actuarial and business development departments of our life and health insurance businesses, and provide actuarial support to other key business departments.

Our actuarial departments are primarily responsible for the calculation of reserves and solvency margin, projection of cash flows, reinsurance, as well as experience analysis and determination of embedded value for our life and health insurance. The actuarial departments periodically evaluate various reserves held in our life and health insurance businesses, in accordance with relevant accounting principles, to help ensure our reserves, including unearned premium reserves, claim reserves and life and long-term health insurance policyholder's reserves, meet our future obligations. The actuarial departments also track and project our dynamic solvency condition, asset-liability matching, and cash flow condition, and make reinsurance arrangements in accordance with our business needs. In respect of experience analysis, the actuarial departments regularly conduct experience studies in mortality and morbidity rates, average hospitalization costs (health insurance) surrender and expense ratios, as well as our profit sources, which serve as the basis for our assumptions in pricing, reserving and decision making. Our actuarial departments also perform regular valuation analysis on our embedded value and each year's value of new business to help improve profitability of our life and health insurance businesses and maintain their stable long-term growth.

Underwriting

Our life and health insurance underwriting process typically involves an application and risk evaluation process that seeks to determine whether the risk related to a particular applicant or group of applicants, including mortality and morbidity risks, average hospitalization costs (health insurance), as well as moral hazards, is consistent with the amount of risk that we are willing and able to accept. During this process, we consider the risk characteristics of the insured parties, including health condition, occupation, financial profile and social security status. In addition, we consult the reinsurance companies on the underwriting of major life and health insurance policies and arrange for appropriate reinsurance.

We have a centralized control model and verification mechanism for our life and health insurance underwriting operations. Depending on the amount of risk to be assumed under a particular insurance policy and the authorization level of the underwriting staff, underwriting decisions are made by corresponding underwriters based at our headquarters or our provincial branches as applicable. No branches at prefecture or lower levels or sales outlets have the authority to underwrite any life and health insurance policies without prior authorization.

We have regionally centralized the underwriting, claims settlement and new policy issuance functions of our life insurance business at the provincial branch level. We generally centralize the underwriting of health insurance at the headquarters of our health insurance business. We have also created standard-form policies, which help streamline our underwriting process, improve our underwriting efficiency and control our operational risk.

Claims Settlement

We centralize the claims settlement for our life and health insurance businesses at the headquarters and provincial branches of our life and health insurance businesses. Our claims adjusters, who are authorized and supervised by our head office and the provincial branches, review life and health insurance claims within their scope of authorization. In order to control our risk exposure more effectively, our information technology systems for claims settlement operations are centralized at our headquarters and automatically forward a claim to our claims settlement staff at a higher level if the claim amount exceeds the authorization level of the handling staff.

As of June 30 , 2012, we had a claims settlement team consisting of approximately 870 people for our life and health insurance businesses. Our claims adjusters must pass various internal examinations before starting their formal employment with us and receive systematic training on a regular basis. We determine the authorization of the claims adjusters based on their work experience, education, past performance, professional credentials and our business needs.

We have established professional claims settlement procedures and formulated various claims settlement guidelines which are updated on a regular basis. Our claims settlement team follows standardized procedures, which helps ensure the quality and efficiency of claims settlement.

In our life insurance business, in order to ensure the efficiency of claims settlement, we divide the settlement procedures of our life insurance business into three categories based on the complexity of the claims and type of customers: standard settlement, small-claim settlement and settlement for institutional customers. For claims below RMB600, we apply our small-claim settlement procedures and pay the benefits on the same day as we receive the claim. For claims subject to standard settlement procedures and settlement for institutional customers, we seek to settle typical claims within five business days. For claims involving special investigations, refusal to pay claims or other complicated issues, we seek to make a final settlement decision within 30 calendar days. In addition, we also provide cross-regional settlement for all of our life insurance products based on our nationwide service network, key sophisticated and centralized business systems and technical advantages in claims settlement.

For our health insurance business, we have adopted claims settlement procedures that feature centralized management and easily accessible services to respond to the high-frequency and low-amount nature of health insurance claims. We have established a centralized claims settlement platform at the headquarters of our health insurance business, which centrally processes business data, and promulgates business rules and internal policies, while our branch offices provide easily accessible claims settlement services to our customers. For claims below RMB1,000, we endeavor to pay the benefits on the same day we receive the claim; for standard claims, we typically pay the benefits within five business days after receiving the claim; for claims involving special investigation, refusal to pay claims or other complicated issues, we typically make a final settlement decision within 30 calendar days. We have also established expedited process and pre-payment mechanisms for emergent and large-sum claims. For Government-entrusted Business, we have established settlement platforms directly connected with local social security authorities and designated hospitals. Through this platform, the insured pays its portion of medical costs when leaving a medical institution and we settle the rest of the medical costs directly with the medical institutions and local social security center, which significantly simplifies reimbursement procedures and improves claims settlement efficiency.

Customers and Customer Service

During the Track Record Period, the customer base of our life and health insurance businesses grew rapidly with a CAGR of 87.4% from 2009 to 2011. As of June 30, 2012, our life and health insurance businesses had approximately 58,347,000 individual customers and approximately 135,000 institutional customers.

The following table sets forth details of our life and health insurance customers during the Track Record Period:

	As of December 31,			As of June 30,
Items	2009	2010	2011	2012
	(in thousands)			
Individual customers[(1)]	**14,148**	**31,368**	**49,784**	**58,347**
Life insurance business[(2)]	10,391	26,420	43,540	51,380
Health insurance business[(2)]	3,859	5,096	6,515	7,343
Institutional customers[(1)]	**69**	**107**	**127**	**135**
Life insurance business[(3)]	45	79	94	97
Health insurance business[(3)]	23	28	33	38

(1) The overlapping customers of life insurance business and health insurance business are counted only once.

(2) Represents the aggregate number of (a) the individual holder of all policies and (b) the individual insured of all policies, in each case within the 12 months ending as of the dates indicated, respectively, without duplicated calculation of (a) and (b). In the calculation above, the aggregate policies within a certain period include the policies naturally expired within preceding 12 months and the policies remaining effective at the end of the period.

(3) Represents the number of institutional holder of all policies with the 12 months ending as of the dates indicated, respectively. In the calculation above, the aggregate policies within a certain period include the policies naturally expired within preceding 12 months and the policies remaining effective at the end of the period.

We are dedicated to offering high quality service to our customers. Through service counters, customer service specialists, individual insurance agents, "4008895518," "4006695518" and "95591" hotlines, text messages and the www.e-picclife.com and eshop.picchealth.com websites, we provide our customers with comprehensive life and health insurance services consisting of basic services such as new policy enrollment, maintenance, inquiries, claims settlement, complaints, policy reminders, and value-added services such as health management, among others. Our life and health insurance businesses have established national call centers to handle service hotline calls on a 24-hours-a-day, seven-days-a-week basis. According to data published by the CIRC, our life insurance customer complaint rate for each RMB100 million of premiums in both 2011 and the six months ended June 30, 2012 was among the lowest among all PRC life and health insurance companies.

Insurance renewal business is an important supplement to our distribution channels and is also an important aspect of our customer service. We seek to provide our customers with convenient, personalized and high-quality services in connection with our premiums collection and new policy enrollment services in order to retain our customers, encourage repeat purchases and obtain referrals of our services to others. We use the 13-month and the 25-month persistency ratios as key indicators to review the performance of the management, sales forces and post-sale services personnel of our life and health insurance businesses.

The following table sets forth the 13-month and 25-month persistency ratios for our individual life and health insurance customers during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,
Item	**2009**	**2010**	**2011**	**2012**
Individual life insurance customer persistency ratio				
13-month persistency ratio(1)	70.2%	95.9%	95.6%	96.9%
25-month persistency ratio(2)	77.6%	64.8%	92.7%	94.4%
Individual health insurance customer persistency ratio				
13-month persistency ratio(3)	95.5%	82.0%	89.1%	88.7%
25-month persistency ratio(4)	69.0%	94.9%	70.7%	87.3%

(1) The 13-month persistency ratio for a given year is the proportion of the total number of long-term life insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(2) The 25-month persistency ratio for a given year is the proportion of the total number of long-term life insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

(3) The 13-month persistency ratio for a given year is the proportion of the total number of long-term health insurance policies issued in the preceding year that remain in force as of the 13th month following issuance.

(4) The 25-month persistency ratio for a given year is the proportion of the total number of long-term health insurance policies issued in the penultimate year that remain in force as of the 25th month following issuance.

Since the second half of 2007, our life insurance business rapidly expanded its branches and sales force in order to realize rapid increase in the TWPs. However, as a result of the unstable sales force and relatively low quality of insurance policies sold in its early stage of development, the 13-month and 25-month persistency ratios in 2009 and the 25-month persistency ratio in 2010 of our life insurance business were relatively low. The sales force of our life insurance was unstable from 2006 to 2009 because PICC Life, incorporated in 2005, was in a relatively early stage of development from 2006 to 2009. We gradually developed our experience in developing and managing our individual life insurance agent's force along with the development of our life insurance business. As the sales force of our life insurance business gradually became stable, their productivity gradually improved and the quality of insurance policies sold by them also improved. In addition, we increased our efforts to market participating and single-premium life insurance products in 2009. Such products did not require regular premium payments and have low surrender rate, Accordingly, the 13-month persistency ratio in 2010 and the 13-month and 25-month persistency ratios in 2011 of our life insurance business were maintained at a sound level. The 13-month persistency ratio of our life insurance business in 2011 decreased compared to that in 2010, primarily because of the PRC government's adjustment of monetary policy from "modestly easy" to "prudent" in 2011, which resulted in reduction of market liquidity and increase in benchmark interest rate, which in turn led to the increase of surrender rate.

The fluctuations in persistency ratio of our health insurance business are closely related with the persistency ratio of our universal health insurance products. In 2008, most of our long-term health insurance products were traditional insurance products, which led to a sound 13-month persistency ratio in 2009. In 2009, the new policy premiums of our universal health insurance products rose significantly from 2008, which made universal insurance products a significant portion of our health insurance business. In 2010, tightening of macro-economic conditions and fierce competition among financial products reduced the competitiveness of our universal health insurance products as well as the confidence of universal insurance customers to renew their policies. As a result, the 13-month persistency ratio of our health insurance business decreased in 2010 compared to 2009. In 2010, we enhanced our training and customer service which contributed to the increase of 13-month persistency ratio of our health insurance business in 2011. Because the customers who renew our products in the 13th month after their purchases typically will also renew the products in the 25th month, the changes of the 25-month persistency ratio of our health insurance business generally keeps a similar pattern with the changes of the 13-month persistency ratio. But the changes of the 25-month persistency ratio are generally one-year behind the changes in the 13-month persistency ratio. For example, the 13-month persistency ratio of our health insurance business in 2009 is 95.5%, which led to a 25-month persistency ratio of 94.9% in 2010. And the 13-month persistency ratio of our health insurance business in 2010 decreased to 82.0%, and the 25-month persistency ratio correspondingly decreased to 70.7% in 2011, which is lower than that in 2010.

Our health insurance business provides professional health management services to our existing and potential customers. Our health management services cover each important stage of health management, including promotion of health knowledge, health condition assessment and health consulting and intervention prior to the occurrence of disease, medical care and supervision and control over diagnosis and treatment during medical treatment, and recovery guidance and nursing services after medical treatment. Our core health management services include Chronic Disease Management ("慢性病管理"), Diagnosis and Treatment Green Channel ("診療綠色通道"), Family Doctor ("家庭醫生") and Cross-region Hospital Transfer ("異地轉診"), which cover the major processes involved in the health management needs of our customers. We own the copyright for our health management system, which has been registered with the National Copyright Administration of the PRC. Through our health management services, we help our customers utilize scientific ways to improve their health, decrease disease incidence and lower medical expenses, thereby improving customer loyalty. As of June 30 ,2012, we provided our health management services through a professional team of 595 persons including our health management professionals and outside medical experts, a majority of which have medical degrees or experiences in medical care or health management. Over the years, we have accumulated valuable experience in health management, provided services to a large group of existing customers and established contacts with a large number of potential customers.

To provide high-quality and efficient services to our customers, we provide rigorous training to our employees and adopt a business model where we centralize management while we extend our front-office services to our sales outlets in the County Areas. Our employees at our service counters are able to handle various insurance-related tasks, including acquiring new customers and offering claims settlement, maintenance and inquiry services. Furthermore, with our strong business processing and customer service capabilities and standardized business procedures, we seek to provide consistent and standardized services throughout the PRC through our nationwide distribution and service networks.

The table below sets forth the geographic distribution of the TWPs recorded by our life and health insurance businesses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
Areas	**2009**	**2010**	**2011**	**2012**
	(RMB in millions)			
Jiangsu Province	3,826	7,749	8,500	5,294
Hebei Province	6,300	8,429	8,269	4,521
Henan Province	3,868	7,987	7,738	3,458
Shandong Province	4,415	6,861	7,346	5,036
Guangdong Province	3,789	5,931	5,806	2,974
Zhejiang Province	2,177	4,276	5,614	3,393
Beijing	2,336	3,851	5,274	4,234
Sichuan Province	3,253	4,641	5,072	2,765
Hunan Province	2,774	4,011	3,835	2,279
Hubei Province	2,154	3,232	3,648	2,696
Other Areas	23,727	31,642	29,039	20,578
Total	**58,620**	**92,144**	**94,271**	**57,228**

Reserves

The following discussion relates to the determination of our life and health insurance reserves for purposes of our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with IFRS.

We maintain reserves to provide for our future benefit obligations under our life and health insurance policies. The principal types of reserves we maintain are claim reserves, unearned premium reserves and long-term life insurance policyholder's reserves. In addition, we may also conduct liability adequacy tests and adjust the reserves for the relevant insurance contracts based on the results of such tests.

Claim Reserves

Claim reserves are insurance contract liabilities provided for insurance claims of our short term life and health insurance contracts which have occurred but are not yet settled. Claim reserves include incurred and reported reserves, IBNR reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins. IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data and other factors, using the greater of the chain ladder method and average claim per case method (life insurance business), or the greater of Bornhuetter-Ferguson method or the chain ladder method and the loss ratio method (health insurance business) based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future as well as margins.

Unearned Premium Reserves

The unearned premium reserves are provided for unexpired insurance obligations of our short term life and health insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for incremental costs such as commissions, business tax, insurance guarantee fund, regulatory charges. Subsequent to the initial recognition, unearned premium reserves are released on a 1/24 (life insurance business) or 1/365 (health insurance business) and premiums earned are recognized.

Long-term Life and Health Insurance Policyholder's Reserves

Long-term life and health insurance policyholder's reserves are insurance contract liabilities provided for unexpired insurance obligations of our life and long-term health insurance contracts.

We determine risk margins of the long-term life and health insurance policyholder's reserves using the cost of capital method. The risk margin is the current value of the future expected cost of capital, which needs to be evaluated in each evaluation day to reflect the uncertainty of the future cash flows. The key assumptions used in the measurement of long-term life and health insurance policyholder's reserves include insurance accident occurrence rate, lapse and surrender rates, expense assumptions, policy dividend assumptions, discount rate and others. In ascertaining those assumptions, we use information currently available as of the end of the reporting period.

Reinsurance

We reinsure a portion of the life and health insurance policies we underwrite to reduce risk exposure, protect capital resources and maintain stability of operations. We also use reinsurance to enhance our underwriting capacity and limit our exposure to potential extraordinary losses.

We determine retention amount and the portion of risk we reinsure based on the statutory risk retention requirements under the PRC Insurance Law and other relevant PRC laws and regulations and our business development needs. According to Article 103 of the PRC Insurance Law, the liability of an insurance company for the maximum amount of loss that may be caused by a single insured event may not be more than 10% of the sum of paid-in capital and the reserve revenue fund. Any part exceeding the 10% limit must be reinsured. According to Article 10 of the Provisions on the Administration of Reinsurance Business promulgated by the CIRC, an insurance company must determine its total retained insurance premium and its retained responsibility for each risk unit for the current year. Reinsurance must be obtained for the excess. With respect to life insurance, we mainly reinsure individual long-term insurance in the method of excess-of-loss reinsurance and quota share reinsurance. With respect to excess-of-loss reinsurance, a ceding company first determines a retention amount for each risk unit, and reinsures the portion of the risk exposure in excess of that retention amount. With respect to quota share reinsurance, a ceding company reinsures a contractually determined proportion of the sum insured for each risk unit. With respect to health insurance, we adopt different approaches to long-term and short-term insurance products. We reinsure short-term insurance primarily by quota share, and depending on risk exposure and the feature of the insurance, the retention percentage is generally in the range of 50% to 70%. On the contrary, we reinsure long-term insurance primarily by excess-of-loss, and subject to underwriting rules and our risk tolerance, the retention amount is generally in the range from RMB 300,000 to RMB 1 million.

We select our life and health reinsurers carefully and generally only enter into reinsurance arrangements with international insurance companies with A- equivalent or better ratings by internationally-recognized rating agencies and PRC reinsurance companies with proven track records. Our criteria for selecting reinsurers include financial strength, service, terms of coverage, claims settlement efficiency and price, among others. Our top three life and health reinsurers in 2011, in terms of ceded TWPs, were Swiss Re, China Life Reinsurance Company Limited, a subsidiary of China Reinsurance (Group) Corporation, and Munich Re. We monitor the financial condition of our reinsurers on an ongoing basis and review our reinsurance arrangements periodically.

In 2009, 2010, 2011 and the six months ended June 30, 2012, we ceded RMB211 million, RMB1,207 million, RMB1,981 million and RMB1,698 million, respectively, of TWPs relating to our life and health insurance policies to reinsurers, accounting for approximately 0.4%, 1.3%, 2.1% and 3.0%, respectively, of the aggregate TWPs from our life and health insurance businesses for those periods. In 2010, TWPs from life and health insurance that we ceded out had increased by RMB996 million compared to 2009, primarily due to the reinsurance of supplemental social security insurance business at the cession ratio of 50% in 2010. In 2011, the TWP from life and health insurance that we ceded out had increased by RMB774 million compared to that in 2010, primarily due to the growth of TWPs from the ceded policies.

ASSET MANAGEMENT

Overview

Before 2003, we managed our insurance funds through dedicated internal departments. In 2003, we established PICC AMC, the first insurance asset management company in the PRC, in which PICC Group holds an 81% equity interest. PICC AMC is our centralized and professional asset management platform, managing the majority of our investment assets and assets of our third-party clients. As of June 30, 2012, the total investment assets managed by PICC AMC were RMB381.1 billion, of which 88.6% came from the Group and 11.4% came from third parties outside the Group. Third-party clients of PICC AMC mainly include: (a) domestic insurance companies other than the Group; (b) enterprise annuity clients, which are mainly medium- and large-scale state-owned enterprises in the PRC; and (c) clients of debt investment plan products, which are mainly domestic insurance companies and joint-stock banks in the PRC. PICC AMC conducts business cooperation with the domestic insurance company clients mainly through special account management and insurance asset management products (such as the Worry-Free Investment Products ("安心收益投資產品")), with enterprise annuity clients mainly through participation in single and group enterprise annuity plans, and with clients of debt investment plan products mainly through sales of our debt investment plan products. The nature of funds of PICC AMC's third-party clients mainly includes insurance funds, enterprise annuity funds, and debt investment plan product funds. PICC AMC conducts asset management for our third party clients mainly through special account management for insurance assets, insurance asset products management, special fund management for enterprise annuity, and debt investment plan product management. PICC AMC ensures independent management of assets of its third-party clients mainly through adopting the following measures: (a) all of third-party clients' assets and funds will be safekept by independent custodians; (b) establishing independent accounts to effect transfer, accounting treatment and valuation; and (c) establishing an effective firewall system and carrying out effective segregation with respect to the personnel, accounts, information systems, investment decisions, trading orders, clearing and settlement, valuation and accounting treatment for different entrusted assets, in order to ensure independence in the management of these entrusted assets. The assets and funds of PICC AMC's third-party clients are not consolidated with the financial statements of PICC AMC, but are independently managed and operated under the accounts in the name of its third-party clients or special product accounts. Basic management fees are PICC AMC's main source of income in connection with its management of third-party client assets, while performance-based management fees apply to asset management for certain special accounts. The income received by PICC AMC mainly depends on factors such as the scale of assets under management, basic management fee rates and yields of the assets under management.

We believe that, in the PRC insurance industry, PICC AMC is one of the most innovative asset management companies with one of the most extensive range of investment licenses and leading investment yields. PICC AMC was awarded "Best Assets Management Brand" ("最佳資產管理品牌") and "Best Design and Innovation Asset Management Company" ("最佳設計與創新資產管理公司") in the "2010-2011 Golden Shell Price of PRC Asset Management" ("2010-2011年度中國資產管理金貝獎") sponsored by *21st Century Business Herald (21世紀經濟報道).* Due to the rapid development of our insurance business, the total assets managed by PICC AMC increased to RMB358.5 billion as of December 31, 2011 from RMB202.3 billion as of December 31, 2009, representing a CAGR of 33.1%.

We have established an asset management value chain compatible with the nature of insurance fund and seek to achieve investment yields exceeding the liability costs and industry average in a sustained and consistent manner through asset liability management, strategic asset allocation, tactical asset allocation and asset trading allocation. We have also established advanced risk management and credit rating systems and applied risk budgeting and risk warning indicator systems to manage the market, credit, liquidity and other risks associated with our investment portfolios.

We had a dedicated and professional investment team of 376 persons as of June 30, 2012. The tables below set forth the education level and working experience of our professional investment team:

Education Level	Number of Employees
Master's Degree or above	196
Bachelor's Degree	129
Junior College Degree	36
Below Junior College Degree	15
Total	**376**

Working Experience	Number of Employees
20 years or more	115
10 years (inclusive) to 20 years	70
5 years (inclusive) to 10 years	88
Less than 5 years	103
Total	**376**

The table below sets forth details of professional qualifications held by members of our investment team that we consider important to our asset management business.

Professional Qualifications	Number of Employees
Passing Securities Practice Qualification Exams	79
Chartered Financial Analyst (CFA)	9
Financial Risk Manager (FRM)	6

We regard research as the basis of our investment decisions and have established an insurance and investment research institute and an securities research department independent from our investment departments. Most of the professionals working in such institute/department have experience in macro-economic and industry research. We strive to develop new asset management businesses such as the management of enterprise annuity, management of third-party insurance assets as well as design and development of insurance asset management products, and have established specialized debt investment management teams.

As of June 30, 2012, in addition to licenses and permits to engage in typical investments such as bonds, equity securities and securities investment funds, we held, among others, the following investment licenses and permits:

- Qualification to conduct price consultation for offline sales of A shares (A 股網下配售詢價資格);
- Qualification for foreign exchange fund deployment and qualification for qualified domestic institutional investors (外匯資金運用業務資格和境內資金境外直接投資受托人資格);
- Qualification for underwriting short-term bond (短期融資券承銷商資格);
- License for trading in the China interbank offer market (銀行間市場拆借資格);
- Ability to develop innovative debt investment plan products (債權投資計劃產品創新能力備案);
- Satisfaction of credit risk management capabilities standards (allowed to invest in non-guarantee bonds) (符合信用風險管理能力標準) (可投資於無擔保債券); and
- Qualification of enterprise annuity manager (企業年金投資管理人資格).

We introduced MEAG Munich ERGO Asset Management GmbH ("MEAG") as PICC AMC's strategic investor in 2006, which holds a 19% equity interest in PICC AMC. One of the current vice presidents of PICC AMC was designated by MEAG, and he is also the chief director of PICC AMC's risk management committee. MEAG was established on April 30, 1999 and is a leading asset management company in Europe. MEAG is the asset management company of Munich Re Group ("Munich Re") and ERGO Insurance Group (an affiliate of Munich Re). In addition to managing the assets of Munich Re, MEAG also provides services to third parties. PICC AMC and MEAG entered into a strategic cooperative agreement in 2006 under which MEAG agreed to provide advisory services to PICC AMC for establishing and developing its organizational structure and operational procedures and provide advanced technology and management experience in insurance capital management, such as support for client and risk management, personnel training. According to the strategic cooperation agreements, the employees at key posts of PICC AMC have received training from MEAG on portfolio, investment and risk management. We believe that any termination or discontinuation of our cooperation with MEAG will not have any material impact on our business and operations.

In addition to PICC AMC, we invest in, operate and manage real properties through PICC Investment, in which PICC Group holds a 100% equity interest. We also engage in non-transactional business such as private equity and debt investments through PICC Capital, in which PICC AMC and PICC Investment hold 55% and 45% equity interest, respectively.

In October 2008, the MOF transferred to us its equity interest in China Credit Trust for no consideration, representing approximately 32.35% of the total share capital of China Credit Trust. In 2010, we increased our equity interest to approximately 32.92% by participating in the share placement of China Credit Trust with an investment of RMB1,139,690,500, making us the single largest shareholder of China Credit Trust. China Credit Trust is primarily engaged in fund trust business focusing on project financing and asset management business focusing on securities investment. The total trust assets managed by China Credit Trust amounted to RMB148,829 million as of December 31, 2010. According to the Almanac of China's Trustee (2010-2011), as of December 31, 2010, China Credit Trust ranked fourth among all trust companies in the PRC in terms of trust assets under management. As of December 31, 2011, the total trust assets managed by China Credit Trust amounted to RMB203,816 million.

Our Asset Management Value Chain

We have established an asset liability management committee, and coordinate and supervise asset liability management of the entire group at the PICC Group level. We have also established a centralized asset management system and manage the majority of our investment assets through the investment asset management platform led by PICC AMC. We conduct asset management following the principles of safety and prudence in accordance with the asset management value chain which is compatible with the nature of insurance fund management. Our asset management value chain includes the following major components:

Asset Liability Management

We regard asset liability management as the starting point for insurance fund management. We determine investment targets and constraints such as size, duration, anticipated return and risk tolerance in accordance with our insurance business development plans. These investment targets and constraints constitute the basis for formulating the mid- to long-term strategic asset allocation plan (the Three-Year Rolling Strategic Asset Allocation Plan). This plan determines the mid- to long-term investment targets and strategic asset allocation after taking into account the long-term development plans of the PRC Government, the PRC insurance industry and the Group, the macro-economy, regulatory policies, solvency margin, liability features and other relevant factors and makes a judgment as to risk-return profiles of each major class of our investment assets. We strive to achieve investment yields exceeding our cost of liabilities in a sustained and stable manner by executing our mid- to long-term strategic asset allocation plans.

Strategic Asset Allocation

Based on the Three-Year Rolling Strategic Asset Allocation Plan of the Group, each insurance subsidiary of the Group formulates its respective annual strategic asset allocation plan by taking into account its respective liabilities features, yields target and risk capacity. These asset allocation plans typically include expected yields, allocation range of each major class of investment asset and constraints on investments. Based on the asset allocation plans, insurance subsidiaries of the Group formulate their respective annual investment guidelines.

Mandate Management

Under our mandate management model, the PICC Group and its insurance subsidiaries (the "Principals") enter into respective asset management agreements with PICC AMC (the "Trustee"), and the Principals will designate a commercial bank to work as the custodian of the assets. The Principals formulate the annual investment guidelines for execution by PICC AMC. Each of the Principals typically has a designated asset management department which works closely and communicates with the portfolio management department of PICC AMC on a regular or ad hoc basis to ensure the effective execution of the annual investment guidelines.

Tactical Asset Allocation

Subject to our asset allocation strategies, PICC AMC changes the asset allocation according to market conditions. The investment decision-making committee of PICC AMC reviews and determines adjustments applicable to specific accounts based on the advice from the tactical asset allocation team consisting of macro-economic research professionals, industry research professionals and investment managers.

Asset Trading Allocation

Subject to our tactical asset allocation plans, the fixed-income investment, equity, investment fund, overseas investment and other departments at PICC AMC select specific assets to trade based on market conditions. We have established rigorous trading authorization schemes applicable to our trading departments and investment managers, and utilize information technology systems to ensure the effective execution of our trading authorization schemes.

Accounting, Valuation and Performance Review

The custodian is responsible for the recording and valuing of our entrustment assets, and the finance and accounting department of PICC AMC is responsible for account reconciliation with the custodian. The valuation results of entrustment assets are reported to the Principals periodically. Some Principals have formulated specific rules to review the performance of PICC AMC, and PICC AMC also evaluates the performance of its investment departments and managers on a regular basis based on pre-determined criteria.

Risk Management Covering the Entire Value Chain

We attach great importance to risk management and have established a comprehensive risk management system covering each stage of our asset management value chain. This system includes internal control measures such as Chinese Walls and risk management rules regarding market, credit, liquidity, settlement, operational and compliance risks. Through information technology systems, we monitor in real time a majority of the risk management benchmarks, including investment authority, position limits of a particular stock and investment concentration level, other than certain risk management benchmarks of cross-business lines which shall be monitored manually.

Leveraging our strategic cooperation with MEAG, we have introduced robust risk control mechanisms. We appointed a professional recommended by MEAG as the chairman of the risk management committee of PICC AMC. We also developed bond investments pre-warning system and credit assessment systems to quantify our risk management efforts. In addition, we have developed and applied an advanced uniform data processing platform and continue to upgrade and perfect this platform on an ongoing basis. We believe we have industry-leading risk management capabilities in the PRC. For further details of our risk management system, see the section entitled "Business — Risk Management."

Insurance Asset Management Products

We develop insurance asset management products in accordance with regulatory rules. PICC AMC is one of the first companies in the PRC to develop insurance asset management products such as infrastructure debt investment plans. We expanded our investment channels through developing asset management products and market our products to institutional customers. Our representative products include, among others, the RMB10 billion Tianjin Binhai Area Transportation Debt Investment Plan ("天津濱海新區交通項目債權投資計劃") and Worry-Free Investment Products ("安心收益投資產品"), which had daily average net assets under management of RMB2,500 million in the six months ended June 30, 2012.

Third-party Entrustment Business

We obtained the license to provide enterprise annuity services in 2007. Under the "PICC" brand, and through joint business development with our insurance business and long-term cooperation with large-scale enterprises in the PRC, we provide enterprise annuity services to a wide variety of customers, including important enterprises in industries such as insurance, banking, energy, railway, civil aviation and culture. We also provide insurance asset management services to several insurance companies outside the Group in the PRC.

Real Property Investment

We established PICC Investment in 2007 to engage in professional investment, operation and management of real properties within the Group. PICC Investment provides professional services for real property investment and is actively developing financial products related to real property investment. The real property investment team of PICC Investment is currently focusing on exploring business opportunities through commercial real estate in key areas of large cities and real estate projects for senior citizens, health services and car services. For example, on behalf of the Group, PICC Investment completed the acquisition of Beijing Capital Time Square (北京首都時代廣場) located at No.88 of West Chang'an Avenue in Beijing.

Our Portfolio Composition

Based on regulatory rules, our insurance funds can be invested in, among others, bank deposits, bonds, equity securities, security investment funds and real properties. We conduct our overseas investment in a prudent manner. We had total investment assets of RMB238,386 million, RMB371,097 million, RMB481,081 million and RMB542,585 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively. The majority of the investment assets of our P&C, life and health insurance businesses are managed by PICC AMC. For purposes of reporting, these investment assets are reflected as the investment assets of the relevant segment and not as investment assets of PICC AMC. During the Track Record Period, we were not subject to administrative penalties or fines as a result of our insurance funds utilization. The CIRC issued on May 15, 2012 a supervisory opinion letter, which confirmed that our major regulatory indicators complied with its regulatory requirements and the CIRC did not find significant legal violations or risks with respect to our business during its daily supervision. As a result, King & Wood Mallesons Lawyers, our PRC legal counsel, is of the view that we have complied with the relevant rules and regulations in all material aspects in relation to its investment mix, including the Interim Measures for the Administration of Utilization of Insurance Funds and the Notice on Regulating Stock Investments Business of Insurance Institutions.

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

	As of December 31,						As of June 30,	
	2009		2010		2011		2012	
Investment assets	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total	Carrying value	% of total
	(RMB in millions, except percentages)							
Cash and cash equivalents	**36,116**	**15.2%**	**40,498**	**10.9%**	**55,333**	**11.5%**	**69,887**	**12.9%**
Fixed-income investments	**148,616**	**62.3%**	**257,201**	**69.3%**	**321,132**	**66.8%**	**340,233**	**62.7%**
Term deposits	14,253	6.0%	44,262	11.9%	94,716	19.7%	118,291	21.8%
Fixed-income securities	130,167	54.6%	206,953	55.8%	213,996	44.5%	208,273	38.4%
Government bonds	22,944	9.6%	27,451	7.4%	20,631	4.3%	21,154	3.9%
Finance bonds	65,287	27.4%	106,745	28.8%	123,316	25.6%	116,654	21.5%
Corporate bonds	41,936	17.6%	72,757	19.6%	70,049	14.6%	70,465	13.0%
Other fixed-income investments(1)	4,196	1.8%	5,986	1.6%	12,420	2.6%	13,669	2.5%
Equity and fund investments at fair value	**32,671**	**13.7%**	**49,037**	**13.2%**	**59,997**	**12.5%**	**71,191**	**13.1%**
Security investment funds	15,309	6.4%	20,988	5.7%	26,083	5.4%	36,475	6.7%
Equity securities	17,362	7.3%	28,049	7.6%	33,914	7.0%	34,716	6.4%
Other investments(2)	**20,983**	**8.8%**	**24,361**	**6.6%**	**44,619**	**9.3%**	**61,274**	**11.3%**
Total investment assets	**238,386**	**100.0%**	**371,097**	**100.0%**	**481,081**	**100.0%**	**542,585**	**100.0%**

(1) Primarily consist of restricted statutory deposits and loans against insurance policies.

(2) Primarily consist of investment properties, derivative financial assets, subordinated debts and debt investment plans, investments in affiliates and associates, and equity investments as well as trust plans recorded at cost.

The following table sets forth certain information relating to our investment income during the Track Record Period:

Items	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Yield(1)	Amount	Yield(1)	Amount	Yield(1)	Amount	Yield(1)(2)	Amount
	(RMB in millions, except percentages)							
Cash and cash equivalents	**1.1%**	**363**	**0.7%**	**272**	**1.0%**	**489**	**0.5%**	**142**
Fixed-income securities	**3.8%**	**4,722**	**4.1%**	**8,338**	**4.4%**	**12,767**	**4.8%**	**7,976**
Interest income		4,574		7,533		12,768		7,974
Net realized gains/(losses)		287		822		(25)		(4)
Net unrealized gains/(losses)		(139)		(17)		29		6
Impairment		0		0		(5)		0
Equity and fund investments at fair value	**17.1%**	**4,118**	**11.4%**	**4,675**	**(2.7)%**	**(1,486)**	**0.6%**	**206**
Dividend income		526		995		1,942		1,164
Net realized gains/(losses)		3,226		4,437		(325)		(306)
Net unrealized gains/(losses)		366		(166)		(664)		327
Impairment		0		(591)		(2,439)		(979)
Other investment income/(loss)	**6.8%**	**1,224**	**7.3%**	**1,661**	**8.3%**	**2,857**	**8.3%**	**2,197**
Total investment income		**10,427**		**14,946**		**14,627**		**10,521**
Total investment yield	**5.4%**		**5.2%**		**3.6%**		**4.5%**	

(1) Yields are calculated by dividing the investment income generated by the relevant assets for the period by the average of the amounts of such assets as of the beginning and end of the period. The total investment yield refers to the ratio of total investment income (excluding interests paid on securities sold under agreements to repurchase) to the average of the total investment assets (excluding securities sold under agreements to repurchase) as of the beginning and end of the period.

(2) For convenience only, the yield presented in the six months ended June 30, 2012 has been annualized by multiplying by two the actual yield in the six months ended June 30, 2012 is not intended to be representative of what the data would be for the 12 months ending December 31, 2012 and is not comparable to the data in the 12 months ended December 31, 2009, 2010 and 2011.

Cash and Cash Equivalents

Cash and cash equivalents primarily include cash and short-term deposits with original maturities of no more than three months as well as assets purchased under agreements to resell with original maturities of no more than three months. As of June 30, 2012, approximately 12.9% of our total investment assets were in the form of cash and cash equivalents.

Term Deposits

As of June 30, 2012, approximately 21.8% of our total investment assets were deposited with a number of commercial banks in the PRC in the form of term deposits.

The following table sets forth the top five commercial banks based on term deposits placed by us as of the dates indicated:

Banks	Deposit (RMB in millions)	% of Total
As of December 31, 2009:		
China CITIC Bank	2,300	16.1%
Agricultural Bank of China	2,135	15.0%
Industrial and Commercial Bank of China	1,597	11.2%
China Minsheng Banking Corp., Ltd.	1,390	9.8%
Bank of Communications Co., Ltd.	1,196	8.4%
Other banks	5,635	39.5%
Total	**14,253**	**100.0%**
As of December 31, 2010:		
Bank of Communications Co., Ltd.	9,540	21.6%
China CITIC Bank	6,557	14.8%
Bank of Beijing Co., Ltd.	6,500	14.7%
Agricultural Bank of China	4,797	10.8%
China Everbright Bank Company Limited	3,851	8.7%
Other banks	13,017	29.4%
Total	**44,262**	**100.0%**
As of December 31, 2011:		
Agricultural Bank of China	18,252	19.3%
Bank of Communications Co., Ltd	18,014	19.0%
China CITIC Bank	8,150	8.6%
China Guangfa Bank	7,400	7.8%
Bank of Beijing Co., Ltd	6,512	6.9%
Other banks	36,388	38.4%
Total	**94,716**	**100.0%**
As of June 30, 2012:		
Bank of Communications Co., Ltd.	20,049	16.9%
Agricultural Bank of China	19,077	16.1%
China CITIC Bank	14,029	11.9%
China Everbright Bank Company Limited	10,708	9.1%
China Guangfa Bank	9,223	7.8%
Other banks	45,204	38.2%
Total	**118,291**	**100.0%**

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

	As of December 31,						As of June 30,	
	2009		2010		2011		2012	
Term deposits	Carrying value	% of carrying value	Carrying value	% of carrying value	Carrying value	% of carrying value	Carrying value	% of carrying value
	(RMB in millions, except percentages)							
Due in three months or less	2,875	20.2%	4,156	9.4%	680	0.7%	1,398	1.2%
Due in three months through one year	2,242	15.7%	3,419	7.7%	2,248	2.4%	4,105	3.5%
Due in one year through five years	5,723	40.2%	5,354	12.1%	82,591	87.2%	110,978	93.8%
Due after five years	3,413	23.9%	31,333	70.8%	9,197	9.7%	1,797	1.5%
Total	**14,253**	**100.0%**	**44,262**	**100.0%**	**94,716**	**100.0%**	**118,291**	**100.0%**

Government Bonds

Government bonds have maturities of up to 50 years and pay interest that is tax exempt. PRC government bonds represented approximately 3.9% of our total investment assets as of June 30, 2012.

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

Government bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As of December 31, 2009:			
Due in three months or less	244	246	1.1%
Due in three months through one year	4,198	4,240	18.5%
Due in one year through five years	13,582	13,767	60.0%
Due in five years through ten years	3,237	3,275	14.3%
Due after ten years	1,413	1,417	6.2%
Total	**22,674**	**22,944**	**100.0%**
As of December 31, 2010:			
Due in three months or less	509	507	1.8%
Due in three months through one year	4,919	4,942	18.0%
Due in one year through five years	13,534	13,306	48.5%
Due in five years through ten years	4,695	4,584	16.7%
Due after ten years	4,111	4,111	15.0%
Total	**27,768**	**27,451**	**100.0%**
As of December 31, 2011:			
Due in three months or less	37	37	0.2%
Due in three months through one year	663	678	3.3%
Due in one year through five years	8,988	8,986	43.6%
Due in five years through ten years	4,944	4,987	24.2%
Due after ten years	5,960	5,944	28.8%
Total	**20,592**	**20,631**	**100.0%**
As of June 30, 2012:			
Due in three months or less	95	95	0.4%
Due in three months through one year	1,826	1,557	7.4%
Due in one year through five years	8,499	8,850	41.8%
Due in five years through ten years	4,620	4,709	22.3%
Due after ten years	6,020	5,943	28.1%
Total	**21,060**	**21,154**	**100.0%**

The fair value of our government bond investments that are actively traded in exchanges is assessed by reference to the quoted market prices at the close of business on each balance sheet date. For government bonds that are not actively traded in the inter-bank market, the fair value is determined by using the estimated market prices published by the China Government Securities Depositary Trust & Clearing Co., Ltd.

Financial Bonds

Financial bonds include policy financial bonds and bonds issued by financial institutions. Policy financial bonds are bonds that are issued by three State-owned policy banks of the PRC, namely China Development Bank, The Export-Import Bank of China and Agricultural Development Bank of China. Policy finance bonds are generally traded through the interbank markets. As of June 30, 2012, finance bonds represented approximately 21.5% of our total investment assets.

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

Finance bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As of December 31, 2009:			
Due in three months or less	1,166	1,180	1.8%
Due in three months through one year	1,141	1,144	1.8%
Due in one year through five years	29,154	29,706	45.5%
Due in five years through ten years	22,350	22,225	34.0%
Due after ten years	10,641	11,031	16.9%
Total	**64,452**	**65,287**	**100.0%**
As of December 31, 2010:			
Due in three months or less	613	611	0.6%
Due in three months through one year	10,110	10,132	9.5%
Due in one year through five years	34,104	33,779	31.6%
Due in five years through ten years	31,188	30,706	28.8%
Due after ten years	31,571	31,518	29.5%
Total	**107,586**	**106,745**	**100.0%**
As of December 31, 2011:			
Due in three months or less	593	593	0.5%
Due in three months through one year	1,015	1,014	0.8%
Due in one year through five years	25,826	25,698	20.8%
Due in five years through ten years	31,869	31,559	25.6%
Due after ten years	64,526	64,451	52.3%
Total	**123,829**	**123,316**	**100.0%**
As of June 30, 2012:			
Due in three months or less	0	0	0.0%
Due in three months through one year	4,340	4,342	3.7%
Due in one year through five years	15,724	15,725	13.5%
Due in five years through ten years	30,350	30,400	26.1%
Due after ten years	66,093	66,187	56.7%
Total	**116,507**	**116,654**	**100.0%**

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

Corporate Bonds

Although corporate bonds may be less liquid than most other types of fixed income securities, these bonds generally earn higher yields and have longer maturities than most other fixed income instruments. Insurance companies in the PRC have been allowed to invest in unsecured bonds publicly issued by non-financial institutions in the PRC. As of June 30, 2012, corporate bonds represented approximately 13.0% of our total investment assets.

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

Corporate bonds	Face value	Carrying value	% of carrying value
	(RMB in millions, except percentages)		
As of December 31, 2009:			
Due in three months or less	2,746	2,791	6.7%
Due in three months through one year	3,591	3,597	8.6%
Due in one year through five years	9,843	9,822	23.4%
Due in five years through ten years	20,952	20,866	49.8%
Due after ten years	4,843	4,859	11.6%
Total	**41,975**	**41,936**	**100.0%**
As of December 31, 2010:			
Due in three months or less	3,136	3,195	4.4%
Due in three months through one year	6,872	6,899	9.5%
Due in one year through five years	13,692	13,681	18.8%
Due in five years through ten years	35,639	35,340	48.6%
Due after ten years	13,643	13,641	18.7%
Total	**72,982**	**72,757**	**100.0%**
As of December 31, 2011:			
Due in three months or less	1,155	1,172	1.7%
Due in three months through one year	1,630	1,643	2.3%
Due in one year through five years	17,990	17,752	25.3%
Due in five years through ten years	33,985	33,618	48.0%
Due after ten years	15,807	15,864	22.6%
Total	**70,567**	**70,049**	**100.0%**
As of June 30, 2012:			
Due in three months or less	905	927	1.3%
Due in three months through one year	403	404	0.6%
Due in one year through five years	19,531	19,698	28.0%
Due in five years through ten years	33,140	32,974	46.8%
Due after ten years	16,323	16,463	23.4%
Total	**70,309**	**70,465**	**100.0%**

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

Security Investment Funds

PRC insurance companies are currently permitted to invest in close-ended and open-ended equity investment funds. In light of market capacity and related liquidity considerations, a majority of our investments in equity investment funds are in open-ended funds. As of June 30, 2012, equity investment funds represented approximately 6.7% of our total investment assets.

The PRC securities markets have experienced substantial fluctuations in the prices and trading volumes of listed securities, including significant price declines, from time to time in recent years. We will continue to adjust our investment strategies and tactics regarding equity investment funds based on our in-depth analysis of securities markets. See the section entitled "Risk Factors — Risks Relating to Our Business — Volatility in the PRC and other securities markets could result in lower returns or losses on our investment assets."

The following table sets forth the market value of our security investment funds portfolio as of the dates indicated:

	As of December 31,			As of June 30,
Security investment funds	**2009**	**2010**	**2011**	**2012**
		(RMB in millions)		
Close-ended funds	1,266	3,248	838	1,173
Open-ended funds	14,043	17,740	25,245	35,302
Total	**15,309**	**20,988**	**26,083**	**36,475**

Stocks

Qualified PRC insurance companies are permitted to invest a portion of their insurance funds directly in shares of companies listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange and the main board of the Hong Kong Stock Exchange. As of June 30, 2012, stocks held by us represented approximately 6.4% of our total investment assets. See the section entitled "Supervision and Regulation — Use of Insurance Funds — Trading of Marketable Securities such as Equity Securities and Securities Investment Funds — Trading of RMB-Denominated Common Shares Listed on PRC Stock Exchanges."

Subordinated Debts and Debt Investment Plans

Qualified PRC insurance companies are permitted to invest in subordinated debts issued by qualified commercial banks and qualified insurance companies in connection with a private placement. In addition, we have made investments in infrastructure related debt investment plans sponsored by us and other insurance asset management companies in the PRC. As of June 30, 2012, subordinated debts and debt investment plans represented approximately 6.6% of our total investment assets.

Other Investments

In addition to the investments discussed above, we may invest in real properties and private equity. In 2010, the CIRC promulgated the Interim Measures for the Administration of Utilization of Insurance Funds (保險資金運用管理暫行辦法), Interim Measures for the Investment of Insurance Funds in Real Properties (保險資金投資不動產暫行辦法) and Interim Measures for Equity Investments with Insurance Funds (保險資金投資股權暫行辦法), which further expanded the investment channels of insurance funds. In 2012, the CIRC promulgated the Circular on Issues Concerning the Investment in Equity and Real Properties with Insurance Funds (關於保險資金投資

股權和不動產有關問題的通知), the Interim Measures on Bonds Investment with Insurance Funds (保險資金投資債券暫行辦法), the Interim Measures on the Administration of Entrusted Investment with Insurance Funds (保險資金委託投資管理暫行辦法), the Interim Measures for the Insurance Asset Allocation Management (保險資產配置管理暫行辦法), the Implementing Rules of the Interim Measures on the Administration of Overseas Investments of Insurance Funds (保險資金境外投資管理暫行辦法實施細則), the Interim Measures on the Participation of Insurance Funds in Financial Derivatives Trading (保險資金參與金融衍生產品交易暫行辦法), the Regulations on the Participation of Insurance Funds in Stock Index Futures Trading (保險資金參與股指期貨交易規定), the Circular on the Investment of Insurance Funds in the Relevant Financial Products (關於保險資金投資有關金融產品的通知), and the Interim Regulations on the Administration of Infrastructure Debt Investment Plans (基礎設施債權投資計劃管理暫行規定), enabling PRC insurance companies to expand their investment channels. See the section entitled "Supervision and Regulation — Use of Insurance Funds." We seek to further improve our investment capabilities, explore new investment channels and opportunities centering in insurance business as legally permitted, apply for relevant investment qualifications and enhance our investment returns while controlling our risk exposure.

Subscription of Industrial Bank Shares

General

On March 1, 2012, PICC AMC entered into a share subscription agreement with Industrial Bank (the "Subscription Agreement"), pursuant to which PICC AMC agreed to purchase 1,380,434,400 common shares of Industrial Bank denominated in RMB at RMB12.73 per share (representing 90% of the Industrial Bank's average trading price in the 20 trading days prior to the announcement of the Industrial Bank's board resolution in relation to the Subscription, to be adjusted to exclude dividends pursuant to the Shanghai Listing Rules), or an aggregate purchase price of RMB17,572,929,912, through a private placement by Industrial Bank (the "Subscription").

About Industrial Bank

Industrial Bank is a joint stock bank headquartered in Fuzhou City, Fujian province of the PRC. It is one of the first joint stock commercial banks approved to be established by the PBOC in China, and became listed on the Shanghai Stock Exchange in 2007 (stock code: 601166). The primary businesses of Industrial Bank include: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issuing financial bonds; cashing and underwriting of government bonds; trading of government bonds and financial bonds; trading and agency trading of quoted securities except equity; asset custody business; inter-bank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; letter of credit services and guarantee; agency collections and payments, safe-box services, financial consulting, credit investigation, consulting, witness business, and other banking activities approved by the CBRC.

The registered capital of Industrial Bank is approximately RMB10,786 million. The following table sets forth certain PRC GAAP financial information for Industrial Bank according to its website and financials reports:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in billions)			
Total assets	1,332.2	1,849.7	2,408.8	2,780.5

	For the year ended December 31,			For the six months ended June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Operating income	31,679	43,456	59,870	41,221
Equity attributable to equity holders of Industrial Bank	59,597	91,995	115,209	129,722
Net profit attributable to equity holders of Industrial Bank	13,282	18,521	25,505	17,102

Details of the Subscription

All of the purchase price for the Subscription will be paid in cash in RMB. Specifically, the funds entrusted by PICC Group were its internal funds, and the funds entrusted by PICC P&C and PICC Life were their respective insurance funds. Of the total purchase price for the Subscription, the portion comprised by the funds entrusted by PICC P&C will account for the subscription of such number of shares that would constitute approximately 4.98% of the total shares of Industrial Bank after the Subscription, while the remainder of the purchase price will be accounted for by the funds entrusted by PICC Group and PICC Life. If the Subscription is consummated, the shares issued under it will account for 10.87% of the total share capital of Industrial Bank after the Subscription. Based on information currently available, if the Subscription had been completed on the Latest Practicable Date, the shares issued under the Subscription would have been recorded as investment available for sale at fair value under equity securities in our consolidated statements of financial position.

We expect to consummate the Subscription in the first quarter of 2013. Pursuant to the Subscription Agreement, the closing of the Subscription is subject to several conditions precedent, including without limitation, the approval by the board of directors of Industrial Bank, approval by the shareholders of Industrial Bank and the approvals by the relevant regulatory authorities in the PRC. The number of shares that can be purchased by PICC Group, PICC P&C and PICC Life is also subject to the final offering plan approved by the CSRC. The Subscription was approved by the board of directors and the general shareholder meeting of Industrial Bank on March 2, 2012 and April 9, 2012, respectively, and approved by the CBRC in June 2012, but is still subject to approval by the CSRC. Pursuant to the Subscription Agreement, if the final number of common shares to be issued that is approved by the CSRC under the Subscription is less than the number applied for by Industrial Bank, Industrial Bank is allowed to adjust the number of common shares issued under the Subscription if the total number of common shares to be held by us after the Subscription is not less than the number of common shares held by the second largest shareholder of Industrial Bank after the Subscription. PICC Group, PICC P&C and PICC Life cannot transfer or dispose of the shares issued under the Subscription within 36 months after the closing of the Subscription, unless the regulatory authorities impose a different lock-up period.

We believe that the Subscription, if consummated, will facilitate the value maintenance and enhancement of the assets managed by PICC AMC. In addition, benefiting from the Subscription, we will also formulate strategic cooperation agreements with Industrial Bank in various business areas, further establish the customer base of both parties on a wider scope and achieve synergistic operations between them.

We cannot assure you that we will obtain the governmental approvals for the closing of the Subscription, or that we will be able to satisfy other conditions precedent for the Subscription. If we fail to satisfy any condition precedent to the Subscription set forth in the Subscription Agreement, we may not be able to consummate the Subscription. We believe, however, that our failure to consummate the Subscription will not have a material adverse effect on our business, financial condition or results of operations.

Transfer of Equity Interest in Huawen Holding and Guanglian

General

In June 2011, PICC Investment placed a 55% equity interest (the "Huawen Interest") in China Huawen Investment Holding Company Limited ("Huawen Holding") and its 54.21% equity interest (together with the Huawen Interest, the "Transferred Interests") in Guanglian (Nanning) Investment Holding Co. Ltd. ("Guanglian"), for sale on the Beijing Financial Assets Exchange. In April 2012, PICC Investment entered into two share transfer agreements with Beijing International Trust Co., Ltd. ("BITC"), pursuant to which PICC Investment agreed to sell the Transferred Interests to BITC for a consideration of RMB2,134.55 million (the "Transaction"). PICC Investment and BITC had completed the closing of the Transaction. Pursuant to the share transfer agreements, we shall not bear the contingent liabilities in connection with the Transferred Interests after the Transaction. For further details of our contingent liabilities in connection with the Transferred Interests, please refer to note 32(c) to the Accountants' Report set forth in Appendix I to this prospectus.

Our PRC legal counsel, King & Wood Mallesons Lawyers, is of the view that the necessary legal procedures with respect to the Transaction have been completed, and the Transaction is legal and effective.

The consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus categorize the assets and liabilities of Huawen Holding and Guanglian (including their respective subsidiaries and affiliates) as "Assets Held for Sale" and "Liabilities Held for Sale." For further details of our disposal of equity interest in Huawen Holding, please refer to note 32 to the Accountants' Report set forth in Appendix I to this prospectus.

Reasons for the Transfers

After becoming the controlling shareholder of Huawen Holdings in June 2008, PICC Investment indirectly became the controlling shareholder of Zhongtai Trust Investment Co., Ltd. (中泰信託有限責任公司) ("Zhongtai Trust") through controlling Huawen Holding and Guanglian. In October 2008, with approval from the State Council, MOF transferred its equity interest in China Credit Trust to us without consideration, representing approximately 32.35% of the total share capital of China Credit Trust. We as a result became the largest shareholder of China Credit Trust.

The CIRC promulgated Provisional Rules on Administration of Insurance Group Companies in March 2010 (the "Group Administration Rules"). Article 13 of the Group Administration Rules provides that if an insurance group company (including its subsidiaries) makes investments in target companies having the same core business in the same financial industry, the number of target companies that the insurance group company controls shall not be more than one in principle. Article 14 of the same regulation provides that an insurance group company is allowed to make investments in an insurance-related non-financial company. If the insurance group company makes investments in a non-financial company other than those insurance-related non-financial companies, the amount of investments shall not be more than 25% of the paid-up share capital of that non-financial company and the insurance group company shall not be involved in the management of that non-financial company.

In order to comply with Article 14 of the Group Administration Rules, we decided to dispose of the Transferred Interests, which constituted more than 25% interests in non-financial companies. After the disposal of the Transferred Interests, we ceased to be the controlling shareholder of Zhongtai Trust but continued to be the largest shareholder of China Credit Trust, which is in compliance with Article 13 and Article 14 of the Group Administration Rules.

Background Information of BITC

BITC was established in October 1984. Its registered capital is RMB1.4 billion and its core businesses are trust business of funds, trust business of personal property and real property and other businesses approved by the CBRC. Beijing State-owned Assets Management Co, Ltd. is the largest shareholder of BITC, owning 34.3% of its equity interest, and is 100% owned by the Beijing Municipal Government.

BITC is an Independent Third Party.

Basis of Consideration

According to the Rules on Administration of Transfer of State-owned Assets of Financial Enterprises (金融企業國有資產轉讓管理辦法) promulgated by the MOF, our disposal of the Transferred Interests shall be conducted through public trading at an eligible assets and equity exchange, not private agreements. The basis of consideration for our disposal of the Transferred Interests is the price we posted on the Beijing Financial Assets Exchange ("BFA Exchange") which is based on the valuation of the Transferred Interests by China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司). The benchmark date for the valuation is June 30, 2010.

Disposal Gains/Losses

We recognize gains or losses deriving from our disposal of the Transferred Interests based on the consideration we received for the disposal and the relevant net assets attributable to PICC Group and its comprehensive income on the deposition date. Our gains before tax from our disposal of the Transferred Interests are RMB201 million.

OTHER BUSINESS

In addition to P&C insurance, life and health insurance and asset management businesses, we also engage in insurance brokerage and claims settlement agency businesses.

Insurance Brokerage Business

We carry out insurance brokerage business through ZSIB, in which PICC Group holds an 82.54% equity interest, CIB, in which ZSIB holds a 55.01% equity interest, and PIB, in which ZSIB holds a 52.5% equity interest.

Our primary business as an insurance broker is to seek and identify the most suitable insurance products in the market for our clients and negotiate the insurance plan on behalf of our clients. We receive commissions from insurance companies for our services. During the Track Record Period, our insurance brokerage business derived most of its revenue from institutional customers. According to the 2010 Insurance Intermediaries Report commissioned by the CIRC, as of December

31, 2010, ZSIB and CIB had a combined market share of approximately 4.2% of the PRC insurance brokerage market in terms of revenue. The income derived from our insurance brokerage business was RMB80 million, RMB191 million, RMB187 million and RMB70 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively.

Claims Settlement Agency

We conduct insurance claims settlement agency business in the UK through our wholly owned subsidiary, PICC Europe. On behalf of insurance companies, PICC Europe provides claims settlement services to policyholders.

SYNERGIES OF OUR GROUP OPERATIONS

Overview

Fully realizing the synergies among our P&C insurance, life and health insurance and asset management businesses is one of our key initiatives for maximizing the advantages of our group operations, enhancing our resource allocation efficiency and contributing toward achieving our strategic objective. Each of our subsidiaries PICC P&C, PICC Life, PICC Health, PICC AMC, PICC Investment and PICC Capital has its own unique competitive advantages. Promoting synergistic operations among them enables us to share their competitive advantages across business lines and to reinforce our overall competitiveness.

Synergies among different business lines have effectively reduced business development and management costs and improved overall operational efficiency through resource sharing, both of which have contributed to the rapid development of our business during the Track Record Period. In particular, synergistic operations have provided solid support for the rapid development of our life and health insurance businesses. In 2007, we converted 25 provincial branches of PICC Group into branches of PICC Life, which significantly reduced the branch establishment costs of PICC Life by 56.8%, as compared to the average establishment costs of the four provincial branches of PICC Life prior to 2007. The fact that our life and health insurance businesses possessed approximately 2,200 branches and sales and service outlets as of June 30, 2012, after only approximately six years of operations, is attributable to the synergistic effect of centralized internal resource integration and allocation. As of June 30, 2012, 80.2% and 76.8% of the management personnel at headquarters and provincial branches of PICC Life and PICC Health, respectively, had worked at other subsidiaries of PICC Group. Such management personnel have an average insurance industry experience of 25.6 years and 22.4 years, respectively, which provided a solid human resources foundation for the rapid development of our life and health insurance businesses. In addition, we have maintained long-term strategic cooperation with large-scale commercial banks at the PICC Group level. According to the *Yearbook of China's Insurance*, we ranked second among all PRC life and health insurance companies in terms of the premium income generated by our bancassurance channel in 2009, 2010 and 2011.

As another example of our synergistic operations, TWPs from cross-selling among our business lines increased to RMB10,586 million in 2011 from RMB5,691 million in 2009, representing a CAGR of 36.4%. In the six months ended June 30, 2012, TWPs from cross-selling among our business lines were RMB8,414 million. Our emphasis on cross-selling has also enhanced our capability to offer diversified insurance products to a single customer, which, we believe, has laid a solid foundation for enriching the customer experience and in turn increasing customer loyalty. In 2009, 2010, 2011 and the six months ended June 30, 2012, approximately 229,000, 791,000, 1,454,000 and 1,767,000 of our policyholders, respectively, purchased at least two of our three primary types of insurance products, namely P&C insurance, life insurance and health insurance products, and the average number of policies they purchased in those periods was 3.42, 3.74, 3.86 and 4.21, respectively.

The ability to effectively realize synergies among different business lines through group operations and group-level supervision is one of our important strengths. We believe we are capable of effectively realizing synergies in areas such as strategic cooperation, brand promotion, human resources, investment platform, information technology, distribution network, customer resources and cross-selling, which will support our sustained business development and stable revenue growth.

Synergies in strategic cooperation

We have established solid working relationships with local governments and long-term strategic cooperation with large commercial banks over our 63 years of operating history. We centrally maintain and operate such relationship and resources at the PICC Group level to maximize their capability to drive our business. As of June 30, 2012, PICC Group had entered into strategic cooperation agreements with 12 provincial governments. These strategic cooperation agreements help us obtain more opportunities for the P&C insurance businesses supported by fiscal policies of the PRC Government and Government-entrusted Business. Also as of June 30, 2012, PICC Group had entered into comprehensive cooperation agreements with the head offices of China Development Bank, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Bank of China and Bank of Communications. The strategic cooperation agreements entered into by PICC Group benefit our subsidiaries and establish a platform for detailed and deep cooperation between our subsidiaries and branches on the one hand, and local governments under the provincial level and local branches of those major banks on the other hand. Under the coordination of PICC Group, we entrust certain insurance funds of our subsidiaries to several large state-owned commercial banks, including Industrial and Commercial Bank of China and China Construction Bank. We reinforce our strategic cooperation relationships with those banks through comprehensive business cooperation which has laid and continues to lay a solid foundation for the sustainable development of our bancassurance business. According to the *Yearbook of China's Insurance*, we ranked second among all PRC life and health insurance companies in terms of the premium income generated by our bancassurance channel of our life and health insurance businesses in 2009, 2010 and 2011.

Synergies in brand promotion

Based on our 63 years of operations and deep and long-term customer relations established by our P&C insurance business, "PICC" is one of the most recognizable brands in the PRC insurance industry and has accumulated significant brand influence. Under a unified branding strategy, we centrally operate and promote our "PICC" brand at the PICC Group level, and each of our subsidiaries uses the "PICC" brand in its business operations and promotions. Our unified brand strategy enables us to build a unified corporate image, reinforces our brand recognition, ensures that the brand building and promotion efforts at the PICC Group level benefit each of our subsidiaries, and also ensures that the brand promotion efforts of a particular subsidiary benefit all of our other subsidiaries. In addition, the influence and reputation of our "PICC" brand constituted an important advantage when we recruited quality employees at the beginning of our life and health insurance businesses. Our "PICC" brand has also made significant contributions to the rapid development of our life and health insurance businesses and asset management business, and we expect it to make contributions to our expansion into new business areas.

Synergies in human resources

Under the coordination of PICC Group, our P&C insurance business has provided strong human resources support for the rapid development of our life and health insurance businesses at their ramp-up stage. As of June 30, 2012, 80.2% and 76.8% of the management personnel at the headquarters and provincial branches of PICC Life and PICC Health, respectively, had worked at other subsidiaries of PICC Group. Such management personnel have an average insurance industry experience of 25.6 years and 22.4 years, respectively, which provided solid human resources support for the rapid development of our life and health insurance businesses. We carry out senior management rotation at the subsidiary headquarters level by rotating senior management of one subsidiary to senior management posts of another subsidiary on a temporary basis, so as to promote strategic coordination and business cooperation among our different subsidiaries. We also rotate senior management of provincial branches of our P&C insurance business to senior management posts of provincial branches of our life insurance business on a temporary basis and vice versa. For this purpose, we implemented the Rules on Cross-selling and Business Interaction Through Temporary Rotation of Provincial Senior Management (省級幹部掛職交流開展交叉互動業務管理規定), expressly providing for the responsibilities of the senior management rotated to the respective temporary posts, which include:

- according to local conditions, promoting the joint development of sales branches and outlets, mutual agency, joint business development and joint sales team development between our P&C and life insurance businesses, exploring new models of cross-business interactions between our P&C and life insurance businesses, and summarizing and promoting advanced methods and experiences among the Group;
- coordinating the execution of mutual agency agreements and integrating the training resources of both our P&C and life insurance businesses, enhancing the cross-business training of management and sales forces at various levels, as well as handling matters related to cross-business interactions such as the assignment of responsibilities, personnel, expenses, and incentive as well as accountability mechanisms; and
- undertaking responsibility for the achievement of pre-determined cross-business performance targets.

The Group instructs PICC P&C and PICC Life to evaluate the rotated management's performance in promoting joint business development, cross-selling and business interaction, and in achieving pre-determined business performance targets, after they complete their temporary rotation. We believe these arrangements and mechanisms can help to promote business cooperation between provincial branches of our P&C insurance business and those of our life insurance business, increase efficiency of resource allocation, contribute to the rapid and healthy development of our business, develop management with expertise in cross-business interactions, and share competitive advantages across business lines.

Synergies in investment platform

We centrally coordinate Group-wide asset liability management at the PICC Group level and have established professional asset management platforms featuring centralized management, specifically designated functions and business coordination. We centrally formulate a mid- to long-term strategic asset allocation plan (the Three-Year Rolling Strategic Asset Allocation Plan) at the PICC Group level. Based on the Three-Year Rolling Strategic Asset Allocation Plan, each insurance subsidiary of the Group formulates its respective annual strategic asset allocation plan and investment guidelines by taking into account the features of their respective liabilities and risk capacities. Our insurance subsidiaries then mandate professional asset management platforms to manage their assets, so as to establish efficient interaction between the principals and the trustee. Under the strategic coordination of PICC Group, we have established asset management platforms with specific functions. PICC AMC focuses on securities investment. It has provided professional asset management services and yields above liability costs for our recently rapidly increasing insurance funds. PICC Investment focuses on real property investment, while PICC Capital focuses on non-transactional businesses such as private equity and debt investments. In addition, we have made strategic planning in non-insurance financial institutions such as China Credit Trust. Subject to regulatory restrictions, professionals from different asset management platforms carry out information and business exchanges, and jointly provide support to our insurance business with respect to situation analysis of the macro-economy and capital markets. Our asset management business fully utilizes the important customer resources of our insurance businesses to actively pursue high-quality equity and debt investment opportunities and expand our enterprise annuity and third-party entrustment business. Our insurance business has also strengthened strategic cooperation with commercial banks and important customers through the deployment of insurance funds, which realized synergies between our insurance resources and investment resources. We have established a Group-wide risk management system and centrally manage investment risks of the entire group while evaluating and controlling the investment risks of each subsidiary.

Synergies in information technology

We have implemented a strategy of "uniform platform, centralized management, resources sharing and persistent innovation" with respect to our information technology system and are striving to fully realize all possible synergies in information technology. We established an information technology development committee at the PICC Group level and a Group-wide uniform information technology platform and a backbone network accessible by our major subsidiaries, which has provided solid support for the rapid business development of our subsidiaries. Our life and health insurance businesses saved the costs associated with developing information technology systems by fully utilizing the Group's information technology platform during the early stage of their development. We finished the construction of the South Information Center in April 2011 and have made it available for use by the entire group. We developed data collection and reporting systems for cross-selling and upgraded such systems to an uniform cross-selling portal system in 2010. The uniform cross-selling portal system provides strong information technology support for further development of cross-selling across all our business lines. We have also established a Group-wide comprehensive management platform that integrates various software applications using uniform standards. Integrating applications including those for statistics, customer information, SAP financial systems and uniform financial analysis, human resources management and online training, has enabled us to create a network that connects us with our subsidiaries and our subsidiaries with each other. We are promoting Group-wide standardization and have formulated internal standards regarding customer information and statistical benchmarks, which has enhanced the standardization of Group-wide information and data. We attach great importance to managing performance evaluation through information technology systems. We have increased our investments in, and accelerated the integration of various information technology systems, so as to fully achieve information technology resources sharing.

Synergies in distribution network

Based on strategic decisions made by our senior management, in 2007, we converted 25 provincial level branches of the Group into branches of PICC Life, which laid a solid foundation for the rapid development of our life and health insurance businesses. The establishment costs for these branches were 56.8% lower than those of the four provincial branches established by PICC Life prior to the conversion. We rapidly formed a distribution and service network for our life and health insurance businesses with nationwide coverage by relying on the existing advantages of PICC P&C's distribution network. At the initial stage of establishing the distribution and service network for our life and health insurance businesses, we fully utilized the resource advantages of our P&C insurance business to rapidly expand our life and health insurance distribution network at a relatively low cost. As of June 30, 2012, after only six years of operation, our life and health insurance businesses had approximately 2,200 branches and sales and service outlets at the prefecture and county levels. We developed our distribution network in the County Areas through joint sales team development by P&C and life and health insurance businesses, which has rapidly improved our service capabilities in the County Areas. In order to achieve our goal of "one brand, one sales outlet, multiple services," based on our existing distribution network in the County Areas, our P&C and life and health insurance businesses are jointly increasing sales outlets in rural areas by utilizing (i) the advantages of our P&C insurance business with respect to distribution network, governmental relations and customer resources, and (ii) the advantages of our life and health insurance businesses with respect to sales personnel, sales management and training systems. As of June 30, 2012, we had approximately 8,800 branches and sales and service outlets in the County Areas.

Synergies in customer resources

Our P&C insurance, life and health insurance and asset management businesses actively carry out joint business development of important customers, fully utilize the "PICC" brand image and influence to improve their ability to develop new customers, and share customer resources on the basis of jointly developing their businesses. Our health insurance business has accumulated significant customer resources in the process of operating Government-entrusted Business, and such resources may be further developed by our P&C and life insurance businesses. As of June 30, 2012, our Government-entrusted Business expanded to 126 prefecture-level cities in 24 provinces, autonomous regions, municipalities and specially-designated cities in the state plan (計劃單列市). In 2011 and the six months ended June 30, 2012, our Government-entrusted Business achieved approximately 56 million and 57.3 million customer sales, respectively. Our P&C insurance business has also accumulated significant customer resources in operating the P&C insurance business supported by fiscal policies of the PRC Government, such as agricultural insurance and rural housing insurance. Such customer resources can be further developed by our life and health insurance businesses. In 2011 and six months ended June 30, 2012, we achieved approximately 118.16 million and 70.41 million customer sales of agricultural insurance, respectively, and the number of the insured of our rural housing insurance reached 62.56 million and 58.05 million households, respectively. Following information sharing rules established in accordance with applicable laws, we have integrated all the institutional and individual customer information from our P&C insurance and life and health insurance businesses through the PICC customer data system, and provided such data to the management and sales personnel at each of our insurance subsidiaries for their use. Such system enables us to thoroughly develop our customer resources and provide comprehensive insurance services to our customers.

Synergies in cross-selling

Cross-selling is one of the most direct manifestations of our synergistic operations. We have established a strong cross-selling system across business lines and product lines. TWPs from cross-selling among our business lines increased to RMB10,586 million in 2011 from RMB5,691 million in 2009, representing a CAGR of 36.4%. In the six months ended June 30, 2012, TWPs from cross-selling among our business lines were RMB8,414 million. The following table sets forth details of TWPs from cross-selling among our business lines during the Track Record Period:

Cross-selling	For the year ended December 31, 2009	2010	2011	For the six months ended June 30, 2012
	(RMB in millions)			
PICC P&C selling for PICC Life	3,516	6,464	7,560	5,580
PICC P&C selling for PICC Health	449	562	1,417	1,739
PICC Life selling for PICC P&C	1,295	1,331	1,116	747
PICC Life selling for PICC Health	24	14	9	12
PICC Health selling for PICC P&C	328	414	479	327
PICC Health selling for PICC Life	79	29	5	9
Total	**5,691**	**8,816**	**10,586**	**8,414**

We have developed our cross-selling system from an initial system focusing on the sale of life and health insurance products through the distribution network of P&C insurance business to a system under which P&C insurance business and life and health insurance businesses provide sales support to each other and further to a system under which insurance business and asset management businesses interact with each other to effect sales. Such a cross-selling system provides more diversified products and services to our customers and improves our resource allocation efficiency. We have established strict cross-selling management systems and schemes. Under our group-subsidiary corporate governance structure, both PICC Group and each insurance business line have established specialized departments to manage and promote cross-selling — PICC Group is responsible for the organization, coordination and supervision of cross-selling among different business lines, while each insurance business line is responsible for the management and operation of its distribution channels and sales personnel. Through the promulgation of relevant policies and rules, PICC Group establishes Group-wide management platform and operation mechanisms for cross-selling, and manages and facilitates its development by administering annual cross-selling budgets, selecting key products for cross-selling, conducting training for cross-selling trainers and establishing and improving information technology supporting platforms.

RISK MANAGEMENT

Risk management is fundamental to our operations. We have established a comprehensive Group-wide risk management framework, a dynamic risk monitoring system, a risk pre-warning system covering major operational risks of the Group and all its subsidiaries, and a specialized internal control system meeting the requirements of regulations such as the Basic Guidelines for Internal Controls of Enterprises (企業內部控制基本規範) as well as its supporting guidelines, and the Principal Rules for the Internal Control of Insurance Companies (保險公司內部控制基本準則). In addition, we have formulated internal policies and rules such as Internal Control Manual (內部控制手冊) and Internal Control Evaluation Manual (內部控制評價手冊). The objectives of our risk management system are to identify, assess and control risks in our operations, support our business decisions and ensure prudent operations.

Risk Management Framework

We have established a matrix risk management framework — vertically, our risk management framework covers the Board of Directors, PICC Group's management and its functional departments, as well as each of our subsidiaries and their branches; horizontally, our "three-line" defense mechanisms operate in accordance with their designated functions.

Three Levels of Our Risk Management Framework

- At the Board of Directors level: The Board of Directors assumes the ultimate responsibility for our risk management, internal control and compliance. We have established a risk management committee and an audit committee as special committees under the Board. Our risk management committee is responsible for risk management activities, fully understanding all major risks involved in the Group's operations and their management, and supervising the effectiveness of our risk management system. Our audit committee is responsible for supervising and evaluating our risk management, internal control and compliance systems;

- At the PICC Group's management level: We have established a risk management and compliance committee ("RMCC") as a comprehensive risk management coordination organization under Group's senior management, responsible for guiding, coordinating and supervising the risk management and compliance of the PICC Group and all our subsidiaries. We have also established an asset liability committee under the PICC Group's senior management to coordinate relevant risk management activities; and

- At the subsidiary level: Under the uniform risk management framework of the Group, each of our major subsidiaries has established its respective risk management governance mechanism and risk management system according to centralized risk management policies and related management requirements of the Group. The board of directors of each subsidiary assumes ultimate responsibility for its risk management, and each of our major subsidiaries establishes risk management committees or appoints audit committees to be responsible for carrying out risk management activities. Under their respective senior management, each major subsidiary establishes comprehensive risk management coordinating bodies, which organize risk management departments as well as the business, finance, investment and other functional departments at each subsidiary to carry out risk management activities.

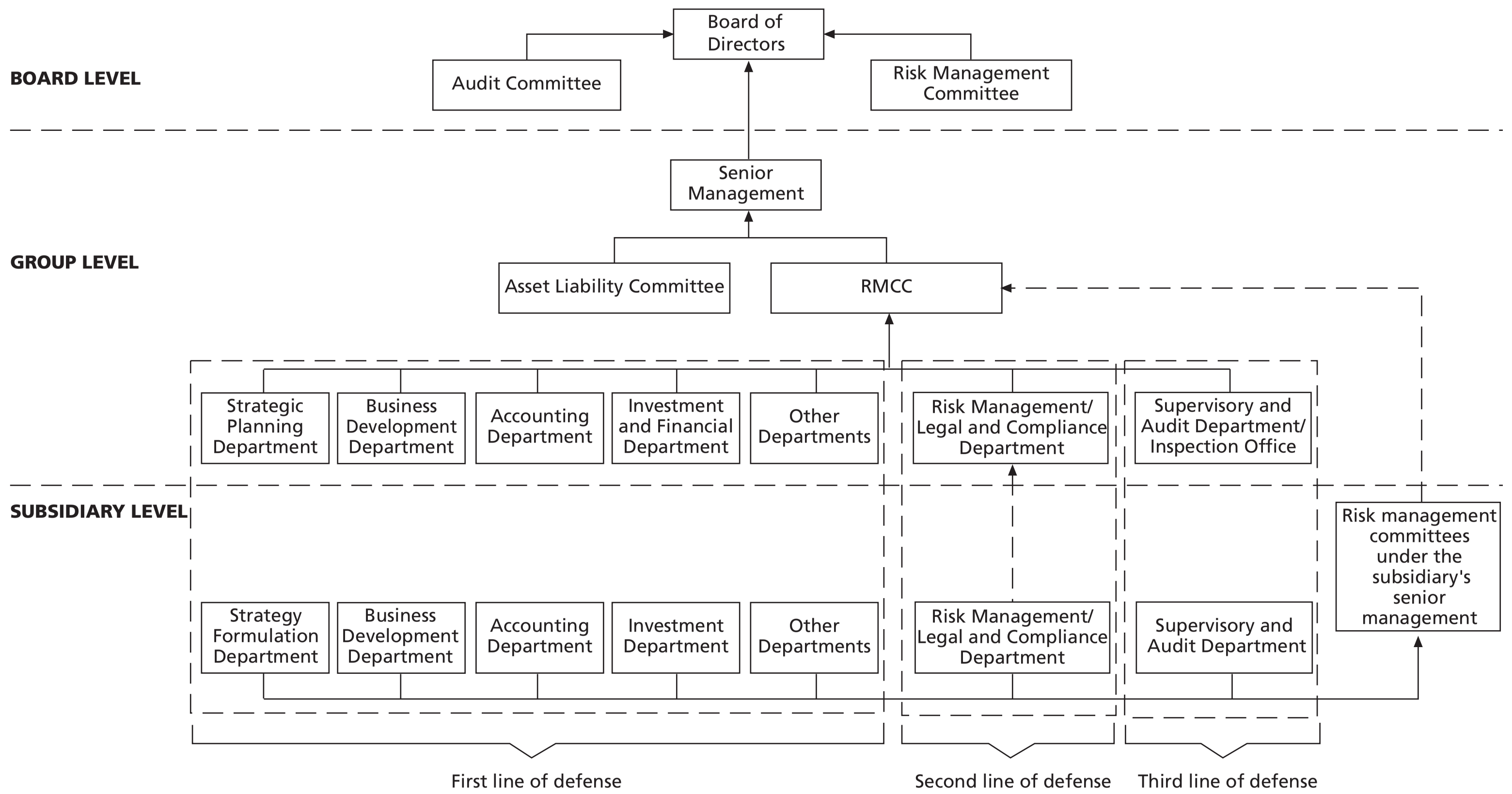
The "Three-line Defense Mechanisms" in our Risk Management

- First line of defense — business, finance, investment and other functional departments or operating units. These departments and units monitor the risks faced in each business or operational activity, identify and evaluate risks, and assume primary responsibility for their own risks;

- Second line of defense — specialized organizations or departments such as risk management, internal control and compliance departments or units. They employ specialized methods and technology such as risk identification, risk assessment, risk alerts and business process testing to identify and assess internal and external risks faced by the "first line of defense," provide the "first line of defense" with specialized risk management tools and methods, and promote the establishment of risk management models, develop inspections for risk management, internal control and compliance and organize and establish risk response strategies, as well as promote the adoption of appropriate risk prevention measures at each unit; and

- Third line of defense — internal audit organization or department. They conduct monitoring and periodic evaluation of the results of risk management, internal control and compliance activities, and supervise the rectification of the problems identified.

The chart below displays our risk management framework as of the Latest Practicable Date:



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

Risk Management Structure

The key organizations in our risk management structure include the Board of Directors and its risk management committee and audit committee, the RMCC at the PICC Group management level, asset liability committee, risk management/legal and compliance department and supervision and audit department/inspection office at the PICC Group level, as well as the subsidiary level risk management organizations and departments.

We also establish the Board of Supervisors under the shareholder's meeting to supervise the risk management responsibilities of the Board of Directors and senior management.

Board of Directors

The principal risk management, internal control and compliance responsibilities of the Board of Directors include:

- Facilitating the establishment of mechanisms to identify, assess and monitor risks and periodically conduct inspections and assessment of the risks related to business, finance, internal control and corporate governance structure;
- Establishing an internal control system compatible with the characteristics of our business and assets, and conduct periodic inspections and evaluation of the integrity and effectiveness of internal control; and
- Establishing compliance management mechanisms and periodically inspect and assess our compliance with laws and regulatory requirements and internal management mechanisms.

The Board of Directors determines our risk management, compliance and internal control policies, establishes basic mechanisms for our internal control and compliance management and internal audits, and approves our annual risk evaluation reports, compliance reports and internal control assessment reports.

Risk Management Committee

The risk management committee of the Board is responsible for understanding all major risks involved in the Group's operations and their management and is also responsible for supervising the effectiveness of our risk management system. The risk management committee has the following principal functions:

- Review overall objectives, fundamental policies and operational rules for risk management, and make suggestions and recommendations to the Board;
- Review setup of risk management systems as well as each organization's duties and responsibilities, and make suggestions and recommendations to the Board;
- Review risk assessment relating to significant decision-making and proposed measures to address significant risks, and make suggestions and recommendations to the Board;
- Review annual risk assessment reports, and make suggestions and recommendations to the Board;
- Review and submit the annual compliance report to the Board;
- Review the semi-annual compliance report; and
- Review other reports regarding compliance and make suggestions and recommendations to the Board.

Audit Committee

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

- Review internal audit basic schemes and make suggestions to our Board, and approve annual internal audit plans and budget;
- Provide guidance for internal audits and supervise the quality of internal audits;
- Coordinate internal and external audits and supervise the correction of major issues identified through internal and external audits;
- Periodically review the completeness and effectiveness of our internal control systems and accept and handle material complaints regarding internal control; and
- Identify the parties of connected transactions of the Group and report to the Board of Directors and the Board of Supervisors; preview and submit connected transactions to the Board of Directors for approval, and approve or accept the filing of connected transactions within the authorization scope of the Board of Directors; report in detail to the Board of Directors at the end of the fiscal year about the overall situation, risk profiles and structure of the Group's connected transactions.

RMCC

The RMCC is the comprehensive coordinator of our risk management and compliance, responsible for implementing our risk management measures, conducting research and reviewing material issues of risk management and coordinating and supervising the risk management and compliance efforts of the PICC Group's business departments and each subsidiary. The RMCC reports directly to the senior management.

The RMCC is headed by a member of the senior management of the PICC Group in charge of risk management and compliance supervision. The other members of the RMCC include members of the senior management in charge of risk management and compliance from our subsidiaries and officers of the relevant business departments of the PICC Group. The officers of the risk management departments at the subsidiaries also attend the meetings of the RMCC, which promotes the risk management and compliance efforts and ensures Group-wide implementation of RMCC's decisions.

The RMCC holds regular meetings on a quarterly basis to assess and evaluate the risks faced by the Group and arrange risk management initiatives and efforts. The RMCC holds special meetings upon the occurrence of significant risk events or as required by risk management needs.

Asset Liability Committee

The principal functions of the asset liability committee regarding risk management include: making suggestions and recommendations to the senior management regarding asset and liability allocation and tiered authorization systems, reviewing significant investment plans of the Group, assisting the management of PICC Group in monitoring the effective operation of investment departments and investment decision-making committee at each subsidiary and reducing asset allocation and solvency margin risks.

Risk Management Department of PICC Group

The risk management/legal and compliance department of PICC Group is responsible for risk management, internal control and compliance management of the Group. Its primary responsibilities related to risk management include: developing a comprehensive risk management system and compliance management system, improving the dynamic risk management mechanism; organizing and coordinating with each subsidiary and Group functional department to develop comprehensive risk management and compliance management activities, conducting risk identification and assessment, carrying out risk solutions for the Group; issuing risk warnings, suggesting solutions; inspecting and assessing the establishment and implementation of risk management and compliance management rules and regulations, as well as the effectiveness of the risk management system and the compliance management system, and proposing suggestions for improvement. Each functional department of the Group, including the accounting department, strategic planning department, business development department and investment and financial department, appoints a contact person for risk management activities and a part-time compliance staff, which is responsible for the work related to the department's quarterly, annual risk assessment report and the communication and coordination related to other day-to-day risk management and compliance management activities.

Group Internal Supervisory and Audit Department

The internal supervisory and audit department/inspection office of PICC Group is responsible for supervising and evaluating the Group's risk management activities. Its primary risk management responsibilities are to monitor and evaluate whether each of the functional departments and each subsidiary conducts its risk management activities according to the requirements of relevant rules, regulations and internal policies as well as the effectiveness of these activities. The supervisory and audit department/inspection office also selects a special supervisory auditor at each of the Group's functional departments and at each subsidiary to participate in Group-wide supervisory and audit tasks, provide comments and suggestions reflecting their supervisory audit activities and engage in the discussion and research of relevant regulations and rules.

Risk Management Organizations and Departments of Subsidiaries

The risk management committee or specialized committee established under the board of directors and the senior management of primary subsidiaries, respectively, is responsible for risk management of that subsidiary, and the audit committee under the board of directors of a subsidiary is responsible for supervising and evaluating risk management activities. A comprehensive risk management coordinating body at the management level of a subsidiary is responsible for organizing and promoting that subsidiary's risk management activities, as well as leading the risk management activities of the risk management department and other related functional departments at that subsidiary.

Each of our subsidiaries has also established a risk management, internal control and compliance department and has established risk management and compliance mechanisms at relevant functional departments, which are responsible for risk management activities of that subsidiary and operates under the supervision of the subsidiary's senior management and the subsidiary's comprehensive risk management coordinating bodies. The risk management, internal control and compliance department at each of our subsidiaries is primarily responsible for establishing and maintaining a comprehensive risk management system, strengthening internal control and compliance, promoting the development of the risk management information system, and identifying and evaluating risks. In addition, each subsidiary has also established a supervisory and audit department, responsible for conducting supervision and evaluation of its management including risk management and internal control and compliance.

Recent Key Risk Management Measures

The overall objective of our risk management activities is to draw upon the strategic synergy among business lines to control risks in line with our development strategy and within our acceptable scope of risk; ensure the effectiveness of operations management, improve the efficiency and effects of operational activities, reduce uncertainty with respect to achieving operating targets; ensure compliance with laws and regulations and effective implementation of the Group's rules and internal policies. To this end, we have taken, among other things, the following measures to achieve our risk management objectives:

- **Cultivate and promote risk management culture among our employees**

  We believe that risk management, internal control and compliance serve as the foundation for our development. We therefore emphasize ideas such as "risk management creates value," "internal control and compliance from the top down" and "internal control and compliance is everyone's responsibility" to cultivate and strengthen the risk awareness of our employees. We focus on risk awareness training and promote it to all of our employees, especially strengthening the risk prevention awareness of management personnel at each organizational level. We also strive to improve the risk management, internal control and compliance capabilities of our employees through strengthening various training, as well as meetings and activities that focus on risk management, internal control and compliance.

- **Establish the risk management organizational structure**

  We continue to build our risk management organizational structure in order to ensure effective risk management activities

  — We established the Board and its risk management committee and audit committee in 2009;

  — We established the risk control committee under our senior management in 2006, which was converted into the risk management committee in 2008, the name of which was changed to RMCC in 2009, and we established the asset liability committee under our senior management in 2009;

  — We established our risk management department in 2006 which was converted into PICC Group's risk management/legal and compliance department in 2007 by integrating the risk management and compliance functions;

  — We have established the risk management department in each of our main subsidiaries since the end of 2003; and

  — We started to establish comprehensive risk management coordinating bodies under the senior management of each major subsidiary, in succession, since 2004

- **Issue and implement policies related to risk management**

  We strive to continuously improve our internal risk management policies and facilitate the development of our internal risk management framework, apply innovative risk management systems and mechanisms, standardize our risk management process and measures and improve risk assessment techniques and methods. In recent years, we promulgated, among others, the following internal risk management rules and methods:

  — Provisional Rules on Risk Management Administration (風險管理暫行辦法);

— Notice on Further Strengthening Risk Management (關於進一步加强風險管理工作的通知);

— Opinions on Strengthening the Risk Management Responsibilities of Directors, Supervisors and Senior Management (關於加强董事、監事和高級管理人員責任風險管理的意見);

— Notice on Submitting Quarterly Risk Assessment Reports (關於報送季度風險評估報告的通知);

— Notice on the Implementation of the Basic Rules for the Internal Control of Insurance Companies by the CIRC (關於貫徹落實保監會<保險公司內部控制基本準則>的通知);

— Provisional Compliance Policies (合規政策(試行));

— Rules on Administration of Department Compliance Officers (部門合規員管理辦法(試行));

— Provisional Rules on Comprehensive Annual Performance Evaluation of Subsidiaries of PICC Group (中國人保集團子公司年度績效綜合考評試行辦法);

— Provisional Measures for Management of the Overall Budget (全面預算管理暫行辦法);

— Provisional Rules on Administration of Financial System (財務管理制度(暫行));

— Provisional Accounting Rules (會計制度(暫行));

— Rules on Administration of Cross-selling (交叉銷售管理辦法);

— Rules on Administration of Information Technology Work of PICC Group (中國人保集團信息化工作管理規定);

— Provisional Guidelines on Sponsoring and Offering Non-Securities Investment Products (非證券投資產品設立發行工作指引(試行));

— Emergency Plan (突發事件應急預案);

— Reporting Measures on Emergent and Material Matters (緊急重大情況報告辦法);

— Provisional Internal Audit Rules (內部審計工作暫行規定);

— Internal Audit Standards (內部審計工作規範);

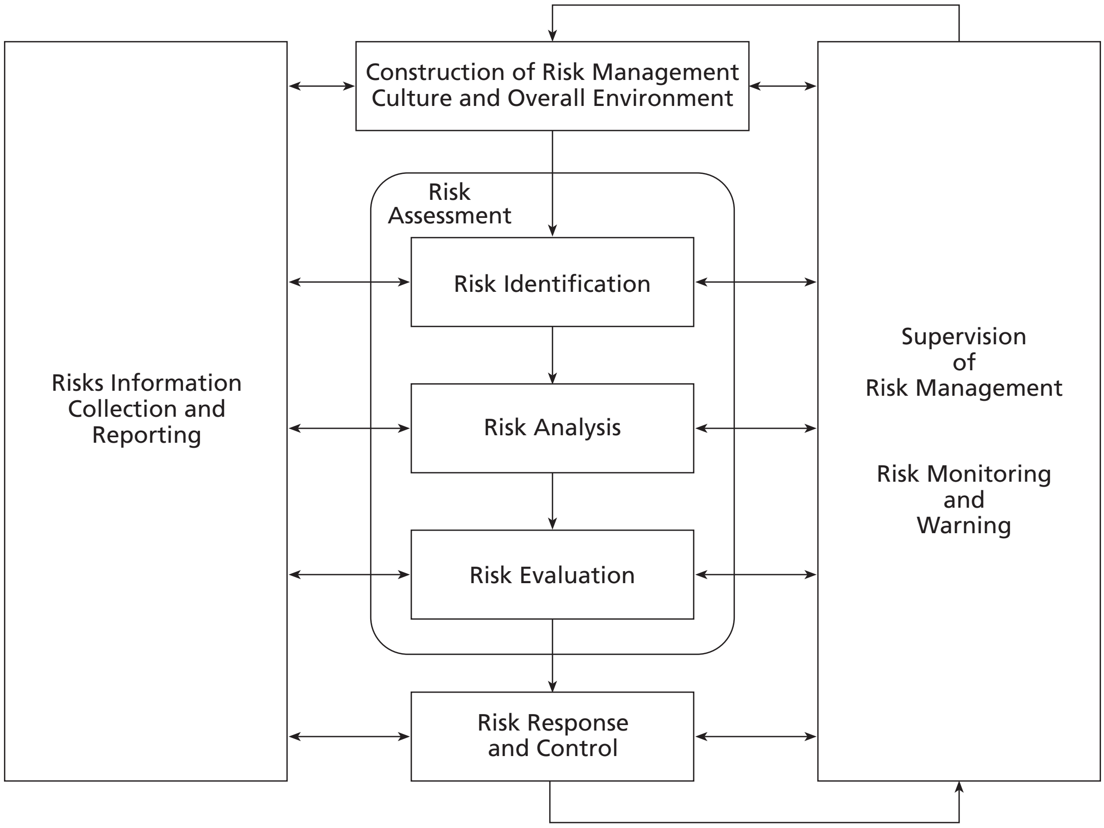
— Provisional Regulations on Investigating Responsibility for Legal Proceedings (案件責任追究暫行規定); and

— 2011 — 2012 Interim Measures on Performance Review of Cross-selling Specialists (交叉互動互派專員工作考核暫行辦法(2011-2012年)).

- **Standardize our principal risk management process**

  We have standardized our principal risk management process, which includes the establishment of a sound risk management environment, risk assessment, risk response and control, risk information collecting and reporting, risk monitoring and warning, and risk management supervision. Through implementing principal risk management effectively, we seek to achieve the overall objectives of our risk management and promote the operation of a dynamic risk supervision and control mechanism.

The following chart sets out our principal risk management process:



As indicated above, risk assessment is the central part of our risk management workflow. It includes risk identification, risk analysis and risk evaluation.

— Risk Identification. We fully utilize the PEST (political, economic, social and technological) risk analytical framework to identify the risks that we may face in our operating environment, and mainly monitor our operating risks through quantitative indicators. We have established a risk alert system covering main risk areas of PICC Group and its subsidiaries and including more than 600 indicators.

— Risk Analysis. Once we have identified a risk, we carry out comprehensive analysis of this risk. Primarily adopting quantitative methods (such as VaR, cash flow analysis and pressure tests), semi-quantitative methods (such as risk plots) as well as qualitative methods (such as symposium discussions and case studies), we conduct a complete analysis regarding sources and causes of the risk, the potential impacts of the risk on our development strategy and operating targets, as well as the likelihood for each type of effect that the risk may have.

— Risk Evaluation. We determine the level and grade of a particular risk according to the probability and impact of the occurrence of that risk, or through the value or range provided by our risk indicators. We then determine an appropriate risk management focus based on our fundamental risk management principles and overall strategy.

- **Establish a dynamic risk monitoring mechanism and risk reminders**

  Each functional department and each subsidiary of PICC Group have created a system of risk warning indicators, and according to its monitoring of these indicators and in conjunction with other internal and external risk information, each subsidiary conducts a quarterly analysis and evaluation of its main risks. We supervise the Group's overall risk profile based on the risk analysis and evaluation carried out by each subsidiary.

  In addition to regularly conducting comprehensive risk analysis and assessment, in exceptional cases we may also strengthen monitoring of specific risks. We highly focus on and track each type of internal and external risk factor, and release reference information or risk warnings for significant risks. We endeavor to effectively comply with the CIRC's requirements to enhance risk management by comprehensively testing and identifying hidden risks, further improving our emergency system for risks, and establishing real time and weekly reporting frameworks for material risk incidents.

- **Promote the implementation of specific initiatives and major tasks related to risk control**

  We set annual key focus areas for risk management, and implement planning with respect to specific initiatives and major tasks for risk management and control, as well as carry out adjustments according to changing circumstances.

  — We pay close attention to solvency risk, and based on changes in solvency condition, we and relevant subsidiaries carry out measures such as capital increases and issuance of subordinated debt to enhance capital adequacy; we also require our subsidiaries to strengthen their mechanisms for enhancing capital adequacy through methods such as optimizing business structure, lowering operating costs, reducing profit leakage and increasing investment income;

  — We have formulated risk control measures, covering research, decision making, planning, transactions and settlement, that target the major risk types we face, including insurance, market, liquidity, credit and operating risks;

  — We have established mechanisms for periodic risk assessment and reporting. Each subsidiary and relevant department of PICC Group prepares a quarterly risk assessment report based on analysis from its monitoring of risk indicators and assessment of risks. Based on these reports, the risk management department at PICC Group conducts analysis and assessment of the Group's overall risks and provide assessment reports of the Group's overall risks on a quarterly basis. In addition, at the end of each year, each subsidiary and department of PICC Group must also prepare an annual risk evaluation report. The aforementioned quarterly and annual reports must be submitted to the RMCC and the PICC Group management level, and the annual risk assessment reports prepared by the overall Group and by each subsidiary are also filed with the insurance regulatory authorities after receiving approval from the Board;

  — We have strengthened our management of risks associated with our insurance operations. While maintaining growth in our premium income, we also focus on improving the quality of our underwriting, optimizing our business structure, strengthening our management of key components of our business such as underwriting and claims settlement, and increasing our underwriting profitability;

  — We continually strengthen our risk control related to insurance fund deployment. A large portion of our fund is centralized and entrusted to PICC AMC for investment, and we have established a risk communication and reporting mechanism. PICC AMC periodically provides independent risk assessment reports to the entrusting parties. We carry out investment risk budgeting management, and implement a "red light, yellow light, green light" alert system for the market risks we face; we have established a dynamic credit risk management system, through which we manage counterparty credit risk as well as monitor the credit ratings and limits of credit products; we have introduced the use of the Hang Seng Transaction System ("恒生電子交易系統"), Heng Tai Risk Management System ("衡泰風險管理系統") and the Golden Finger Accounting Assessment System ("金手指會計估值系統"), as well as developed a unified data management platform, to form a centralized transactions and settlement system with strict risk control capabilities; and

— We have established a supervisory and audit department at both the PICC Group and subsidiary levels, and PICC P&C has established nine Supervisory and Audit Centers, which, through assessing the adequacy and effectiveness of our risk management and internal control, put forth recommendations for improving risk management and internal control measures and their relevant processes, as well as monitor the implementation of these recommendations.

- **Implement internal control projects and build an internal control system centered on risk management**

  We promote the implementation of "Internal Control Basic Standards Implementation Projects" or "Internal Control Evaluation and Improvement Projects" for PICC Group and its major subsidiaries, and continuously reinforce risk management based on internal control. PICC Group and PICC P&C have engaged internationally renowned consulting groups to help us meet the regulatory requirements of the Basic Guidelines for Internal Controls of Enterprises (企業內部控制基本規範) as well as its supporting guidelines, the Principal Rules for the Internal Control of Insurance Companies (保險公司內部控制基本準則), effectively streamline the system and improve processes, comprehensively identify and assess risk control points, evaluate and improve existing control measures and further improve our internal control system. Through the implementation of such projects, PICC Group formulated internal policies and rules such as Internal Control Manual (內部控制手冊) and Internal Control Evaluation Manual (內部控制評價手冊), developed risk control guidance charts, established database for risk hotspots, which made our risk categorization more uniform and streamlined. After the completion of the relevant projects, PICC Group and relevant subsidiaries have actively incorporated the results of such projects into actual operating procedures and information technology systems. In addition, by making reference to the aforementioned regulations, PICC Group provides guidance to major subsidiaries other than PICC P&C with respect to improving internal control system and ensuring the implementation of risk management measures at each level of our subsidiaries and branches and at each stage of business operations. For example, PICC Health has formulated Internal Compliance Manual (內控合規工作手冊) and PICC Life has formulated Internal Control Policy (Tentative) (內部控制政策(試行)).

- **Promulgate PICC Five-year Plan for Internal Control and Compliance to improve internal control and compliance as well as risk management**

  We have formulated the *PICC Five-year (2011-2015) Plan for Internal Control and Compliance*, which sets forth the Group's overall targets regarding internal control and compliance (including risk management), and detailed responsibilities and measures with respect to the establishment of a sound internal control and compliance environment, the optimization of internal control and compliance system, internal control and compliance working mechanisms, risk management and informationalization of internal control and compliance from 2011 to 2015.

- **Actively conduct research and take initiatives with respect to enhancing our internal control and risk management through more professional management and application of information technology**

  We have actively carried out research regarding the application of economic capital method and establishment of risk management models. PICC P&C commenced special research project on solvency and economic capital to actively explore solvency and economic capital management based on quantitative gauge of risks in 2011. In addition, we began using systematic information technology in internal control and risk management, promoted the development of an internal control management system and a risk index monitoring and pre-warning system to optimize our internal control work flow, risk categorization and index monitoring system, improved the efficiency of our internal control and risk management, and enhanced the informationization and specialization of our relevant work. PICC Group has also commenced the compliance information reporting system, which has been approved and in trial operation.

- **Strengthen the evaluation and accountability system regarding risk management**

  We formulated the Provisional Rules on Comprehensive Annual Performance Evaluation of Subsidiaries of PICC Group (中國人保集團子公司年度績效綜合考評試行辦法) through implementing the comprehensive performance projects to provide a clear basis for evaluating senior management of our subsidiaries, and we made risk management and internal control a key component in the evaluation and established specific evaluation standards. We further standardized the accountability system for material cases and established specific rules on liability determination, and methods, organization and management for holding relevant persons liable.

Management of Principal Risk Exposure

Management of Insurance Risk

Insurance risk is the risk of potential loss arising from, among others, (i) defective product design, (ii) mispricing of products or inadequate reserves due to inaccurate assumptions regarding factors such as mortality and morbidity rates, loss ratio and surrender rates, (iii) inappropriate reinsurance arrangements or (iv) unanticipated major claims settlements.

Product Design Risk Management

Product design risk refers to potential defects in the development of a particular insurance product. Prior to any launch of a new product, we seek to effectively manage this risk by completing comprehensive review of a new product by a series of internal departments, including the product development, actuarial, legal and compliance, underwriting and claims settlement departments. These departments have substantial experience and have developed significant expertise in identifying potential flaws in product development that could expose us to risks that do not align with our risk management principles. We closely monitor the performance of our new products after their launch and we focus on actively managing each part of the actuarial control cycle to minimize risk in both existing policies and new products.

Product Pricing and Underwriting Risk Management

Pricing and underwriting risk stems from uncertainty about future operating results relating to items such as investment yields, mortality and morbidity rates, frequency and severity of claims and losses, administrative expenses, sales and lapses. If an insurer's pricing is based on assumptions that prove inadequate, it may have an adverse impact on our continuous and healthy business operations. We manage pricing and underwriting risk by pre-pricing actuarial tests and post-pricing follow-up and pricing corrections. We price and underwrite our products based on strict actuarial testing and assessment supported by historical claims experiences. The pricing function is typically centralized at the subsidiary headquarters level, and provincial and local branches are not allowed to price our products. Each pricing decision of our product is documented by a pricing report which sets forth in detail the actuarial basis for the price and is filed with or approved by the CIRC. We also focus on post-development tracking and monitoring, collect performance data of launched products and conduct tests on the rationality of pricing periodically. If relevant data indicates that our actual experience differs significantly from our original expectations of a product, we will re-price, re-design or discontinue to sell the product, as appropriate.

Reinsurance and Catastrophe Risk Management

Reinsurance and catastrophe risk refers to the possibility of significant financial losses arising from a lack of sufficient reinsurance of assumed risks or from a particular catastrophe. In order to manage such risks, we have a tiered cession scheme to integrate, among others, treaty reinsurance, facultative reinsurance and catastrophe reinsurance together. We limit the maximum retention amount of certain insurance products or certain types of products. We have entered into various reinsurance arrangements and agreements with domestic as well as international reinsurance companies to reduce excessive risks exposure. We have also entered into cooperative arrangements with relevant government agencies and other expert organizations to establish contingency plans to deal with emergencies and obtain timely information regarding catastrophes, which have provided valuable technical and information support for our underwriting and claims settlement operations.

Certain provinces of the PRC are vulnerable to natural catastrophes such as floods and typhoons. Undue concentration of insurance risks in those areas may have an adverse impact on the claims we have to pay. Due to our nationwide distribution and service networks, we have achieved geographical diversification of our P&C insurance business and we believe we will not be seriously affected by natural catastrophes that are limited to a particular region or regions of China. The following table shows the geographical distribution of our GWPs from our P&C insurance business:

	For the year ended December 31,						For the six months ended June 30,	
	2009		2010		2011		2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(RMB in millions)							
Coastal and developed provinces/cities (including Hong Kong)	54,533	46,353	67,573	59,694	75,515	58,411	43,085	36,341
North-eastern China	9,237	7,709	12,188	10,832	12,823	10,105	7,715	6,469
North China	17,394	15,508	25,227	23,071	27,895	22,605	15,751	13,833
Central China	13,647	11,891	17,878	15,901	20,508	16,172	12,569	10,885
Western China	25,109	21,975	31,583	28,003	37,348	29,577	22,135	19,257
Total	**119,920**	**103,436**	**154,449**	**137,501**	**174,089**	**136,870**	**101,255**	**86,785**

Management of Market Risks

Market risk arises from unanticipated financial loss due to adverse fluctuations in key variables, including interest rates, foreign exchange rates, equity market prices and commodity market prices. We manage our market risk exposure in a variety of ways and use various quantitative models to assess market risks, including sensitivity analyses, value-at-risk models, stress test and scenario analysis, which are common tools in the insurance as well as asset management industries. We routinely conduct sensitivity analyses on our fixed income securities and equity portfolios in an effort to estimate our exposure to fluctuations in interest rates or equity indices. We also conduct stress tests to monitor compliance with internal targets for solvency and capital and target for credit ratings.

Interest Rate Risk

Our exposure to interest rate risk predominantly arises from investments in long-term fixed income debt securities which are exposed to fluctuations in interest rates. We monitor and assess our interest rate risk regularly by conducting sensitivity analysis and stress tests based on the analysis of discrepancies between assets and liabilities, and we seek to manage our interest rate risk by adjusting our portfolio composition and by managing, to the extent possible, the average duration and maturity of our portfolio. In addition, the rise of interest rate may lead to increase in surrenders and in coverage deduction. We manage such risks by strengthening the actuarial supervision of settlement interest rate and monitoring of surrender rate, and taking effective measures to reduce surrender rate.

Foreign Exchange Rate Risk

Certain of our assets and liabilities are denominated in foreign currencies such as U.S. dollar and Hong Kong dollar. We may be exposed to foreign exchange rate risks as a result of changes in exchange rates between RMB and these currencies. However, since substantially all of our assets and liabilities are denominated in RMB, we believe we are not subject to material foreign exchange rate risks.

The following table sets forth the currency profile of our financial assets and financial liabilities as of June 30, 2012, approximately 97.4% of these financial assets and approximately 97.4% of these financial liabilities were denominated in RMB:

Assets and liabilities	RMB	HKD	USD	Others	Total
			(RMB in millions)		
Cash and cash equivalents	67,986	634	1,236	31	69,887
Derivative financial assets	137	—	—	—	137
Debt securities	207,065	—	1,208	—	208,273
Equity securities	83,712	486	15	—	84,213
Security investment fund and stocks	70,690	486	15	—	71,191
Term deposits	113,317	245	4,729	—	118,291
Restricted statutory deposits	7,922	—	—	—	7,922
Insurance receivables	28,561	91	5,935	66	34,653
Other financial assets	58,610	23	720	12	59,365
Financial assets	**567,310**	**1,479**	**13,843**	**109**	**582,741**
Due to banks and other financial institutions	321	—	—	—	321
Subordinated debts	34,761	—	—	—	34,761
Assets sold under agreements to repurchase	66,850	—	—	—	66,850
Pension benefit obligation	3,195				3,195
Investment contract liabilities for policyholders	48,013	—	—	—	48,013
Policyholder dividends payable	4,340	—	—	—	4,340
Other financial liabilities	37,500	88	5,141	64	42,793
Financial liabilities	**194,980**	**88**	**5,141**	**64**	**200,273**

Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Our price risk exposure mainly relates to the securities investments whose values will fluctuate as a result of changes in market prices. We have managed price risks by diversifying our investments and setting limits for investments in different securities, among other things. We adopt the investment risk budget management, which determines our acceptable risks and risk budget according to our development targets and tracks the implementation of the budget in a dynamic manner, so as to control the risks within an acceptable range.

Management of Liquidity Risk

Liquidity risk is the risk of not having access to sufficient funds or having a high financing cost to meet our obligations as the debt or payment becomes due. We are exposed to liquidity risk mainly on part of insurance policies that permit surrender, withdrawal or other forms of early termination. We seek to manage our liquidity risk by matching to the extent possible the duration of cash inflow of our investment assets with the duration of cash outflow of our insurance policies.

We rely on a broad range of liquid funds sources to meet our funding needs. We fund our operations principally from premium income we receive as well as the related investment income. We may also obtain short-term borrowings in the form of repurchase agreements, as well as raise funds through the sale of investment assets. We have implemented various detailed measures to manage our liquidity which, among others, include:

- improve the design and management of insurance products with a view towards reducing the possibility of unexpected liquidity demand;
- monitor our liquidity position in compliance with regulatory and our internal requirements;
- establish a range of factors to be monitored and a liquidity risk warning index system to detect leading indicators of any irregularities and signal warnings in time;
- review on a regular basis the expenditure and deposits of the Group, conduct dynamic cash flow tests regularly and try to make detailed plans regarding the daily operational and project expenditures, understand funding needs of the Group and arrange the recall and application of entrustment funds in accordance with the funding gap in a flexible manner; and
- highlight the liquidity management targets in entrustment asset management and determine appropriate strategic asset allocation ratio to maintain the liquidity of our investment portfolio; allocate the duration of our bonds portfolio reasonably to ensure the liquidity of our entrustment assets matches the fund needs.

Management of Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate internal operation processes, personnel, systems or external events.

We manage our operational risk by continuously improving our internal control system, particularly through optimizing internal operational systems and procedures, and improving evaluation and accountability mechanisms. We strengthen the monitoring of operational risks through actively promoting risk management and compliance culture, strengthening compliance and risk management training, improving evaluation and accountability systems, establishing standardized procedures to prevent and manage operational risks and conducting regular risk management evaluation through risk management reports and non-compliance cases analysis. We also take appropriate measures to timely address the risks identified in regular checks as well as internal and external checks and audits.

Management of Credit Risk

Credit risk is the risk resulting from the failure of our obligors or our counterparties to perform or timely perform their contractual obligations or the deterioration in the credit profile of relevant parties.

We combine quantitative and qualitative analysis and conduct integrated analysis of the insurance industry, our business management, financial factors and business outlook, and analyze credit risks of credit products and relevant issuers through credit rating model. We also mitigate credit risks by imposing aggregate counterparty exposure limits and diversifying our fixed income investment portfolio. We have established aggregate investment limits for each type of assets and sets forth detailed credit limits for each type of counterparties. We have also strengthened the management of counterparty credit ratings and analyze the debt repayment ability of the counterparty through both qualitative and quantitative analysis. In addition, we have increased efforts to dynamically track and monitor the credit risks and analyze on a regular basis credit risks of fixed income portfolio of each account, including credit asset allocation, internal rating statistics, issuer concentration level and counterparty risks involved in interest rate swap. We also track and analyze our position regarding bonds without a guarantee feature and analyze material credit risk events as well as their impacts on our exposure. We pay close attention to the qualification management of our reinsurers and closely monitor changes in their solvency and credit ratings, accelerate speed of settlement with the reinsurers and shorten circulation period of funds, and control the total amount of reinsurance commission receivable. We also review the total amount of premiums receivable regularly and formulate strict rules as to premium payment, so as to ensure the timely payment of premiums and control increasing premiums receivable and bad debt losses.

The following table provides a detailed age analysis of our financial assets as of June 30, 2012.

	As of June 30, 2012						
		Past-due but not impaired financial assets					
Financial assets	Not past due	Within 30 days	31 to 90 days	Over 90 days	Past due but not impaired	Past due and impaired	Total
	(RMB in millions)						
Cash and cash equivalents	69,880	—	—	—	—	—	69,880
Derivative financial assets	137	—	—	—	—	—	137
Debt securities	208,273	—	—	—	—	—	208,273
Term deposits	118,291	—	—	—	—	—	118,291
Restricted statutory deposits	7,922	—	—	—	—	—	7,922
Insurance receivables	16,115	1,303	5,219	4,954	11,476	9,857	37,448
Other financial assets	59,066	111	32	152	295	1,322	60,683
Total	**479,684**	**1,414**	**5,251**	**5,106**	**11,771**	**11,179**	**502,634**
Less: impairment losses	2	—	—	—	—	4,111	4,113
Net	**479,682**	**1,414**	**5,251**	**5,106**	**11,771**	**7,068**	**498,521**

Management of Solvency Risk

Solvency risk refers to the risk that an insurance company loses its ability to pay back maturing debts and future obligations. Each of our insurance subsidiaries conducts solvency test on a regular basis and provides a solvency report to us and insurance regulatory authorities on a quarterly basis, and we monitor our overall solvency margin and provide a relevant report to the insurance regulatory authorities on a semi-annual basis. We and all of our subsidiaries not only periodically monitor our solvency margin ratio, but also conduct identification and assessment in line with regulatory requirements to determine the presence of significant solvency risk. We enhance our solvency margin through formulating proper reinsurance plans, and taking measures to strengthen our capital base, such as capital increases and issue of subordinated debts in response to changes in solvency margin.

Management of Asset and Liability Matching Risk

Asset and liability matching risk is the risk resulting from the mismatches of duration of assets and duration of liabilities and mismatches of cash flows and investment income. We have strengthened the managements of cost benefit, duration and risk prediction based on solvency margin constraint and the characteristics of liability for insurance products, to ensure the insurance investments are under the value of risk limit. We also use various measures including gap analyses, sensitivity analyses and scenario analyses to evaluate and manage the mismatch risks of assets.

COMPETITION

We occupy an important position in the PRC insurance and financial markets. We offer P&C, life and health insurance, asset management, insurance brokerage and other products and services to a wide range of customers through our nationwide distribution and service networks. Although we have many competitors in each of our business lines, we believe that we can maintain a leading position in the PRC insurance and financial services markets by leveraging our competitive strengths.

We face competition in each of our business lines. We believe that the competitive factors in the insurance markets include the following:

- brand recognition and reputation of service and product providers;
- distribution network and easy access to services and service personnel;
- pricing and quality of services;
- product design and diversification;
- financial strength;
- high-quality and stable professional team; and
- information technology systems.

The competition in all of our business lines has intensified during the Track Record Period as a result of an increasing number of market entrants and increasingly fierce competition among existing market participants. Our primary competitors are large scale P&C, life and health insurance companies and various types of asset management entities in the insurance and financial services markets. We believe our primary competitive strengths are our well recognized brand, leading market position, strategically balanced business structure, extensive distribution and service network, wide customer base, effective group management, strong product and service innovation capabilities, capability in synchronizing our growth with the overall economic and social development in the PRC, industry-leading asset management platform, and experienced and entrepreneurial management team. Some of our competitors, however, may possess strong competitive strengths based on operating experience, capital base and product diversification. See the section entitled "Risk Factors — Risks Relating to the PRC Insurance Industry — If we cannot effectively respond to increasing competition in the PRC insurance industry, our profitability and market share could be materially and adversely affected."

Competition in the P&C Insurance Market

According to the data published by the CIRC, as of June 30, 2012, there were 39 domestic P&C insurance companies and 21 foreign-invested P&C insurance companies licensed to conduct P&C insurance business in the PRC. According to the data published by the CIRC, in terms of Original Premiums Income, PICC P&C, Ping An Property & Casualty Insurance Company of China, China Pacific Property Insurance, China United Property Insurance and China Life Property & Casualty Insurance Company Limited had market shares of 36.0%, 17.4%, 12.5%, 4.8% and 4.0%, respectively, among all PRC P&C insurance companies in the six months ended June 30, 2012.

The PRC P&C insurance market features relatively high market concentration. According to the data published by the CIRC, in 2009, 2010, 2011 and the first six months of 2012, in terms of the Original Premiums Income, the combined market share of the top three P&C insurance companies were 64.2%, 66.4%, 66.6% and 65.9%, respectively. Recently, more insurance companies with industry and regional backgrounds have entered the P&C insurance market, leading to increasingly fierce competition.

Leveraging our well-recognized brand, professional underwriting capabilities, extensive distribution network and other competitive strengths, we believe that we are well positioned to maintain the relative stability of our market share in the increasingly competitive market in the future.

Competition in the Life and Health Insurance Market

According to the data published by the CIRC, as of June 30, 2012, there were 38 domestic life and health insurance companies and 25 foreign-invested life and health insurance companies licensed to conduct life and health insurance businesses in the PRC. We regard China Life Insurance Co., Ltd., Ping An Life Insurance Company of China Limited, New China Life Insurance Co., Ltd., China Pacific Life Insurance Co., Ltd. and Taikang Life Insurance Co., Ltd. as our major competitors. According to data published by the CIRC, in the six months ended June 30, 2012, in terms of TWPs, the market shares of PICC Life, China Life Insurance Co., Ltd., Ping An Life Insurance Company of China Limited, New China Life Insurance Co., Ltd., China Pacific Life Insurance Co., Ltd. and Taikang Life Insurance Co., Ltd. among all PRC life and health insurance companies were 7.49%, 28.90%, 16.79%, 8.63%, 8.60% and 6.78%, respectively. According to the data published by the CIRC, in terms of TWPs, the combined market shares of PICC Life and these major competitors were 83.6%, 80.7%, 78.5% and 77.2%, respectively, in 2009, 2010, 2011 and the first six months of 2012. The third to sixth ranked life insurance companies in terms of TWPs, namely New China Life Insurance Co., Ltd., China Pacific Life Insurance Co., Ltd., PICC Life and Taikang Life Insurance Co., Ltd., have very similar market shares. In the six months ended June 30, 2012, the difference in market share between New China Life Insurance Co., Ltd., and Taikang Life Insurance Co., Ltd. was only within 1.85 percentage points.

According to the data published by the CIRC, as of June 30, 2012, there were four life and health insurance companies in the PRC specializing in health insurance. They were PICC Health, Kunlun Health Insurance Co., Ltd., Hexie Health Insurance Co., Ltd. and Ping An Health Insurance Company, Ltd., which, according to data published by the CIRC, in terms of TWPs, had a market share of 1.16%, 0.08%, 0.05% and 0.04%, respectively, among all PRC life and health insurance companies in the six months ended June 30, 2012, and which had a market share of 86.9%, 6.1%, 4.0% and 3.0%, respectively, among all PRC insurance companies specializing in health insurance during the same period.

Recently, an increasing number of financial institutions, including Bank of Communications, China Construction Bank and Industrial and Commercial Bank of China, have entered into the PRC life and health insurance market through obtaining controlling stake in insurance companies, leading to increasingly fierce competition.

We intend to capitalize on our well-recognized brand, extensive distribution network, strong cross-selling capabilities and other competitive strengths to further expand our market share in the PRC life and health insurance market.

Competition in the Asset Management Market

Competition among insurance asset management companies focuses on aspects of third-party entrusted asset management business such as investment yields, risk control capabilities and service quality, among others. In order to improve our market position, we intend to leverage our asset management value chain which is compatible with the nature of insurance assets, extensive investment qualifications, experienced investment team and leading risk control system to further improve our asset management services and investment yields, develop more comprehensive and innovative entrusted asset management products, and enhance our market position.

LEGAL AND REGULATORY PROCEEDINGS

General

We are involved in legal and/or regulatory proceedings or disputes in the ordinary course of our business. As of the Latest Practicable Date, we are not aware of any legal and/or regulatory proceedings or disputes, which, in the opinion of our management, would have a material adverse impact on our business, financial condition, results of operations or prospects.

The CIRC and other PRC governmental agencies, including the SAT, the NAO, the SAIC, the PBOC, the Ministry of Human Resources and Social Security of the PRC and their affiliated institutions, from time to time make inquiries and conduct on-site or off-site examinations or investigations concerning our compliance with PRC laws and regulations in relation to our financial condition and business operations, our solvency margin, tax payment and labor and social welfare, among other things. As of the Latest Practicable Date, we are not aware of any inspections or audits conducted by the NAO or other PRC regulatory authorities which would have a material adverse impact on our business, financial condition, result of operations or prospects.

According to the Administrative Regulations for Insurance Companies (保險公司管理規定), the CIRC is required to conduct both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the CIRC or its local bureaus of an insurance institution may focus on matters such as the company's management, reserves, solvency margin, use of funds, financial condition, transactions with insurance intermediaries, appointment of senior management and other matters deemed necessary by the CIRC.

As of December 31, 2009, 2010, 2011 and June 30, 2012, the provision we made relating to known but undecided litigation and known non-compliance was RMB84 million, RMB34 million, RMB37 million and RMB37 million, respectively, and our Directors believe such provision was adequate.

Administrative Proceedings and Penalties

As of the Latest Practicable Date, we were not aware of any material examination or investigation that was ongoing with respect to us. During the Track Record Period and as of the Latest Practicable Date, none of our Directors was involved in any material administrative non-compliance, proceedings or penalties.

During the Track Record Period, we were subject to 147 administrative penalties from the PRC tax authorities and were imposed fines of approximately RMB5.36 million in total. The primary reasons for these administrative penalties were insufficient payment of enterprise income tax, insufficient withholding of vehicle and vessel tax, failure to withhold individual income tax and non-payment of enterprise income tax in accordance with laws and regulations. All of the above tax-related non-compliance occurred at the subsidiary or branch level, and did not involve PICC Group.

In addition to these tax-related penalties, during the Track Record Period, we were subject to a total number of 246 administrative penalties of revocation of business permits, suspension of new businesses for a certain period of time, confiscation of illegal gains and administrative fines with an amount of more than RMB100,000 in each case by various PRC regulatory authorities (including without limitation the CIRC and its local branches, the PBOC and its branches and the SAFE). Among these penalties imposed by the PRC regulatory authorities other than the tax authority, the total amount of administrative fines with an amount of more than RMB100,000 in each case and illegal gains confiscated was approximately RMB37.703 million. The details of the above administrative penalties are as follows:

- 223 administrative penalties were imposed by the CIRC and its local branches, resulting in fines of approximately RMB33.947 million;
- 13 administrative penalties were imposed by the PBOC and its branches, resulting in fines of approximately RMB2.2 million;
- one administrative penalty was imposed by the SAIC and its local branches, resulting in fines of approximately RMB0.14 million;
- seven administrative penalties were imposed by SAFE and its local branches, resulting in fines and confiscation of illegal gains of approximately RMB1.076 million; and
- two administrative penalties were imposed by other regulatory authorities, resulting in fines of approximately RMB0.34 million.

As of the Latest Practicable Date, we have paid all the fines above. Reasons for the above administrative penalties primarily include non-compliant approval of the surrender of commercial motor vehicle insurance policies, settlement of false claims[(1)], sale of illegal insurance products, recording operating expenses in violation of accounting rules, failing to implement client identification measures to satisfy anti-money laundering requirements, and failing to implement a reporting system meeting regulatory requirements for large or suspicious transactions. Such non-compliance and issues during the Track Record Period did not involve PICC Group but involved approximately 430 branches of our subsidiaries (in total during the Track Record Period), accounting for approximately 3% of our total branches and sales and service outlets as of June 30, 2012. In response to the aforementioned administrative penalties and issues involved, we required the relevant subsidiaries and branches to formulate practicable rectification plans and report rectification progress on a regular basis. In order to avoid the occurrence of the same issues or violations in the future, we carried out risk review, filter various potential causes of risks, and engaged professional advisors to review our risk management and internal control systems and procedures and provide professional advice accordingly. Specifically:

- Using the relevant non-compliance as examples, our life and health insurance businesses carried out specialized training to prevent the future occurrence of relevant issues.

(1) Settlement of false claims refers to an act of insurance fraud committed by the employees of an insurance company, facilitated by the use of their authority or position within the insurance company. The employees committing such fraud typically falsify the occurrence of an insured event specified in the insurance contract, and carry out "claims settlement" in accordance with their authority or position to appropriate the claims settlement amount.

During the year-end operating performance evaluations, our life and health insurance businesses reduced the scores of branches who had been subject to penalties. Our life insurance business organized and carried out risk investigation and filtering in 2011 and 2012, respectively. Through internal publications such as *Risk Reminding*, our life insurance business has prompted each of our branches to avoid the reoccurrence of similar problems in the future, and issued *Risk Reminding* for 20 times and 28 times in 2010 and 2011, respectively, and 16 times from the beginning of 2012 until June 30, 2012. From the beginning of 2011 until June 30, 2012, our health insurance business has issued *Risk Reminding* for 7 times and *New Laws and Regulations Update* for 3 times.

- Our P&C insurance business has focused on using the information technology system to strengthen its management and control over compliance. At the same time, in 2010 and 2011, it also carried out a comprehensive self-assessment of its internal control and systematically investigated hidden potential risks, based on the degree of importance, the frequency of risks and the issues identified from the administrative penalties. Our P&C insurance business has also specially hired international renowned advising consultant, to carry out "internal control evaluation and improvement projects," systematically analyzed 32 main business processes, inspected for weakness in our internal control, ascertained the status of and problems existing in our internal control and actively pursued the rectification of internal control deficiencies that were identified.

We believe that the administrative penalties above have not had a material impact on our entire business operations because only a very limited number of our branches were subject to business activity restrictions, and the restricted business activities only accounted for a limited portion of the business scope of our branches. In addition, as of June 30, 2012, our total assets were approximately RMB649,743 million, and our net assets were approximately RMB56,810 million, and the aggregate amount of administrative fines imposed on us accounted for an immaterial proportion of our total assets and net assets. As of the Latest Practicable Date, we have paid in full the aggregate amount of administrative fines imposed on us. Therefore, our Directors believe that the aforementioned administrative penalties have not had and will not have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we were subject to approximately 254 warnings and administrative fines with an amount of less than RMB100,000 in each case, and the total fines imposed on us was approximately RMB8.47 million, accounting for an immaterial proportion of our total assets and net assets as of June 30, 2012. As of the Latest Practicable Date, we had paid all the fines above. Among these warnings and administrative fines, 187 warnings and fines, 22 warnings and fines, 12 fines, 18 warnings and fines, and 15 fines, respectively, were from the CIRC and its local branches, PBOC and its local branches, SAIC and its local branches, SAFE and its local branches and other regulatory authorities, respectively. Our Directors believe that the aforementioned warnings and administrative fines with an amount of less than RMB100,000 in each case, will not individually or in aggregate have a material adverse effect on our business, financial condition and results of operations.

Litigation and Arbitration

As of June 30, 2012, we were involved in 38 unresolved legal and arbitral proceedings in which the disputed amount was more than RMB10 million in each case, among which:

- There were 14 unresolved legal and arbitral proceedings where we were the plaintiff or claimant and the disputed amount in each case was more than RMB10 million, and the total disputed amount involved in claims of these legal and arbitral proceedings was approximately RMB830 million. Of these 14 proceedings, four were disputes over subrogation that arose during the course of our insurance business and the remaining ten were indebtedness disputes, disputes over sales contracts and repurchase of securities. Of these 14 proceedings, four were still at the trial stage and the remaining ten have reached the stage of enforcing judgments, one of which has suspended enforcement of judgment.

- There were 24 unresolved material legal and arbitral proceedings where we were the defendant or respondent and the disputed amount in each case was more than RMB10 million, and the total disputed amount involved in claims of these legal and arbitral proceedings was approximately RMB1,030 million. Among these proceedings, 20 of them are disputes over insurance contracts that arose during the course of our insurance business, while the rest involved contract disputes, indebtedness disputes and securities repurchase disputes.

Of the aforementioned 38 proceedings, 24 legal and arbitral proceedings or approximately 63%, are legal proceedings or disputes arising during the ordinary course of our insurance business. The remaining cases were primarily relating to loan agreements, sales contracts and repurchase of securities. As of June 30, 2012, our total assets were approximately RMB649,743 million, and our net assets were approximately RMB56,810 million, while the total disputed amount involved in claims of these 38 legal and arbitral proceedings was approximately RMB1,860 million, representing 0.3% and 3.3% of our total assets and net assets, respectively, as of June 30, 2012. In order to prevent and minimize the legal and arbitral proceedings to which we are a defendant, we focus on strengthening the legal and compliance training for all of our employees, in order to reduce violations and non-compliant activities from the source. We also formulated internal contract review procedures and policies to ensure all important contracts are reviewed by the respective compliance and legal departments at the PICC Group level and the subsidiary level. We also retain outside legal counsel when necessary to review contracts and provide legal advice, and use their expertise to reduce the risks of litigation and arbitrations. Our Directors believe that, in the event of any unfavorable outcome resulting from the aforementioned legal and arbitral proceedings, such an outcome will not individually or collectively have a material adverse impacts on our business, financial condition and results of operation.

From July 1, 2012 through the Latest Practicable Date, of the 38 unresolved proceedings, two litigations with the aggregate disputed amount of approximately RMB43 million where we were the plaintiffs had been settled and the settlement agreements had been enforced, two litigations where we were the defendants with the aggregate disputed amount of approximately RMB140 million had been settled and the settlement agreements had been enforced, one arbitration with the disputed amount of approximately RMB140 million where we were the claimant had been settled and the settlement agreement had been enforced, two litigations with the aggregated disputed amount of approximately RMB25 million where we were the defendants had been judged in first instance and tried in second instance, and the verdict of one arbitration with the disputed amounts of approximately RMB23 million where we were the respondent had been delivered and we shall pay the claimant approximately RMB7 million according to the verdict.

NAO Audits

As required by relevant PRC laws and regulations, from May to July, 2010 the NAO conducted an audit ("2009 NAO Audit") on the PICC Group and six of its subsidiaries and 18 branches with respect to assets, liabilities and profits and losses for the year 2009. Based on the 2009 NAO Audit, the NAO subsequently issued three announcements:

- On January 31, 2011, it published the "2011 PRC NAO Announcement of Audit Results No. 3" ("2011 Announcement No. 3"), in which it disclosed the issues that were discovered during the 2009 NAO Audit involving certain subsidiaries and branches of several of our subsidiaries;
- On January 4, 2012, it published the "2012 PRC NAO Announcement of Audit Results No. 1" ("2012 Announcement No. 1"), in which it disclosed the rectification results of issues it discovered during its audits in 2010 involving national budget implementation and other fiscal revenues and expenditures, among which involved certain issues relating to us in the 2011 Announcement No. 3; and
- On January 9, 2012, it published the "2012 PRC NAO Announcement of Audit Results No. 2" ("2012 Announcement No. 2"), in which it disclosed the results of the handling, by the relevant parties and departments, of the issues of the 30 cases it discovered in 2011, among which involved certain issues relating to PICC P&C in the 2011 Announcement No. 3.

The 2012 Announcement No. 1 and the 2012 Announcement No. 2 did not involve any issues that were not identified in the 2009 NAO Audit and the 2011 Announcement No. 3.

The 2009 NAO Audit identified the following major issues:

(A) Non-compliance issues during the course of operation and management involving RMB1,505 million.

- Improper underwriting practices involving RMB412 million, which mainly referred to the underwriting of insurance policies through non-compliant agreements or loosened underwriting terms, fraudulently obtained agricultural insurance and discounted sales with reduced premiums, and which involved branches in 17 provinces and municipalities including Heilongjiang and Hunan.
- False surrenders or policy cancellations involving RMB260 million, which involved branches in seven provinces and municipalities including Tianjin, Jilin, Shanghai, Hunan, Guangdong, Zhejiang and Yunnan.
- Non-compliant claims settlement involving RMB146 million, among which RMB86 million involved settlement of false claims, RMB3.56 million involved claims settlement from expanded insurance liability coverage and RMB56.12 million involved fraudulent claim expenses. These amounts were mainly used in additional payments to customers beyond insurance claims and in payments of insurance agent commissions, and these issues involved branches in 12 provinces and municipalities including Liaoning and Shandong.
- Non-compliant payment of insurance agent commissions involving RMB684 million, which mainly referred to commissions obtained through fraudulent agency business, commissions paid to persons other than qualified insurance agents, commissions falsely recorded to offset insurance receivables and payment of excessively high commissions, and which involved branches in 13 provinces and municipalities including Guangdong and Shanghai.

- Improper off-balance sheet insurance businesses involving RMB3.12 million, which involved branches in two provinces, namely Shandong and Liaoning.

(B) Non-compliance issues with respect to revenue and expenditures involving RMB440 million, which mainly referred to the manipulation of the timing of premium income recognition, inflation of certain expenses, and undisclosed off-balance sheet accounts, and which involved branches in 13 provinces and municipalities including Hunan and Guangdong.

(C) In addition, certain of our subsidiaries and branches had weaknesses in their management and operations, including:

- keeping certain premium receivables on the accounts after full provisions of the receivables were made for, which affected the accuracy of relevant financial reports;
- failure to settle rights and obligations deriving from certain investment and restructuring projects; and
- deficiencies in information technology systems and its ability to prevent and manage non-compliances.

In response to the aforementioned issues, we have actively undertaken remedial actions and made the responsible persons strictly accountable. In addition to taking administrative disciplinary measures against the responsible persons or turning them over to the relevant judicial authorities, we have adopted other rectification measures, including without limitation, properly handling accounting records in accordance with Accounting Standard for Business Enterprise (企業會計準則), paying back taxes and penalties, formulating and refining relevant internal regulations, standardizing the business procedures of underwriting and claims settlement, improving the information technology system related to business procedures and operations management, and strengthening business and compliance training of our employees. In particular, the rectification measures taken by PICC P&C include, among others: (i) setting up small working groups at the PICC P&C headquarters and branches and headed by the president or general manager to lead the implementation of audit rectification activities as well as special video conferences focused on audit rectification, and generally implementing self-examination and self-correction at the PICC P&C headquarters and branches while performing spot-checks for certain key branches; (ii) promoting the national centralization of information technology and a vertical management system for claims settlement, establishing a shared financial services center, undertaking rectification projects such as the improvement of internal control and compliance systems, deepening reforms with respect to the central management, further strengthening institutional control and strengthening the ability to control capital; and (iii) using information technology to strengthen risk management control, improving the claims data monitoring platform, sales management and customer management systems, extensively promoting standardized business processes and establishing management account platforms for each provincial branch and product line.

The penalties imposed by the NAO in connection with the issues identified in the 2009 NAO Audit involved fines with a total amount RMB50,000, which represented 0.00003% of our total assets as of December 31, 2009. We were also subject to administrative penalties from regulatory authorities other than the NAO in connection with the issues identified in the 2009 NAO Audit. We disclosed such penalties under the heading of "Administrative Proceedings and Penalties" above as parts of the administrative penalties we were subject to. They were immaterial in nature. Furthermore, considering the fact that we adopted many rectification measures, and that the issues identified during the 2009 NAO Audit only involved certain branches in certain regions, our

Directors believe that, the issues identified during this audit and inspection does not have a material adverse impact on our business and financial condition. King & Wood Mallesons Lawyers, our PRC legal counsel, also takes the view that the issues identified during this audit and inspection does not have a material adverse impact on our financial condition and results of operations. However, there is no assurance that future examinations by PRC regulatory authorities would not result in sanctions, fines or other penalties, or issuance of negative reports or opinions, that could materially and adversely affect our business, financial condition, results of operations and prospects. These government examinations may also result in negative publicity, which could adversely impact our corporate image. See the section entitled "Risk Factors — Risks Relating to Our Business — Regulatory actions and legal proceedings against us could cause us reputational harm and have a material adverse effect on our business, financial condition, results of operations and prospects."

Latest Inspections

From July 1, 2012 through the Latest Practicable Date, relevant tax authorities, insurance regulatory authorities, local branches of the PBOC, foreign exchange authorities and financial authorities conducted on-site inspections of our Company, PICC P&C and certain of its branches, and PICC Life and certain of its branches. The scope of such inspections included, among others, the issue and management of subordinated debts, intermediary business, telephone sales, sales misrepresentation, accuracy of data, internal control system, underwriting and claims settlement, information technology security, foreign exchange, anti-money laundering and taxes. Certain inspections are still on-going. During the course of these inspections, certain non-compliant activities were identified, including, among others, fraudulent expenses, fraudulent transaction fees, insufficient management of telephone sales and certain insurance businesses, irregularities in fee payments, insufficient management in foreign exchange business, insufficient training in information technology security, insufficiency in identifying customers for anti-money laundering compliance and failure to pay sufficient amount of tax in relation to supplemental medical care. We were subject to administrative penalties by the relevant regulatory authorities in connection with the non-compliant activities identified during these inspections, among which the total amount of administrative fines was approximately RMB1 million as of the Latest Practicable Date. These latest inspections were regular inspections conducted by relevant authorities and did not involve material legal or non-compliance issues.

Insurance Agents and Bancassurance Managers Qualifications

Insurance agents in the PRC are required to obtain the Insurance Qualification Certificate according to the regulations from the CIRC in order to conduct insurance agency business. According to the Administrative Measures on Individual Insurance Agents (保險營銷員管理規定), the CIRC may order rectification, issue warnings and impose a fine of up to RMB30,000 if an insurance company entrusts insurance agents that do not possess such qualification certificates to conduct insurance agency business. In cases involving severe violations, the CIRC may order the non-compliant insurance company to dismiss and replace its senior management and other persons that are directly responsible for such non-compliance, and may refuse to approve any application from such company for setting up a branch or subsidiary. We have strictly requested our insurance agents to obtain the Insurance Qualification Certificates according to relevant laws and regulations. As of June 30, 2012, 100% of our individual P&C insurance agents, individual life insurance agents and individual health insurance agents had obtained such Insurance Qualification Certificates. The CIRC also requires a bancassurance manager to obtain an Insurance Qualification Certificate issued by the CIRC to engage in bancassurance business. As of June 30, 2012, 100% of our health insurance bancassurance managers and 98.4% of our life insurance bancassurance managers had obtained the Insurance Qualification Certificates. The primary reason for the certificate deficiency of a small number of our life insurance bancassurance managers is that (i) certain newly recruited bancassurance managers did not obtain their required qualification certificates in time, and (ii) certain bancassurance managers did not renew or change their qualification certificates on a timely basis. In response, we have strengthened training and the control over our business, prohibiting bancassurance managers who do not have the required qualification certificates from engaging in any insurance business, and publishing the percentages of bancassurance managers with qualification certificates of each of our branches on a regularly basis and instructing branches with employees lacking required qualification certificates to rectify their problems on a timely basis. In the opinion of King & Wood Mallesons Lawyers, our PRC legal counsel, since (i) relevant laws and regulations have not explicitly provided penalties for insurance companies whose bancassurance managers without the Insurance Qualification Certificates, (ii) there had not been any administrative penalties imposed on us as of June 30, 2012 and (iii) only a relatively low percentage of our bancassurance managers have not obtained the Insurance Qualification Certificates, such non-compliance will not have a material adverse impact on our business and financial condition.

As the legal and regulatory framework governing the operations of PRC insurance companies is still evolving and undergoing significant changes, it may take us a significant period of time before we are able to achieve full compliance with certain new laws and regulations. We have implemented various measures to avoid future violation of relevant laws and regulations and established procedures to monitor litigation and regulatory risks. Our integrated compliance system includes the RMCC, which comprehensively coordinates our risk management and compliance at the PICC Group level, as well as various risk management/legal and compliance departments at the PICC Group level and subsidiaries level. We also adopted relevant policies and manuals including, among others, the Provisional Compliance Policies (合規政策(試行)) and the Rules on Administration of Department Compliance Officers (部門合規員管理辦法(試行)). We also seek to keep our employees informed of legal and regulatory developments through trainings on various laws and regulations. For details of our risk management systems and recent measures, see the section entitled "— Risk Management."

Internal Control Review

In connection with the Global Offering, we have conducted an internal control review with the assistance of a third-party internal control professional. The scope of the internal control review was as follows:

(A) **Entity Level Controls**

The five elements in accordance with the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission, "COSO"), namely Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring were, tested and reviewed.

(B) **Process Level Controls**

The following processes were selected for testing and review:

— cash management

— asset management

— taxation management

— financial statement closing process

— investment real property management

— salaries management

— actuarial management

  — underwriting and acquisition costs for new insurance contracts

  — benefits and claim payments

— policy change management

— reinsurance management

— investment management

(C) **Information Technology Level Controls**

We have tested and reviewed both General and Application Controls.

Within the foregoing scope agreed by the Company, the third party internal control professional performed the testing from March 26, 2012 to May 6, 2012 covering the period from January 1, 2011 to December 31, 2011, a follow-up testing from May 25, 2012 to June 14, 2012 covering the period from January 1, 2012 to May 31, 2012, and a follow-up testing from August 6, 2012 to August 20, 2012 covering the period from June 1, 2012 to July 31, 2012 and noted no material exceptions.

Based on the above, we consider that all of the respective processes previously indicated as a non-compliance incident by the relevant regulatory authorities have been tested and reviewed. We have already performed remediation on the identified issues. As of August 20, 2012, the third party internal control professional has performed the testing of controls over the identified issues and the recommended supplemental internal control procedures within the foregoing scope of work, and noted no material exception. For the few issues which are still in the progress of the remediation, the third-party internal control professional understands that the Company has adopted a remediation plan with a target completion date. Our internal control and compliance department will continue to monitor the progress of the implementation and will report to our senior management and the audit committee of our Board regularly.

EMPLOYEES

We had 100,536 employees as of June 30, 2012. The following table sets forth the number of our employees by function as of June 30, 2012:

Function	Number of employees	% of Total employees
Management personnel	3,121	3.1%
Professional staff[1]	47,525	47.3%
Sales personnel	46,738	46.5%
Others	3,152	3.1%
Total	**100,536**	**100.0%**

(1) Professional staff includes primarily our actuarial, underwriting, claims settlement, finance, investment, legal affairs, risk management and information technology staff.

The following table sets forth the total number of our employees by age as of June 30, 2012:

Age	Number of employees	% of Total employees
Under 31	24,963	24.8%
31 to 40	30,003	29.8%
41 to 50	32,222	32.1%
Over 50	13,348	13.3%
Total	**100,536**	**100.0%**

The following table sets forth the total number of our employees by education level as of June 30, 2012:

Education	Number of employees	% of Total employees
Master's degree or above	3,818	3.8%
Bachelor's degree	41,849	41.6%
Junior college degree	37,443	37.2%
Below junior college degree	17,426	17.3%
Total	**100,536**	**100.0%**

The following table sets forth the total number of our employees by entity as of June 30, 2012:

Entity	Number of employees	% of Total employees
PICC Group	253	0.3%
PICC P&C	80,545	80.1%
PICC Life	14,037	14.0%
PICC Health	4,848	4.8%
PICC AMC	181	0.2%
PICC Investment	195	0.2%
Others	477	0.5%
Total	**100,536**	**100.0%**

The number of our employees set forth above in this section does not include individual insurance sales agents not employed by us.

Our growth depends on the capabilities and dedication of our employees, and we recognize the importance of human resources for improving our business and results of operations. We have devoted substantial attention and resources to recruiting and training our employees. We have also implemented a policy under which employees must hold certain internal or external credentials in order to fill certain professional positions within our organization. In addition, we have been exploring an incentive mechanism that seeks to tie employee compensation to business performance. We also provide our employees with benefits in accordance with PRC laws and regulations on basic pension insurance, basic health insurance, work related injury insurance, unemployment benefits, maternity insurance and housing fund or allowances.

We believe that our employee relations are satisfactory.

PROPERTIES

Head Office

We are headquartered at No. 28, Tsinghua West Road, Haidian District, Beijing, the PRC.

Self-owned properties

As of June 30, 2012, we occupied and actually used approximately 7,014 buildings and units in the PRC with an aggregate gross floor area of approximately 7,547,000 square meters. We owned 1 office unit and 1 residential unit in Hong Kong with an aggregate gross floor area of approximately 671.18 square meters. We also owned 5 residential units in the UK with an aggregate gross floor area of approximately 366.87 square meters.

Buildings and units owned by us in the PRC are primarily used for offices, business operations of our branches and staff quarters. Among them, 5,928 buildings and units with an aggregate gross floor area of approximately 6,965,000 square meters are commercial or office properties (with a range of gross floor area from approximately five square meters to 120,000 square meters) and 1,086 buildings and units with an aggregate gross floor area of approximately 582,000 square meters are used for residential, educational or ancillary purposes (with a range of gross floor area from approximately 10 square meters to 24,000 square meters).

The following table sets forth the breakdown of our 7,014 self-owned properties in the PRC by provinces and municipalities as of June 30, 2012:

Provinces and Municipalities	Number of Properties
Beijing	221
Shanghai	123
Tianjin	88
Chongqing	156
Hebei	323
Shanxi	195
Liaoning	251
Jilin	188
Heilongjiang	201
Jiangsu	349
Zhejiang	440
Anhui	157
Fujian	377
Jiangxi	201
Shandong	251
Henan	246
Hubei	392
Hunan	268
Guangdong	825
Hainan	12
Sichuan	438
Guizhou	240
Yunnan	197
Shaanxi	144
Gansu	122

Provinces and Municipalities	Number of Properties
Qinghai	34
Guangxi Zhuang Autonomous Region	203
Inner Mongolia Autonomous Region	142
Tibet Autonomous Region	18
Ningxia Hui Autonomous Region	38
Xinjiang Uyghur Autonomous Region	174
Total	**7,014**

Among the approximately 7,014 buildings and units occupied and actually used by us in the PRC with an aggregate gross floor area of approximately 7,547,000 square meters. The details of ownership of the above buildings and units are as follows:

(1) We have obtained relevant building ownership certificates for 4,562 buildings and units with an aggregate gross floor area of approximately 5,953,300 square meters, accounting for 78.884% of the aggregate gross floor area of our self-owned properties. We have also obtained land use right certificates for the land on which such buildings and units were erected either through land assignment or land lease. According to our PRC legal counsel, King & Wood Mallesons Lawyers, we have duly obtained all relevant land use right certificates and building ownership certificates for those buildings and units.

(2) We have obtained relevant building ownership certificates for 474 buildings and units with an aggregate gross floor area of approximately 292,000 square meters, accounting for 3.866% of the aggregate gross floor area of our self-owned properties. We, however, have obtained land use right certificates for the land on which such buildings and units were erected through allocation or through "transfer, allocation". According to our PRC legal counsel, King & Wood Mallesons Lawyers, we have obtained land use right certificates for these buildings and units, and there are no substantive legal obstacles for us to occupy or use these buildings and units before we obtain the relevant land use right certificates by assignment or other ways for value; However, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain approvals from relevant authorities and settle the payment of relevant fees such as land grant premium or proceeds from the use of such land.

(3) We have obtained the building ownership certificates of 97 buildings and units with an aggregate gross floor area of approximately 57,000 square meters, accounting for 0.755% of the aggregate gross floor area of our self-owned properties. We have also obtained the land use right certificates for the land on which such buildings and units were erected. However, such land use right certificates do not specify the land use type. According to our PRC legal counsel, King & Wood Mallesons Lawyers, we have obtained the land use right certificates for these buildings and units, and there are no substantive legal obstacles for us to occupy or use these buildings and units before we obtain the relevant land use right certificates by transfer or other ways for value; However, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain approvals from relevant authorities and settle the payment of relevant fees such as land grant premium or proceeds from the use of such land.

(4) We have obtained the building ownership certificates for 729 buildings and units with an aggregate gross floor area of approximately 316,000 square meters, accounting for 4.187% of the aggregate gross floor area of our self-owned properties. However, we

have not obtained the land use right certificates for those properties. For some of those properties, we have not obtained the land use right certificates because relevant governmental authorities refused to issue the certificates due to governmental policy reasons. According to our PRC legal counsel, King & Wood Mallesons Lawyers, in respect of those 729 buildings and units, we have obtained the ownership certificates and there are no substantive legal obstacles for us to occupy or use these properties; However, we may not transfer, mortgage or dispose of such properties otherwise until we obtain the relevant land use right certificates, except for those properties where we have not obtained land use right certificates because the relevant governmental authorities have not started the handling of land use right certificate applications. In the event that the land on which those 729 buildings and units were erected is auctioned or disposed of as a result of any action taken by the land use right owner, the buildings and units owned by us will also be auctioned or disposed of in conjunction with such land. As a result, we may be deprived of the ownership of such buildings and units, but we are entitled to receive the proceeds from the auction or disposal of those buildings and units. Such buildings and units are located in different areas and account for a small percentage of our self-owned properties. As a result, it is less likely that all or a majority of such buildings and units and corresponding land use rights will be auctioned or disposed of at the same time.

(5) We have not obtained the building ownership certificates for 87 buildings and units we have actually occupied, which had an aggregate gross floor area of approximately 90,300 square meters, accounting for 1.197% of the aggregate gross floor area of our self-owned properties. We, however, have obtained the land use right certificates for the land on which such buildings and units were erected through assignment or lease. According to our PRC legal counsel, King & Wood Mallesons Lawyers, because we have obtained the relevant land use right certificates for those properties through assignment or lease, and there have not been any claims raised by any third parties regarding the title to these properties, there are no substantive legal obstacles for us to occupy or use these buildings and units; However, we may not transfer, mortgage or otherwise dispose of such properties until we obtain the relevant building ownership certificates.

(6) We have not obtained the building ownership certificates for 106 buildings and units we have actually occupied, which had an aggregate gross floor area of approximately 75,000 square meters, accounting for 0.999% of the aggregate gross floor area of our self-owned properties. We, however, have obtained the land use right certificates for the land on which such buildings and units were erected through allocation or through "transfer, allocation". According to our PRC legal counsel, King & Wood Mallesons Lawyers, we should handle the procedures for the paid use of such land and apply for the relevant building ownership certificates; in light that we have obtained the relevant land use right certificates, and there have not been any claims raised by any third parties regarding the title to these properties, there are no substantive legal obstacles for us to occupy or use these buildings and units; However, we may not transfer, mortgage or otherwise dispose of such properties until we complete the procedures for the paid use of relevant land and obtain the relevant building ownership certificates.

(7) We have not obtained the building ownership certificates for 39 buildings and units we have actually occupied, which had an aggregate gross floor area of approximately 23,000 square meters, accounting for 0.305% of the aggregate gross floor area of our self-owned properties. But we have obtained the land use right certificates for the land on which such buildings and units were erected. However, such land use right certificates do not specify the land use type. According to our PRC legal counsel, King & Wood

Mallesons Lawyers, we should handle the procedures for the paid use of such land and apply for the relevant building ownership certificates; in light that we have obtained the relevant land use right certificates, and there have not been any claims raised by any third parties regarding the title to these properties, there are no substantive legal obstacles for us to occupy or use these buildings and units; However, we may not transfer, mortgage or otherwise dispose of such properties until we complete the procedures for the paid use of relevant land and obtain the relevant building ownership certificates.

(8) We have neither obtained any land use right certificates nor building ownership certificates for 807 buildings and units we have actually occupied, which had an aggregate gross floor area of approximately 437,000 square meters, accounting for 5.791% of the aggregate gross floor area of our self-owned properties. For two buildings and units with a total gross floor area of approximately 1,800 square meters, the relevant courts in the PRC have ruled that we are their title owners.

(9) We have obtained the village building ownership certificates for one building we have actually occupied, which had a gross floor area of approximately 38 square meters, accounting for 0.001% of the aggregate gross floor area of our self-owned properties. We have also obtained the collective construction land use right certificates for the land on which such building was erected. According to our PRC legal counsel, King & Wood Mallesons Lawyers, we have obtained the relevant land use right certificates and building ownership certificates for such building. However, we may be required by relevant authorities to convert the relevant land use right from collective construction land to state-owned construction land by transfer or other means of acquisition with consideration, in which case we will be required by relevant authorities to handle certain procedures and pay certain land levy and land transfer fee.

(10) We have entered into property purchase agreements with third parties to acquire 112 buildings and units with a total gross floor area of approximately 303,000 square meters. Such properties accounted for 4.015% of the aggregate gross floor area of our self-owned properties. Property purchase agreements with respect to such properties are still in performance and we and the sellers will handle title transfer procedures pursuant to the real property purchase agreements. The terms and conditions of property purchase agreements with respect to such properties do not violate relevant PRC laws and regulations. According to our PRC legal counsel, King & Wood Mallesons Lawyers, there are no substantive legal obstacles for us to obtain relevant building ownership certificates and land use right certificates for these properties.

(11) Part of the office buildings that PICC Group currently use are leased from our wholly-owned subsidiaries, but our subsidiaries have not yet obtained the building ownership certificates or the state-owned land use right certificates for these properties. We are planning to lease as our new office buildings the properties owned by No. 88 Development Co. which has duly obtained all the necessary certificates for the to-be-leased properties.

We have not obtained the building ownership certificates and/or land use right certificates for certain of our self-owned properties, primarily because:

- some land administrative authorities withheld to issue land use right certificates for certain properties with building ownership certificates due to their own reasons;
- the developers for certain buildings did not handle building ownership certificates and land use rights certificates application procedures for us; and

- some properties have been historically in our possession and it is difficult to obtain relevant title certificates due to losses of documents necessary for handling such certificates.

Except the buildings and units in categories (1) and (10) above, the buildings and units occupied and actually used by us in the PRC have defective titles (the "Properties with Defective Titles"). The aggregate gross floor area of the Properties with Defective Titles accounts for approximately 17.1% of the aggregate gross floor area of our self-owned properties, which is immaterial compared to the properties we have valid titles. As an insurance financial group, the impacts arising from Properties with Defective Titles on our revenue and profit are immaterial. As a result, we do not think such Properties with Defective Titles are crucial to our business and operations. We also believe that we will be able to find alternative buildings and units for our business and operations if we are required to move out of Properties with Defective Titles, and we do not expect to incur significant costs and expenditures in connection with the relocation.

We need to handle change of name procedures for certain title certificates held by us in respect of the above buildings and units. We need to handle such procedures because we changed our name when we converted ourselves from a limited liability company to a joint stock company in 2009, but we did not finish changing our names on certain title certificates after this conversion. We also need to renew the land use rights with respect to 15 buildings with a total gross floor area of approximately 17,000 square meters. The above 1,768 buildings and units with a total gross floor area of approximately 941,700 square meters without relevant title certificates represented approximately 12.478% of the aggregate gross floor area of our self-owned properties as of June 30, 2012. We acknowledge that the lack or temporary lack of relevant title certificates does not and will not have a material adverse effect on our business, financial condition and results of operations. In the event that any third party obtains the land use right certificates or building ownership certificates through legal requests or proceedings and we need to relocate, we believe we can effect relocation to alternative premises without materially affecting our results of operations and financial condition.

Land Use Rights

As of June 30, 2012, in addition to the above properties, we owned 42 parcels of vacant land with a total site area of approximately 106,300 square meters (with a range of site area from approximately 370 square meters to approximately 10,000 square meters). We have obtained land use right certificates for 39 parcels of such land with a total site area of approximately 92,600 square meters and we have not obtained land use certificates for the remaining three parcels of land with a total site area of approximately 13,700 square meters. We acknowledge that because we have not actually used these three parcels of land and their aggregate site area is insignificant, they do not and will not have a material adverse effect on our business, financial condition and results of operations.

No. 88 Development Co.

No. 88 Development Co. is a subsidiary of PICC Group. The registered capital and paid-up capital of No. 88 Development Co. are RMB500,596,647.25. 1.00%, 30.41%, 3.04%, 15.21%, 45.62% and 4.72% of the equity interest in No. 88 Development Co. are held by PICC Group, PICC P&C, PICC AMC, PICC Health, PICC Life and PICC Investment, respectively. No. 88 Development Co. is the owner of Beijing Capital Time Square (北京首都時代廣場) located at No.88 of West Chang'an Avenue in Beijing. Currently, PICC Group has not entered into any leasing agreements with No. 88 Development Co. We plan to move our headquarters from the current address to Beijing Capital Time Square in 2013. We expect to lease office space from No. 88 Development Co. when we effect this relocation.

Construction-In-Progress

As of June 30, 2012, we have 26 construction-in-progress, covering an aggregate site area of approximately 160,000 square meters (with a range of site area from approximately 100 square meters to approximately 83,000 square meters). The details of such constructions are as follows:

- Six of the construction-in-progress are in an idle status. We will go through all necessary land use and construction formalities prior to commencement of such constructions;

- 20 of the construction-in-progress are in the process of actual constructions. We have obtained the relevant land use and construction permits for 9 of such 20 constructions, and have not fully obtained the relevant land use and construction permits for the other 11 constructions. Our PRC legal counsel, King & Wood Mallesons Lawyers believes that, due to the low percentage of the total investment of those constructions in our most recent audited net assets value, our business and financial condition will not be materially and adversely affected by the fact that we have not fully obtained the land use and construction permits prior to commencement of such construction-in-progress.

The purpose of the PRC laws to strictly regulate idle land is to discourage the property developers from wasting land resources. The six construction-in-progress in an idle status were owned by PICC P&C, which does not have the property developer qualifications or is not a property development company. These construction-in-progress are office space constructions erected on the land owned by PICC P&C. As of the Latest Practicable Date, PICC P&C did not receive any notice from regulatory authorities challenging the idle status of these construction-in-progress. As of the same date, no regulatory authority has revoked the land on which these construction-in-progress were erected because of their idle status, and PICC P&C was not subject to any idle land fees or land appreciation payment. As a result, we believe these construction-in-progress are not idle land under PRC laws and regulations. Our construction-in-progress will be used as office space, relocation housing, dining hall and by our information center.

Leased Properties

As of June 30, 2012, we leased from independent third parties 3 residential units with an aggregate gross floor area of 90 square meters in Hong Kong, 1 office unit with a gross floor area of 110.55 square meters in the United States and 1 office unit with a gross floor area of approximately 167.23 square meters in the UK. As of the same date, we leased 4,511 buildings and units with an aggregate gross floor area of approximately 1,470,000 square meters (with a range of gross floor area from approximately two square meters to 17,000 square meters) in the PRC from third parties except for our subsidiaries. Buildings and units leased by us in the PRC are primarily used for our offices and business operations. Among them, 4,462 buildings and units with an aggregate gross floor area of approximately 1,460,000 square meters are leased for office and business operation purposes and 49 buildings and units with an aggregate gross floor area of approximately 10,000 square meters are leased for non-office or non-business operation purposes including residential purpose.

Among the 4,511 buildings and units leased by us in the PRC with an aggregate gross floor area of approximately 1,470,000 square meters:

- For 2,016 buildings and units with an aggregate gross floor area of approximately 827,000 square meters, the lessors have provided us with relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties. Our PRC legal counsel, King & Wood Mallesons Lawyers, is of the view that these leases are valid.

- For 1,930 buildings and units with an aggregate gross floor area of approximately 459,000 square meters, the lessors have not provided us with relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the specific properties, but have provided their written confirmation letters acknowledging their right to lease the properties and undertaking to indemnify us for losses arising from the defective titles of such leased buildings and units.
- For 92 buildings and units with an aggregate gross floor area of approximately 38,000 square meters, the relevant lessors have not provided us with relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the properties, but have provided their written confirmation letters acknowledging their right to lease the properties. But such confirmation letters do not undertake to indemnify us from losses arising from the defective titles of such leased buildings and units.
- For 473 buildings and units with an aggregate gross floor area of approximately 146,000 square meters, the lessors have not provided us with relevant building ownership certificates or the consent letter from the owners to authorize the lessors to lease or sublease the properties, or the confirmation letters mentioned above.

Among the above 4,511 properties we leased, we have registered the lease agreements with the relevant PRC authorities for 412 buildings and units, representing an aggregate gross floor area of approximately 205,000 square meters. We have not registered the lease agreements for the remaining 4,099 buildings and units, representing an aggregate gross floor area of approximately 1,265,000 square meters. We have not registered these lease agreements primarily because some lessors did not cooperate with us for completing the registration procedures and certain local property regulatory authorities have not provided lease agreements registration services. According to the Administrative Measures for Commodity House Leasing of the PRC (商品房屋租賃管理辦法), competent regulatory authorities can impose a fine up to RMB10,000 if the relevant parties fail to register their lease agreements. As of June 30, 2012, we had not been fined by any regulatory authorities for non-registration of our lease agreements. Our Directors confirm that our business, financial condition, results of operations and prospects will not be materially affected by any possible fines or penalties imposed on us by the regulatory authorities as a result of non-registration of our lease agreements.

Our PRC legal counsel, King & Wood Mallesons Lawyers, is of the view that, (i) based on the Law of PRC on Administration of the Urban Real Estate (中華人民共和國城市房地產管理法) and other relevant laws, regulations and judicial interpretations, the lessor will not have the right to lease the buildings and units if it does not have the ownership of the properties and/or the authorization or consent from the owner. In this case, if any third party raises objection toward the validity of the lease, it may affect us on the continuous lease of such properties, but we can still raise claims against the lessor based on the specific leasing agreements or the written confirmation provided by the lessor. In addition, we can be deemed as the legitimate tenant based on relevant judicial interpretations when the lessor enters into two or more lease agreements on a same leasehold; (ii) according to the relevant judicial interpretations, the non-registration of the lease agreements will not affect the validity of such lease agreements but we may be exposed to penalties by relevant PRC authorities.

We acknowledge that, if the defective legal titles to such buildings and units or the non-registration of the lease agreements prevents us from continuing the lease of any properties so the relevant branches need to move, the branches can relocate to other comparable and duly leased alternative premises in the relevant regions without any material adverse effect on our business and financial condition.

As of December 31, 2011, (a) each property interest of our property activities had a carrying amount of less than 1% of our total assets and the aggregate carrying amount of all such interests did not exceed 10% of our total assets; and (b) none of the property interests of our non-property activities had a carrying amount which exceeded 15% of our total assets. Accordingly, we have not obtained a valuation report in respect of our property interests in reliance upon the exemption provided by section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

INFORMATION TECHNOLOGY

Overview

We believe that our information technology are critical to the efficient operation and performance of our business and one of key contributors to our success as well as our future growth. Important operational and management areas that rely upon information technology include, among others, product development, underwriting and claims settlement, sales support and distribution channel management, customer relationship management, investment management, actuarial practice, financial management, statistical analysis and risk management.

We implement a strategy of "uniform platform, centralized management, resources sharing and persistent innovation" with respect to our information technology systems and have aligned our information technology development with our overall strategies. Our information technology systems provide strong support and safeguards for our business development and the implementation of our strategies through their advanced system framework design, infrastructure, application development and operations management.

Professional Team

Our information technology development committee under the leadership of senior management of PICC Group, consisting of the senior management of the PICC Group and our subsidiaries and heads of our information technology department and relevant business departments, is responsible for formulating our information technology strategies and overall development plans as well as coordinating and supervising their implementation. We have also established information technology departments at both the PICC Group level and the subsidiary level, which are responsible for developing plans relating to information technology, establishing and operating our information technology systems, as well as undertaking activities relating to coordination and supervision of activities, in order to support our management decision-making. As of June 30, 2012, we had a dedicated information technology team of over 1,500 persons.

Features

Key features and initiatives of our information technology systems include:

- **Industry-leading information infrastructure.**
  - We are striving to establish a powerful and stable information infrastructure on the basis of the South Information Center and North Information Center. The South Information Center is positioned as the center for information back-up, research and development and application and the North Information Center, when completed, will serve as the information center for the Group's business management and operation. Before building up our South and North Information Centers, we centralize most of our information technology systems at CITIC Guoan Cyberport in Beijing. The construction of the South Information Center was completed in April, 2011 and is available for operation, enabling us to be the first

state-owned insurance group in the PRC with a large-scale information center. The information systems at all of our province-level branches of our subsidiaries have connected with the wide area network ("WAN") based in the South Information Center. We are preparing for the construction of the North Information Center and expect to put it into operation by the end of 2015. We expect to commence the construction of the North Information Center in December 2012. We will use internal funds to construct the Center. As of the Latest Practicable Date, we have not incurred or committed any capital expenditure with respect to the North Information Center. After the commencement of operation of these two centers, we will have an information technology system featuring mutual-support and mutual-backup. We believe we will be one of the first among all PRC insurance companies to establish such a sophisticated information system on such a level and scale, which will significantly enhance our operating efficiency;

— We have established a PICC Group level backbone network accessible by our major subsidiaries which saves information technology costs at each subsidiary and provides strong support for our business development, integration of internal resources and business synergies of our Group; and

— We have centralized the procurement of information technology equipment at the PICC Group level. Such a procurement approach ensures the quality and consistency of our information systems hardware across different businesses and significantly reduces procurement costs.

- **Core business systems ("CBS") that support centralized operation management at each subsidiary.** Each of our major subsidiaries has established their own CBSs to digitalize key business processes including insurance policy management, product management, new insurance policy management, underwriting, claims settlement, maintenance, intermediaries management, and business tracking and analysis system.

— Our P&C insurance business has completed the application of the third-generation CBS and uniform telephone and online sales platforms, and is further improving the centralized business processing of underwriting, claims settlement, financing and call centers at the province level. It has also adopted an information quality management system and a matrix decision-making supporting system;

— The policy management, underwriting, claims settlement and premiums receipt and benefits payment of our life insurance business are all operated within a uniform system, and through this unified system we carry out centralized management of customer information obtained from different distribution channels and centralized maintenance of our information technology system and customer resources. In addition, our life insurance business have achieved real-time data exchange with our business partners such as major commercial banks, certain regional financial institutions and insurance agencies for information related to applications and policy services, in order to speed up the process of accepting applications or policy services applications, as well as to achieve remote real-time underwriting and issuance of official insurance policies for products such as short-term accidental injury insurance;

— Our health insurance business has achieved the centralization of information technology systems on a national basis. We own the copyright of our health management system, which has been registered with the National Copyright

Administration of the PRC. We have also developed the "Medical Care Express" ("醫保通") system, which is connected to the internal operational system of medical institutions, and our settlement and claims management system —"Social Security Express" ("社保通"); and

— Our asset management business has adopted professional investment analysis, risk management and credit rating systems and uniform data processing platform to effectively manage investments and systematic control risks.

- **Integrated cross-selling portal systems and customer information sharing systems.** In 2008, we developed a cross-selling and statistics analysis system to support cross-selling among our business lines. We further updated this system in 2010 to a cross-selling portal system capable of real-time policy creation, in-house sales personnel and insurance agents management, sales supporting, sales performance management and products information management. We have also developed a customer information sharing system integrating customer information from PICC P&C, PICC Life, PICC Health and PICC AMC, and share such information in accordance with applicable laws, internal policies and authorization procedures so as to provide our customers with integrated services. We believe our cross-selling and customer information sharing systems enable us to optimize the combination of our business lines to further enhance the synergies across different business lines and fully utilize the advantages of Group operation.

- **Integrated financial analysis platform.** We have established an integrated financial analysis platform capable of using key financial information collected from the subsidiaries, creating consolidated financial statements, and performing multi-perspective financial information analysis. In addition, the PICC Group, PICC Life and PICC Health adopted the SAP systems in financial and accounting management. PICC P&C will also be transitioning to the SAP systems in 2012.

INTELLECTUAL PROPERTY

We conduct business under the "PICC," "中國人保", "中國人民保險" and certain other brand names and logos. As of the Latest Practicable Date, we were also the registered owner of 150 domain names, Internet Keywords and wireless websites, including www.picc.com.cn, www.picc.com, www.picc.cn, www.piccnet.com.cn, www.picclife.com, www.picchealth.com and www.piccamc.com. As of the same date, we were also the copyright owner of seven computer softwares. Details of our material intellectual property rights are set out in the paragraph entitled "Intellectual property rights" under the section entitled "Statutory and General Information" in Appendix VII to this prospectus. As of the Latest Practicable Date, we have registered 219 trademarks in the PRC and 14 trademark(s) outside the PRC.

As of the Latest Practicable Date, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or vice versa during the Track Record Period.

Upon our Listing, a number of transactions which we have entered into will constitute connected transactions within the meaning of the Listing Rules.

Exempt Continuing Connected Transactions

Purchase of Insurance Products by Our Individual Connected Persons

Certain of our individual connected persons, who are our directors and chief executives of our Group and their respective associates, have purchased insurance products from our subsidiaries and these transactions are expected to continue after the Listing Date. These insurance products include, among others, individual accident and health insurance products, individual annuity products, automobile insurance products and personal property insurance products, all of which are available to independent third parties.

Our individual connected persons do not receive any preferential treatment for purchasing these insurance products. The premiums paid by these individual connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, premium rate of these products are either approved by or filed with the CIRC.

In respect of the sale of insurance products by our subsidiaries to each of our individual connected persons, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and therefore falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Furthermore, the sale of these insurance products by our subsidiaries to each of our individual connected persons is on normal commercial terms in the ordinary and usual course of business and such sale constitutes an acquisition by each such individual connected person of consumer goods or services for his or her own private use with value less than 1% of the total revenue of our Group as shown in our latest audited accounts, thus falls within the exemption as stipulated under Rule 14A.33(1) of the Listing Rules. Accordingly, such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the insurance premiums paid by our individual connected persons to our subsidiaries exceed the de minimis threshold as stipulated under Rule 14A.33(3) or otherwise falls outside the exemption provided under Rule 14A.31(7) of the Listing Rules.

Corporate Continuing Connected Transactions

Provision of insurance to Guangdong Yudean Group Co., Ltd ("Yudean Group")

Guangdong Yudean, which holds 20.0% equity interest of CIB, is a substantial shareholder of one of our subsidiaries, and is therefore our connected person under the Listing Rules.

In the ordinary and usual course of business, we have been and will be providing general insurance to subsidiaries of Yudean Group ("Yudean Subsidiaries") pursuant to written agreements between the parties on normal commercial terms following the Listing Date. The relevant Yudean Subsidiaries consist of Guangdong Haiyun Company Limited (廣東海運股份有限公司), Guangdong Yudean Hangyun Company Limited (廣東粵電航運有限公司), Chaokang Orient Energy Transportation Company Limited (超康東方能源運輸有限公司) and other subsidiaries of Yudean Group engaged in power generation. Yudean Subsidiaries do not receive any preferential treatment for receiving these insurance services. The insurance premiums paid by Yudean Subsidiaries to us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, and such insurance products have been filed with the CIRC.

The shipping insurance premiums paid to us by Yudean Subsidiaries for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 21.1 million, RMB 24.5 million, RMB 26.3 million and RMB 24.6 million, respectively. The maximum amount of insurance premiums payable to us by Yudean Subsidiaries is expected not to exceed RMB 27.2 million for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, in respect of the provision of shipping insurance to Yudean Subsidiaries, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the provision of such shipping insurance is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the insurance premiums paid by Yudean Subsidiaries to us exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Provision of property & casualty insurance to subsidiaries of Shanghai Liangyou Group (上海良友集團) ("Shanghai Liangyou")

Shanghai Liangyou controls 10.0% of PIB, therefore, subsidiaries of Shanghai Liangyou ("Liangyou Subsidiaries") are associates of a substantial shareholder of our subsidiary, hence are our connected persons under the Listing Rules.

In the ordinary and usual course of business, we have been and will be providing various property and casualty insurance products to Liangyou Subsidiaries pursuant to written agreements between the parties on normal commercial terms following the Listing Date. Liangyou Subsidiaries do not receive any preferential treatment for receiving these insurance services. The insurance premiums paid by Liangyou Subsidiaries to us are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, and such insurance products have been filed with the CIRC. The relevant Liangyou Subsidiaries consist of Shanghai Dongchen Liangyou Company Limited (上海東辰糧油有限公司), Shanghai Liangyou Storage Company Limited (上海糧油倉儲有限公司), Shanghai Liangyou Haishi Youzhi Industry Company Limited (上海良友海獅油脂實業有限公司) and Shanghai Youzhi Company (上海市油脂公司).

The insurance premiums paid to us by Liangyou Subsidiaries for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 1.0 million, RMB 1.8 million, RMB 1.8 million and RMB 0.3 million, respectively. The maximum amount of insurance premiums payable to us by Liangyou Subsidiaries is expected not to exceed RMB 0.6 million for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, in respect of the provision of shipping insurance to Liangyou Subsidiaries, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the provision of such property and casualty insurance products is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the insurance premiums paid by Liangyou Subsidiaries to us exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Provision of asset management services by Taiping Pension Co., Ltd (太平養老保險股份有限公司) ("Taiping Pension")

China Taiping Insurance Group Co, which is the holding company of Taiping Life Insurance Co., Ltd that in turn controls 25.0% of PIB, is an associate of a substantial shareholder of one of our subsidiaries, hence our connected person under the Listing Rules. Taiping Pension, which is in turn a subsidiary of China Taiping Insurance Group Co., is an associate of a substantial shareholder of one of our subsidiaries, hence our connected person under the Listing Rules.

PICC P&C has entered into an enterprise annuity management agreement with Taiping Pension under which a portion of PICC P&C's pension fund has been and will be managed by Taiping Pension pursuant to written agreements between the parties on normal commercial terms following the Listing Date. Taiping Pension does not receive any preferential treatment in providing the asset management services. The various management fees paid by us to Taiping Pension are based on the value of the asset under management and are comparable to those in transactions with third-party investment managers and trustees.

The total management fees paid by us to Taiping Pension for each of the three years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012 were RMB 2.8 million, RMB 3.2 million, RMB 1.6 million and RMB2.3 million respectively. The maximum amount of management fees payable by us to Taiping Pension is expected not to exceed RMB 5.0 million for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, in respect of the provision of asset management services by Taiping Pension together with the reinsurance premiums payable and receivable under the Taiping Reinsurance Agreements (as defined below), aggregated under Rule 14A.25 of the Listing Rules, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the provision of such asset management and reinsurance services are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the asset management services fees paid to Taiping Pension by us together with the reinsurance premiums payable and receivable under the Taiping Reinsurance Agreements exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Mutual provision of reinsurance services with Tokio Marine and its subsidiaries ("Tokio Marine Group")

Tokio Marine, which controls 17.46% equity interests in ZSIB, is a substantial shareholder of one of our subsidiaries. Members of the Tokio Marine Group are therefore our connected persons under the Listing Rules.

In the ordinary and usual course of business, we have entered and will following the Listing Date continue to enter into written agreements (the "Tokio Marine Group Reinsurance Agreements") with members of Tokio Marine Group on normal commercial terms to mutually provide reinsurance services to existing insurance policies underwritten by us and members of the Tokio Marine Group. The reinsurance premiums paid by us to members of the Tokio Marine Group, and vice versa are comparable to those paid by or to independent third parties for similar types of reinsurance services or to the prevailing market prices. Relevant members of the Tokio Marine Group are Tokio Marine, Tokio Marine & Fire Insurance Co. (China) Ltd., Tokio Marine & Fire Insurance Co. (Hong Kong) Ltd., and Tokio Marine Europe Insurance Ltd.

The aggregate values on a gross basis of payments in respect of the reinsurance premium paid by us under the Tokio Marine Group Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 19.6 million, RMB 40.0 million, RMB 22.4 million and RMB 20.2 million, respectively.

The aggregate values on a gross basis of payments in respects of the reinsurance premium received by us under the Tokio Marine Group Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 1.4 million, RMB 3.1 million, RMB 2.7 million and RMB 1.5 million, respectively.

The maximum amount of reinsurance premiums payable and receivable under the Tokio Marine Group Reinsurance Agreements is not expected to exceed RMB 59.1 million on a gross basis for each of the three years ending on December 31, 2012, 2013 and 2014. This forecast is based on our assessment of historical values and reasonable prediction of future transaction volume.

Therefore, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the mutual provision of such reinsurance services is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the reinsurance premiums paid and received under Tokio Marine Group Reinsurance Agreements exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Mutual provision of reinsurance services with Asia Insurance Company, Limited ("Asia Insurance")

Asia Insurance, which holds 69.5% of Asia Insurance (Investment) Limited that in turn controls 25.0% of PICC HK, is an associate of a substantial shareholder of one of our subsidiaries and is therefore our connected person under the Listing Rules.

In the ordinary and usual course of business, we have entered and will following the Listing Date continue to enter into written agreements (the "Asia Insurance Reinsurance Agreements") with Asia Insurance on normal commercial terms following the Listing Date to mutually provide reinsurance services to existing insurance policies underwritten by us and Asia Insurance. The reinsurance premiums paid by us to Asia Insurance, and vice versa are comparable to those paid by or to independent third parties for similar types of reinsurance services or to the prevailing market prices.

The aggregate values on a gross basis of payments in respects of the reinsurance premium paid by us under the Asia Insurance Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 6.9 million, RMB 7.3 million, RMB 6.5 million and RMB 2.0 million, respectively.

The aggregate values on a gross basis of payments in respects of the reinsurance premium received by us under the Asia Insurance Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 2.2 million, RMB 2.8 million, RMB 1.0 million and RMB 1.4 million, respectively.

The maximum aggregate amount of reinsurance premiums payable and receivable under the Asia Insurance Reinsurance Agreements is not expected to exceed RMB 13.5 million on a gross basis for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the mutual provision of such reinsurance services is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the reinsurance premiums paid and received under Asia Insurance Reinsurance Agreements exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Mutual provision of reinsurance services with subsidiaries of Taiping Group

In the ordinary and usual course of business, we have entered and will following the Listing Date continue to enter into written agreements (the "Taiping Reinsurance Agreements") with subsidiaries of Taiping Group on normal commercial terms to mutually provide reinsurance services to existing insurance policies underwritten by us and by subsidiaries of Taiping Group. The reinsurance premiums paid by us to subsidiaries of Taiping Group, and vice versa are comparable to those paid by or to independent third parties for similar types of reinsurance services or to the prevailing market prices. Relevant members of Taiping Group include Taiping General Insurance Co. Ltd., Taiping Reinsurance Co. Ltd., China Taiping Insurance (HK) Company Limited, Taiping Reinsurance Brokers Ltd. and PT. China Taiping Insurance Indonesia.

The aggregate values on a gross basis of payments in respects of the reinsurance premium paid by us under the Taiping Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 20.9 million, RMB 13.9 million, RMB 193.3 million and RMB 6.3 million, respectively. The significant increase in the aggregate value of payments in respect of the reinsurance premium paid by us for the year ended December 31, 2011 as compared to the years ended December 31, 2009 and 2010 was due to an one-off reinsurance arrangement between PICC HK and Taiping Reinsurance Co., Ltd.. Such one-off reinsurance arrangement was due to PICC HK's need to strengthen its capital and reserve. It will not repeat in the future and hence will not affect the estimated maximum reinsurance premiums payable and receivable under the Taiping Reinsurance Agreements for years ending on December 31, 2012, 2013 and 2014.

The aggregate values on a gross basis of payments in respects of the reinsurance premium received by us under the Taiping Reinsurance Agreements for each of the three years ended December 31, 2009, 2010, 2011 and for the six months ended June 30, 2012, were RMB 8.2 million, RMB 9.2 million, RMB 15.5 million and RMB 7.8 million, respectively.

The maximum aggregate amount of reinsurance premiums payable and receivable under the Taiping Reinsurance Agreements is not expected to exceed RMB 45.0 million on a gross basis for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, in respect of the amount of reinsurance premiums payable and receivable under the Taiping Reinsurance Agreements together with the total management fees payable by us in relation to the provision of asset management services by Taiping Pension, if aggregated under Rule 14A.25 of the Listing Rules, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, such reinsurance and asset management services are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the reinsurance premiums paid under Taiping Reinsurance Agreements together with the total management fees payable by us in relation to the provision of asset management services by Taiping Pension exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Leasing of Premises from Qingdao Hotel Group Company Limited (青島飯店集團股份有限公司) ("Qingdao Hotel")

Qingdao Hotel, which controls 10% of our subsidiary Qingdao PICC P&C Agency Company Limited (青島人保財險專屬保險代理有限責任公司), is a substantial shareholder of one of our subsidiaries, hence is our connected person under the Listing Rules.

In the ordinary and usual course of business, Qingdao Hotel and the Qingdao branch of PICC P&C have entered into a lease agreement on normal commercial terms pursuant to which Qingdao Hotel leases its premises to the Qingdao branch of PICC P&C. The rents paid by the Qingdao branch of PICC P&C to Qingdao Hotel are comparable to those paid by independent third parties or to the prevailing market rates.

The rents paid by the Qingdao branch of PICC P&C to Qingdao Hotel for each of the three years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012 were RMB 2.0 million, RMB 2.0 million, RMB 2.0 million and RMB 1.0 million, respectively. The maximum amount of rents by the Qingdao branch of PICC P&C to Qingdao Hotel is expected not to exceed RMB 2.0 million for each of the three years ending on December 31, 2012, 2013 and 2014.

Therefore, in respect of the rents payable by the Qingdao branch of PICC P&C to Qingdao Hotel, each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules. Accordingly, the lease is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.37 and 14A.45 to 14A.48 of the Listing Rules.

We will comply with the reporting, annual review, announcement and/or independent shareholders' approval requirements in accordance with the Listing Rules if any of the percentage ratios with respect of the rent paid by the Qingdao branch of PICC P&C to Qingdao Hotel exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules.

Reinsurance Agreements with Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft ("Munich Re") and its subsidiaries (collectively, the "Munich Re Group")

MEAG, which holds 19.0% in PICC AMC, is 60.0% owned by Munich Re. Therefore, Munich Re is an associate of a substantial shareholder of one of our subsidiaries, hence our connected person under the Listing Rules.

In the ordinary and usual course of business, we have entered and will following the Listing Date continue to enter into written agreements (the "Munich Re Group Reinsurance Agreements") with members of the Munich Re Group on normal commercial terms to provide reinsurance services to existing insurance policies underwritten by us. The reinsurance premiums paid by us to members of the Munich Re Group are comparable to those paid by independent third parties for similar types of reinsurance services or to the prevailing market prices. Relevant members of the Munich Re Group include Munich Reinsurance Company, Munich Reinsurance Company, Beijing Branch and Munich Re underwriting Limited.

The aggregate values on a gross basis of payments in respect of the reinsurance premium paid by us under the Munich Re Group Reinsurance Agreements for each of the three years ended December 31, 2009, 2010 and 2011 and for the six months ended June 30, 2012 were RMB 1,211 million, RMB 3,482 million, RMB 8,104 million and RMB 2,771 million, respectively. The reasons for an increase in the amount of reinsurance premium paid by us from years 2009 to 2011 are the business growth of PICC P&C and the need for reinsurance of its underlying insurance policies. This has caused an increase in reinsurance premium paid by PICC P&C to Munich Reinsurance Company, Beijing Branch.

However, the Munich Re Group Reinsurance Agreements constitute connected transactions only because MEAG is a connected person of our Company by virtue of its relationship with our Company's subsidiary (i.e. PICC AMC) and MEAG has no other connected relationship with our Company. As the assets, profits and revenue size test ratios of PICC AMC represent less than 5% for the latest fiscal year, PICC AMC is considered as an insignificant subsidiary of our Company pursuant to Rule 14A.31(9)(b) of the Listing Rules and such connected transactions will be exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

We will comply with the reporting, annual review, announcement and independent shareholders' approval requirements in accordance with the Listing Rules if and when PICC AMC can no longer qualify as an insignificant subsidiary of our Company under Rule 14A.31(9)(b).

DIRECTORS

The following table sets out certain information relating to our Directors:

Name	Age	Position (Responsibility)	Date of Appointment
WU Yan	51	Executive Director and Chairman of the Board (Responsible for overseeing our Company)	September 28, 2009
WANG Yincheng	52	Executive Director (Responsible for PICC P&C)	September 28, 2009
LI Liangwen	61	Executive Director (Responsible for PICC Life)	September 28, 2009
CAO Guangsheng	59	Non-executive Director	September 28, 2009
LIU Yeqiao	50	Non-executive Director	September 28, 2009
QI Shaojun	57	Non-executive Director	November 18, 2009
ZHANG Hanlin	59	Non-executive Director	April 17, 2012
XIANG Huaicheng	73	Independent Non-executive Director	September 28, 2009
LAU Hon Chuen	65	Independent Non-executive Director	October 19, 2012
DU Jian	70	Independent Non-executive Director	October 19, 2012
CAI Weiguo	63	Independent Non-executive Director	November 18, 2009
XU Dingbo	49	Independent Non-executive Director	September 28, 2009

Executive Directors

Mr. WU Yan, aged 51, is an executive Director and the chairman of the Board of our Company, and a Senior Economist. Mr. Wu is responsible for overseeing our Company. Mr. Wu is a member of the 17th and the 18th National Congress of the Communist Party of China and a member of the 11th National Committee of the Chinese People's Political Consultative Conference. From July 1985 to August 1998, he served successively as the deputy secretary of the league committee of the Communist Youth League of Xinjiang Autonomous Region, the party secretary of the Communist Party Committee of the city of Bole, Xinjiang, a member of the Standing Committee of Bortala Mongol Autonomous Prefecture Communist Party Committee, the party secretary (bureau-level) of the Communist Youth League of Xinjiang Autonomous Region and the vice minister (bureau-level) of the Organization Department of the Central Committee of the Communist Youth League. From August 1998 to August 2003, he was the party secretary of the Finance League of the Central Committee of the Communist Youth League and the vice minister of the United Front and Mass Work Department of the Central Finance League, and the president of the National Finance Youth Union. He served as the deputy general manager of China Life Insurance (Group) Company from August 2003 to January 2007. Meanwhile, he also served as president of China Life Insurance Asset Management Company Limited from August 2003 to January 2006 and president of China Life Insurance Company Limited[1] from January 2006 to January 2007. Mr. Wu was appointed as the general manager (president) of our Company in January 2007, and executive Director, the chairman of the Board of our Company and president (ceased to be president since March 2012) since September 2009 when our Company completed the share transformation. Mr. Wu is also the chairman of the board of directors of PICC P&C since March 2007, PICC Life since April 2007 and

1 listed on the Shanghai Stock Exchange, Stock Code: 601628; the Hong Kong Stock Exchange, Stock Code: 2628; and the New York Stock Exchange, Stock Code: LFC.

PICC AMC since January 2008. Mr. Wu has been the director of The Geneva Association since June 2010. Mr. Wu was awarded the Special Government Allowance by the State Council in March 2011. Mr. Wu graduated from Xinjiang College of Finance and Economics (now known as Xinjiang University of Finance and Economics) in July 1981, and graduated from the graduate school of the Chinese Academy of Social Sciences in July 2002 with a Doctoral Degree in Economics.

Mr. WANG Yincheng, aged 52, is an executive Director and vice president of our Company, and a Senior Accountant. Mr. Wang is responsible for PICC P&C. Mr. Wang joined our Company in August 1982 and until July 2003, served successively as deputy general manager (in charge of daily operations) of the Planning and Finance Department, general manager of the Shenzhen branch and assistant to the general manager of our Company. Mr. Wang was appointed as an executive director, vice president and chief financial officer of PICC P&C in July 2003, and its executive director, vice chairman of the board of directors and president since August 2008. Mr. Wang has been the vice president of our Company since March 2009, and executive Director and vice president since September 2009. He also served as a director of PICC AMC from November 2006 to April 2010. Mr. Wang has been the deputy president of the Insurance Association of China since September 2008 and deputy president of the China Association of Actuaries since April 2011. Mr. Wang graduated from Shanxi College of Finance and Economic (山西財經學院, now known as Shanxi University of Finance and Economics) in July 1982 with a Bachelor's Degree in Finance and Economics and graduated from Zhongnan University of Economics and Law in December 2003 with a Doctoral Degree in Politics and Economics.

Mr. LI Liangwen, aged 61, is an executive Director of our Company and a Senior Economist. Mr. Li is responsible for PICC Life. Mr. Li joined our Company in July 1975. Mr. Li worked at the Bank of China's Qinhuangdao branch and our Company's Qinhuangdao branch from July 1975 to March 1983, and was the deputy general manager and general manager of our Company's Qinhuangdao branch, deputy director of our Company's London liaison office, deputy general manager of China Insurance Company (UK) Limited and deputy general manager of our Company's Hebei branch since March 1983. Mr. Li was appointed as deputy general manager of Zhongbao Life Insurance Company Limited's Hebei branch in July 1996, general manager of the Product Development Department of China Life Insurance Company in July 2000, vice president of China Life Insurance Company Limited in August 2003, and director and president of China Life Property and Casualty Insurance Company Limited in December 2006. Mr. Li has been the vice chairman of the board of directors and president of PICC Life since April 2007. Mr. Li was appointed as the deputy general manager (vice president) of our Company from August 2007 to March 2012, and has been an executive Director since September 2009. Mr. Li did not hold any directorship in any other listed companies in the last three years. Mr. Li has been a standing director of the Insurance Association of China and The Insurance Institute of China since September 2008, and member of the Expert Consultation Committee of the China Association of Actuaries since March 2011. Mr. Li was awarded the Special Government Allowance by the State Council in April 2005. Mr. Li graduated from Hebei Normal University in July 1975 with a university level qualification majoring in English.

Non-executive Directors

Mr. CAO Guangsheng, aged 59, is a non-executive Director of our Company. Mr. Cao joined the MOF in October 1978, and until September 2009 served successively as deputy director of the Corporate Finance Division of the Agricultural Finance Department, director of the Reform and Finance Division, director of Disaster Relief Division and director of the Water Resources Division of the Agriculture Department, and served as deputy inspector of the Agriculture Department of the MOF from November 2001 to September 2009. Mr. Cao has been a non-executive Director of our

Company since September 2009. Mr. Cao did not hold any directorship in any other listed companies in the last three years. Mr. Cao graduated from Liaoning College of Finance and Economics (now known as Dongbei University of Finance and Economics) in August 1978 with a major in Industrial Statistics from the Department of Census and Statistics.

Mr. LIU Yeqiao, aged 50, is a non-executive Director of our Company and a Senior Accountant. Mr. Liu joined the MOF in July 1991, and until October 2007 served successively as deputy director of the Policy Division of the Industrial Transport Department, and deputy director and researcher of the General Division of the Finance Department; and deputy director of the Department of Finance of Yunnan Province from October 2007 to October 2009. Mr. Liu has been a non-executive Director of our Company since September 2009. Mr. Liu did not hold any directorship in any other listed companies in the last three years. Mr. Liu graduated from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law) in July 1991 with a Master's Degree in Accounting; obtained a Master's Degree in Accounting from The George Washington University in May 2000; and obtained a Doctoral Degree in Economics from the Research Institute for Fiscal Science, MOF in August 2003.

Mr. QI Shaojun, aged 57, is a non-executive Director of our Company. Mr. Qi was the deputy general manager of the Ping An Insurance Company of China, Limited's Changchun branch, from October 1997 to August 2000. Mr. Qi worked at the CIRC from August 2000 to October 2009, serving successively as deputy director and director of the Harbin Office of the Commissioner and director of the Heilongjiang Bureau in February 2004. Mr. Qi has been a non-executive Director of our Company since November 2009. Mr. Qi did not hold any directorship in any other listed companies in the last three years. Mr. Qi graduated from The People's Bank of China, Jilin Province branch, Staff University (中國人民銀行吉林省分行職工大學, now known as Changchun Finance College) in July 1989 with a major in Banking Management.

Ms. ZHANG Hanlin, aged 59, is a non-executive Director of our Company and a Deputy Researcher. Ms. Zhang was the controller of the company organization committee of the China Grain Group Company (中國華糧集團公司) from August 2000 to May 2002, inspector of the State Administration of Grain and director and legal representative of The Grain of the Investigation Training Centre of China from May 2002 to September 2007. Ms. Zhang worked at the China Investment Corporation from September 2007 to March 2012, and served successively as controller of the operational department and office chief inspector (operational department). Since April 2012, Ms. Zhang has been a non-executive Director of our Company. Ms. Zhang did not hold any directorship in any listed companies in the last three years. Ms. Zhang graduated from Liaoning University in July 1984 with a major in Economic Management, and a Doctoral Degree in Economics from the Graduate School of the Chinese Academy of Social Sciences in July 1991.

Independent Non-executive Directors

Mr. XIANG Huaicheng, aged 73, is an independent non-executive Director of our Company and a Senior Economist. Mr. Xiang is a distinguished professor of the Shandong University and the Chinese Academy of Governance, and an adjunct professor and doctoral supervisor of the Chinese Academy of Social Sciences, Tsinghua University, Renmin University of China, Central University of Finance and Economics, and the Research Institute for Fiscal Science. Mr. Xiang was the minister of the MOF from March 1998 to March 2003, and chairman of the NSSF from May 2003 to January 2008. Mr. Xiang has been an independent non-executive Director of our Company since September 2009. Mr. Xiang did not hold any directorship in any other listed companies in the last three years. Mr. Xiang graduated from Shandong University in July 1960 with a Bachelor's Degree in Chinese, and received an Honorary Doctoral Degree in Social Science from the City University of Hong Kong in November 2005.

Mr. LAU Hon Chuen, GBS, JP, aged 65, has been an independent non-executive Director of our Company since October 2012. He has been a solicitor of the High Court of Hong Kong since December 1971, and is a China-Appointed Attesting Officer and a Notary Public. Mr. Lau has been the senior partner of Messrs. Chu & Lau, Solicitors & Notaries since April 1978, and is currently a standing committee member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Franshion Properties (China) Limited, Glorious Sun Enterprises Limited, Yuexiu Transport Infrastructure Limited, Yuexiu Property Company Limited, The Hongkong Parkview Group Limited, Wing Hang Bank, Limited and Brightoil Petroleum (Holdings) Limited. He is also currently an independent non-executive director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Wing Hang Bank (China), Limited and a director of Chu & Lau Nominees Limited (a company secretarial services company), Sun Hon Investment and Finance Limited (an investment business company), Wydoff Limited (a nominee services company) and Wytex Limited (a nominee services company). Mr. Lau served as chairman of the District Board of the Central and Western District of Hong Kong from 1988 to 1994, the president of the Law Society of Hong Kong from 1992 to 1993, a member of the Bilingual Laws Advisory Committee from 1988 to 1997 and a member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). Mr. Lau graduated from the University of London in July 1969 with a Bachelor of Laws Degree.

Mr. DU Jian, aged 70, is an independent non-executive Director of our Company and a Senior Economist. Mr. Du joined the MOF in August 1963, and until June 2000 served consecutively as deputy director of the General Division of the Cultural, Educational, Administrative and Financial Department, deputy director of the Cultural and Health Division, deputy director and director of the Cultural and Corporate Division, director of the Social Security Department and director of the External Department. Mr. Du was the chairman of the board of supervisors (deputy organization level) of the Communist Party's Central Finance Working Committee on Important State-owned Financial Institutions of the State Council from June 2000 to June 2003 and chairman of the board of supervisors (deputy organization level) of the CBRC's Important State-owned Financial Institutions of the State Council from June 2003 to August 2005. Mr. Du was the director of the CBRC's Special Treatment Case Supervision Organization from February 2006 to December 2008. Mr. Du has been the independent non-executive director of Ping An Bank since July 2008 and the independent non-executive director of China Development Bank since December 2008. Mr. Du has been an independent non-executive Director of our Company since October 2012. Mr. Du did not hold any directorship in any other listed companies in the last three years. Mr. Du graduated from Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1963 with a Bachelor's Degree in Foreign Exchange.

Mr. CAI Weiguo, aged 63, is an independent non-executive Director of our Company. Mr. Cai joined PBOC in September 1982 and until January 2001, served as deputy president of its Tianjin city branch and deputy director of Tianjin bureau of the SAFE, and deputy president of PBOC's Tianjin branch in December 1998. Mr. Cai served successively in the CIRC as deputy director and director of its Tianjin Office and director of the Tianjin Bureau from January 2001 to March 2009. Mr. Cai has been an independent non-executive Director of our Company since November 2009. Mr. Cai did not hold any directorship in any other listed companies in the last three years. Mr. Cai graduated from Tianjin College of Finance and Economics (天津財經學院, now known as Tianjin University of Finance and Economics) in July 1982 with a Bachelor's Degree majoring in Finance.

Mr. XU Dingbo, aged 49, is an independent non-executive Director of our Company. From 1986 to 2003, Mr. Xu was a teaching assistant at the University of Pittsburgh and the University of Minnesota, an assistant professor at the Hong Kong University of Science and Technology, and an adjunct professor at Peking University from April 1999 to April 2009. He joined the China Europe International Business School in January 2004, serving successively since as professor, associate dean of Academic Affairs and member of the Managing Committee, and has served as member of its financial budget committee since October 2009. Mr. Xu has been an independent non-executive Director of our Company since September 2009, and was an independent non-executive director and chairman of the audit committee of Sanjiang Shopping Club Co., Ltd. (listed on the Shanghai Stock Exchange, Stock Code: 601116) from December 2009 to November 2011. Mr. Xu has served as an independent non-executive director and chairman of the audit committee of Dongyi Risheng Home Decoration Group Limited Company (東易日盛家居裝飾集團股份有限公司) since December 2010. Mr. Xu graduated from Wuhan University in July 1983 with a Bachelor's Degree in Mathematics, and obtained a Master's Degree in Economics in October 1986. Mr. Xu graduated from the University of Minnesota in August 1996 with a Doctoral Degree in Accounting. As a result of Mr. Xu's extensive academic experience and expertise in the field of accounting, as well as his experience in company (including public company) audit committees and budget committee of institutions, the Company considers that Mr. Xu possesses appropriate accounting and financial management expertise for the purposes of Listing Rule 3.10.

SUPERVISORS

The Board of Supervisors is responsible for monitoring our financial matters and supervising our Board and members of our senior management. The following table sets forth certain information relating to our Supervisors:

Name	Age	Position	Date of Appointment
LIN Fan	53	Supervisor and Chairman of the Board of Supervisors	March 16, 2012
XU Yongxian	48	Supervisor	September 28, 2009
YAO Bo	52	Supervisor representative of employees of our Company	September 28, 2009

Mr. LIN Fan, aged 53, is a Supervisor and the chairman of the Board of Supervisors of our Company, and a Senior Economist. Mr. Lin joined our Company in September 1980 and until July 1999, served successively as deputy general manager of the Guangzhou branch and general manager of the Shenzhen branch. Mr. Lin served as deputy general manager of China Insurance Company, Limited from July 1999 to August 2002. From August 2002 to May 2009, Mr. Lin served successively as managing director, vice chairman of the board of directors, general manager and chairman of the board of directors of China Insurance (Holdings) Company Limited. Mr. Lin served as the chairman of the board of directors of China Taiping Insurance Group Co. and China Taiping Insurance Group (HK) Company Limited from May 2009 to March 2012. Meanwhile, Mr. Lin served consecutively as chairman of the board of directors of The Ming An Insurance Co. (H.K.) Ltd. from May 2003 to September 2011, chairman of the board of directors of The Ming An (Holdings) Company Limited from October 2008 to February 2010, chairman of the board of directors of China Taiping Insurance Holdings Company Limited (listed on the Hong Kong Stock Exchange, Stock Code: 0966) from November 2008 to March 2012. Mr. Li served as Supervisor and chairman of the Board of Supervisors of our Company since March 2012. Mr. Li served as deputy president of the Insurance Association of China, The Insurance Institute of China and the Hong Kong Chinese Enterprises Association since July 2005. Mr. Lin graduated from the University of South Australia in August 2006 with a Master's Degree of Business Administration.

Mr. XU Yongxian, aged 48, is a Supervisor of our Company and a Senior Economist. Mr. Xu joined the MOF in August 1990 and until August 2009, served successively as deputy director of the

General Division of the Taxation Department, deputy director of the General Division of the Taxation Regulation Department, director of the General Division and director of Local Tax Division I of the Taxation Department, and deputy department level cadre of the Taxation Department of the MOF from September 2009 to December 2009. Mr. Xu has been a Supervisor of our Company since September 2009. Mr. Xu did not hold any directorship in any listed companies in the last three years. Mr. Xu graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in July 1987 with a Bachelor's Degree in Taxation and a Master's Degree in Finance in July 1990.

Ms. YAO Bo, aged 52, is a Supervisor representative of employees of our Company and a Senior Economist and a Senior Accountant. Ms. Yao joined the MOF in October 1987 and until March 2004 served successively as deputy director of Domestic Debts Division of the National Debts Department, deputy director of Finance Division III of the National Debts and Finance Department, deputy director and researcher of Finance Division II of the Finance Department. Ms. Yao served successively as part-time supervisor of the board of supervisors of Industrial and Commercial Bank, China Huarong Asset Management Corporation, China Construction Bank and China Cinda Asset Management Corporation from June 2000 to March 2004. Ms. Yao joined our Company in March 2004 and until September 2007, served as deputy general manager of the Finance and Accounting Department and director of the Accounting Division, and since September 2007 served successively as general manager of the Worker's Union Department of our Company and the deputy director of the Worker's Union Committee, and has been the Supervisor representative of the employees of our Company since September 2009. Ms. Yao did not hold any directorship in any listed companies in the last three years. Ms. Yao graduated from the People's Liberation Army Medical School of Beijing (中國人民解放軍北京軍區軍醫學校, now known as People's Liberation Army Bethune Medical Officer School (中國人民解放軍白求恩醫務士官學校)) in July 1982 with a university level qualification majoring in Examination and Inspection, and graduated from the Party School of the Central Committee of CPC in December 1997 with Bachelor's Degree in Foreign-related Economics, and graduated from the Jiangxi University of Finance and Economics in July 1999 with a Master's Degree in Finance and Policy.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information concerning our senior management personnel:

Name	Age	Position
DING Yunzhou	59	Vice President
ZHOU Shurui	59	Vice President
ZHUANG Chaoying	54	Vice President
WANG Yincheng	52	Vice President
ZHOU Liqun	49	Vice President
LI Yuquan	47	Vice President
YU Xiaoping	55	Chief Investment Officer
SHENG Hetai	41	Assistant to the President and General Manager, Strategic Planning Department
HAN Kesheng	47	Assistant to the President and General Manager, Human Resources Department
LI Tao	46	Secretary to the Board of Directors, General Manager of the Secretariat of the Board of Directors and Office of the Board of Supervisors
ZHAO Jun	52	Chief Information Technology Officer and General Manager of South Information Center
ZHOU Houjie	48	Financial Controller and Chief Financial Officer

Please refer to the section titled "Directors" for the biography of Mr. WANG Yincheng. The biographies of other senior management personnel are as follows:

Mr. DING Yunzhou, aged 59, is a vice president of our Company, and a Senior Economist. Mr. Ding is in charge of the Business Development Department, the Information Technology Department, the International Department / Training Department and the South Information Center and is responsible for liaising with PICC Hong Kong. Mr. Ding joined our Company in October 1977 and served successively as deputy general manager of the International Department, chairman of the board of directors and general manager of China Insurance Company (UK) Limited, chief representative (deputy department level) of the London liaison office, deputy director of the Insurance Research Institute and general manager of the Operations Department. Mr. Ding was appointed as an assistant to the general manager of our Company in September 1997, deputy general manager (vice president) in March 2002, and vice president since September 2009. He served as an executive director of our Company from September 2009 to November 2012. He also served as a director of PICC P&C from July 2003 to October 2006 and as chairman of its board of supervisors from October 2006 to January 2011, chairman of the board of supervisors of PICC Health from March 2005 to March 2009, a director of PICC AMC since November 2006, and an executive director and chairman of the board of directors of PICC Hong Kong since August 2007. Mr. Ding did not hold any directorship in any other listed companies in the last three years. Mr. Ding has been the standing director of The Insurance Institute of China since November 1999 and deputy president since November 2011. Mr. Ding was awarded the Special Government Allowance by the State Council in December 1998. Mr. Ding graduated from Dalian University of Foreign Languages in October 1977 with a university level qualification majoring in English.

Mr. ZHOU Shurui, aged 59, is a vice president of our Company and a Senior Administrative Engineer. Mr. Zhou is in charge of the Culture Brand Department, the Worker's Union Department, the South Center Phase Two Infrastructure Office and the North Center Project Group and is responsible for liaising with PICC Health. Mr. Zhou joined our Company in March 1992 and served successively as assistant to the general manager and deputy general manager of the Personnel Department, general manager of the Human Resources Department, deputy general manager (vice president) of our Company from July 2003 to September 2009, Supervisor and chairman of the Board of Supervisors from September 2009 to March 2012, and vice president since March 2012. Mr. Zhou has been a non-executive director of PICC P&C since July 2003, director of PICC Health from March 2005 to August 2007 and chairman of the board of directors since March 2009, and chairman of the board of supervisors of PICC AMC from November 2006 to April 2011. Mr. Zhou has served as a standing director of The Insurance Institute of China since November 2011. Mr. Zhou graduated from Hebei Normal University in November 1980 with a major in Physics and a Bachelor's Degree in Political Education in June 1991, and completed a graduate course in Currency and Banking at the Central University of Finance and Economics in July 2001.

Ms. ZHUANG Chaoying, aged 54, is a vice president of our Company and a Deputy Editor. Ms. Zhuang is in charge of the Supervision and Audit Department / Inspection Office, the Risk Management Department / Legal and Compliance Department and the Retired Employee Management Department and is responsible for liaising with PICC Life. Ms. Zhuang worked at the Organization Department of the CPC Central Committee from July 1985 to December 2006, serving successively as deputy division director of the Party's Foreign Affairs Cadres Bureau, deputy division level researcher, director of the Editorial Office II and deputy chief editor (deputy bureau level) of the Party Building Books Publishing House, deputy inspector of the Cadres Bureau IV and deputy director of the Cadres Bureau IV in August 2003. Ms. Zhuang served as deputy general manager (vice president) of our Company since December 2006. She also served as chairwoman of the board of supervisors of PICC Life since August 2007. Ms. Zhuang did not hold any directorship in any listed companies in the last three years. Ms. Zhuang has served as a director of The Insurance Institute of China since November 2011. Ms. Zhuang graduated from Shandong University in January 1982 with a Bachelor's Degree in Philosophy and obtained a Master of Business Administration Degree from China Europe International Business School in September 2010.

Mr. ZHOU Liqun, aged 49, is a vice president of our Company and a Senior Accountant. Mr. Zhou is in charge of the Secretariat of the Board of Directors and Office of the Board of Supervisors, the Finance Management Department and the Investment and Finance Management Department and is responsible for PICC AMC. Mr. Zhou worked at the county level and provincial level government financial departments engaging in general budget and credit management of the World Bank from July 1981 to September 1983, and from October 1989 to September 1994. Mr. Zhou joined the Bank of Communications in October 1997 and until April 2001, served as deputy general manager of the Marketing Department, deputy general manager of the Overseas Business Department and International Business Department of the main branch. Mr. Zhou joined China Everbright Group in April 2001 and until August 2007, served successively as executive director, deputy general manager and chief executive officer of China Everbright Limited (listed on the Hong Kong Stock Exchange, Stock Code: 0165), director and vice president of Everbright Securities Company Limited (listed on the Shanghai Stock Exchange, Stock Code: 601788), chairman of the board of directors of Everbright Pramerica Fund Management Co., Ltd., director of China Everbright Holdings Company Limited, director of China Everbright Bank and director of International Bank of Asia Limited (now known as Fubon Bank (Hong Kong) Limited). Mr. Zhou joined our Company in August 2007 and has since served as vice chairman of the board of directors and president of PICC AMC, and vice president of our Company since March 2009. He also served as chairman of the board of directors of PICC Investment since July 2008, independent director of the Bank of Qingdao from May 2009 to September 2012 and chairman of the board of supervisors of PICC P&C since January 2011. Mr. Zhou did not hold any directorship in any listed companies in the last three years. Mr. Zhou has served as a standing director of The Insurance Institute of China since November 2011. Mr. Zhou graduated from Xiamen University in June 1997 with a Doctoral Degree in Economics.

Mr. LI Yuquan, aged 47, is a vice president of our Company and an Associate Professor. Mr. Li is responsible for PICC Health. Mr. Li joined our Company in July 1994 and until July 2003, served successively as office deputy division director and director, deputy general manager of the Market Development Department and general manager of the Legal Department. Mr. Li served as a vice president of PICC P&C from July 2003 to August 2007 and general manager of its Legal Department from July 2003 to March 2006, general manager of its Shanghai branch from May 2004 to December 2005 and its compliance controller from February 2007 to August 2007. Mr. Li has served as vice chairman of the board of directors and president of PICC Health since August 2007, and vice president of our Company since March 2011. Mr. Li was awarded the qualifications of Committee Member and Arbitrator of the China International Economic and Trade Arbitration Commission, Committee Member, Arbitrator and Member of the Expert Consultation Committee of the China Maritime Arbitration Commission in April 2001, and Arbitrator of the Beijing Arbitration Committee in September 2003. Mr. Li did not hold any directorship in any listed companies in the last three years. Mr. Li has served as a director of The Insurance Institute of China since November 2011. Mr. Li was awarded the Special Government Allowance by the State Council in August 2005. Mr. Li graduated from Hangzhou University (merged with Zhejiang University in September 1998 to form the new Zhejiang University) in July 1986 with a Bachelor's Degree in Law and obtained a Master's Degree in Civil Law in July 1989 and a Doctoral Degree in Private International Law in July 1994 from Wuhan University.

Ms. YU Xiaoping, aged 55, is the chief investment officer of our Company and a Senior Economist. Ms. Yu worked at the People's Construction Bank of China as deputy director of the Real Estate Credit and Loan Department from January 1982 to March 1994, at the China Development Bank successively as controller and deputy director of the International Finance Bureau, president (bureau level) of the Wuhan branch, and controller and president (bureau level) of the Shenzhen branch from March 1994 to January 2010. Ms. Yu has served as chief investment officer of our Company since January 2010. Ms. Yu has served as a director of China Credit Trust Company Limited since November 2010, non-executive director of PICC P&C since January 2011 and chairwoman of the board of directors of No. 88 Development Co. since March 2011. Ms. Yu graduated from Tongji University in January 1982 with a Bachelor's Degree in Industrial and Civil Construction (工業與民用建築) and from Renmin University of China in July 1988 with a Bachelor's Degree in Economics of Capital Construction (基建經濟).

Mr. SHENG Hetai, aged 41, is an assistant to the president and general manager of the Strategic Planning Department of our Company, and a Senior Economist. Mr. Sheng joined our Company in July 1998 and until September 2007, served successively as deputy director of the Product Development Center, deputy general manager (in charge of daily operations) of the Research and Development Department, general manager of the Equity Management Department / Risk Management Department. Mr. Sheng has served as general manager of the Strategic Planning Department of our Company since September 2007, senior expert from May 2008 to May 2010 and assistant to the president since March 2010. He has also served as a director of PIB since February 2005 and supervisor of PICC P&C since August 2006. Mr. Sheng did not hold any directorship in any listed companies in the last three years. Mr. Sheng has served as a director of The Insurance Institute of China since September 2004. Mr. Sheng graduated from Peking University in July 1998 with a Doctoral Degree in Economics.

Mr. HAN Kesheng, aged 47, is an assistant to the president and general manager of the Human Resources Department of our Company, and a Senior Economist. Mr. Han joined the National Ministry of Supervision in July 1991, the CPC Central Commission for Discipline Inspection in January 1993 and until May 2001, served successively as deputy division level inspector, division level inspector and supervisor of the General Office. Mr. Han joined our Company in May 2001 and served successively as assistant to the general manager and deputy general manager of the Human Resources Department of our Company, deputy general manager of the Human Resources Department of PICC P&C and general manager of the Supervisory Department/Auditing Department of our Company. Mr. Han has served as general manager of the Human Resources Department of our Company since September 2007 and assistant to the president since March 2010. Mr. Han did not hold any directorship in any listed companies in the last three years. Mr. Han graduated from Anhui Normal University in July 1985 with a Bachelor of Arts Degree and from Nankai University in July 1991 with a Master's Degree in World Literature.

Mr. LI Tao, aged 46, is the secretary to the Board of Directors and general manager of the Secretariat of the Board of Directors and Office of the Board of Supervisors of our Company, and a Senior Economist. Mr. Li's career began in July 1985, joined our Company in July 1998, and served successively as director of the Policy Research Office of the Research and Development Center and deputy director of the Research and Development Center of our Company, deputy director and director of the secretariat of the board of directors of PICC P&C, general manager of the Development and Reform Department and director of the Policy Research Office of our Company from March 2006 to September 2007, and senior expert from September 2007 to January 2010. Mr. Li served as the deputy director of the Share Transformation Office of our Company from March 2008 to September 2009 and has been the secretary to the Board of Directors since September

2009. He has served as a non-executive director of PICC P&C since November 2006. Mr. Li graduated from Renmin University of China in July 1993 with a Master's Degree in Philosophy and from the Party School of the Central Committee in July 1998 with a Doctoral Degree in Political Economics.

Mr. ZHAO Jun, aged 52, is the chief information technology officer and general manager of the South Information Center of our Company, and a Senior Engineer. Mr. Zhao joined our Company in November 1993 and until July 2003, served successively as deputy general manager and general manager of the Information Technology Department. Mr. Zhao served as general manager of the Information Technology Department of PICC P&C from July 2003 to June 2005, general manager of the Statistics and Information Department of our Company from June 2005 to March 2006, general manager of the Information Technology Department / Statistical Analysis Department in March 2006, chief information technology officer since September 2007 and general manager of the South Information Center since January 2010. Mr. Zhao did not hold any directorship in any listed companies in the last three years. Mr. Zhao was awarded the Special Government Allowance by the State Council in February 2007. Mr. Zhao graduated from Hunan University in December 1981 with a Bachelor's Degree in Engineering and from the University of Bradford in November 1993 with a Master's Degree in Applied Computer Science.

Mr. ZHOU Houjie, aged 48, is the financial controller and chief financial officer of our Company, and an Accountant. Mr. Zhou served successively as deputy general manager and general manager of the Finance Department of China UnionPay Company Limited, general manager of its Shanghai branch and general manager of its Banking Service Department from March 2002 to July 2008. Mr. Zhou served as vice president of China Huawen Investment Holding Company Limited and vice president of Shanghai Xin Huawen Investment Company Limited from July 2008 to July 2010 and has served as the financial controller and chief financial officer of our Company since January 2010. He has served as a non-executive director of Shanghai New Huang Pu Real Estate Co., Ltd. (listed on the Shanghai Stock Exchange, Stock Code: 600638) from September 2008 to September 2010. Mr. Zhou graduated from the Central Institute of Finance and Economics (now known as Central University of Finance and Economics) in June 1991 with a Bachelor's Degree in Accounting and Shanghai National Accounting Institute in June 2005 with an Executive Master of Business Administration Degree.

COMPANY SECRETARY

Ms. TAI Chi Shan Psyche, aged 42, is the company secretary of our Company and her appointment shall take effect upon the Listing Date. Ms. Tai became a solicitor of the High Court of Hong Kong in October 1995 and is currently a partner of Norton Rose Hong Kong. She has over 17 years of experience in legal corporate advisory on mergers and acquisitions and initial public offerings. Ms. Tai has served as assistant to the secretary of Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd. (listed on the Hong Kong Stock Exchange, Stock Code: 1157) since March 2011. Ms. Tai graduated from University of Hong Kong in July 1993 with a Bachelor of Laws Degree (Honors).

BOARD COMMITTEES

We have established the following committees under the Board of Directors: an audit committee, a nomination and remuneration committee, a strategy and investment committee and a risk management committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The audit committee consists of a non-executive Director, Mr. CAO Guangsheng and two independent non-executive Directors, being Mr. LAU Hon Chuen and Mr. XU Dingbo, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The chairman of the audit committee is Mr. XU Dingbo. The primary duties of the audit committee include, but are not limited to, the following: (i) review our material financial and accounting policies and practices and their implementation, supervise our financial operation status; (ii) evaluate audit controller's performance and make recommendations to the Board; (iii) review our fundamental internal audit system and make recommendations to the Board, approve our annual audit plan and budget, direct our internal audit process and monitor its effectiveness; (iv) review annually the soundness and effectiveness of our internal control system, promptly consider and process any major complaints in connection with our internal control system; (v) co-ordinate between the internal and external auditor, supervise the improvement and implementation of any significant findings arising out of the internal and external audit; (vi) make recommendations to the Board on the appointment, removal, and remuneration of the external auditor, supervise the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with applicable standards; (vii) develop and implement policy on engaging external auditor to supply non-audit services; (viii) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; (ix) review the annual audit report prepared by our external auditor and other professional recommendations, annual audited accounting report, other financial report and other financial information that is required to be disclosed; give a judgment and report for the Board's review on the truthfulness, completeness and accuracy of the information in the aforementioned financial accounting reports; (x) be responsible for verifying our related parties and report to the Board and the Board of Supervisors, and promptly notify our relevant employees regarding the verification of the related parties; (xi) perform an initial assessment on any related transactions that are to be approved at a shareholders' general meeting and Board meeting and submit it to the Board for approval; (xii) review and approve or accept filings of related transaction as authorized by the Board; (xiii) after completion of an operational year, submit to the Board a report of our related transactions, implementation of policies governing related transactions, and the general status, risk level and structural distribution of our related transactions that occurred within the operational year; and (xiv) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, terms of references of the Board and the audit committee, the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, or other matters as authorized by the Board.

Nomination and Remuneration Committee

We have established a nomination and remuneration committee with written terms of reference in compliance with paragraphs A5 and B1 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. The nomination and remuneration committee consists of two non-executive Directors, being Mr. LIU Yeqiao and Mr. QI Shaojun, and three independent non-executive Directors, being Mr. XIANG Huaicheng, Mr. DU Jian and Mr. XU Dingbo. The chairman of the nomination and remuneration committee is Mr. XIANG Huaicheng. The primary duties of the nomination and remuneration committee include, but are not limited to, the following: (i) study the selection standards and procedures for our Directors and senior management hired by the Board, review at least annually the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement our corporate strategy; (ii) broadly search for qualified individuals as candidates suitably to become our Director and senior management hired by the Board, and make recommendations to the Board; (iii) review the independence of independent non-executive Directors; (iv) review candidates for Director and senior management to be hired by the Board, and make recommendations to the Board on the appointment, re-appointment of Directors and succession planning of Directors; (v) study the standards of and conduct the assessment for our Directors and senior management hired by the Board, and make recommendations to the Board; (vi) consider factors including salaries paid by comparable companies, time commitment, responsibilities and employment conditions within our Company and subsidiaries, and study, determine and review the remuneration policies or remuneration proposals of Directors, Supervisors and senior management hired by the Board based on a formal and transparent procedure and make recommendations to the Board; (vii) review and approve the remuneration proposals of Directors and senior management hired by the Board with reference to the Board's corporate goals and objectives; (viii) make recommendations to the Board on the remuneration packages of individual executive Directors, Supervisors and senior management hired by the Board; (ix) make recommendations to the Board on the remuneration of non-executive Directors and independent non-executive Directors; (x) make independent and prudent suggestions relating to the dismissal or removal of Directors; (xi) review and approve compensation payable to executive Directors, Supervisors and senior management hired by the Board for any loss or termination of office or appointment; review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and (xii) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, terms of references of the Board and the nomination and remuneration committee, the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, or other matters as authorized by the Board.

Strategy and Investment Committee

We have established a strategy and investment committee with written terms of reference. The strategy and investment committee consists of an executive Director, being Mr. WU Yan, two non-executive Directors, being Mr. CAO Guangsheng and Ms. ZHANG Hanlin, and an independent non-executive Director Mr. XIANG Huaicheng. The chairman of the strategy and investment committee is Mr. WU Yan. The primary duties of the strategy and investment committee include, but are not limited to, the following: (i) review and make proposals on our general development strategy and specific strategic development plans, and make recommendations to the Board; (ii) evaluate factors that may have an impact on our strategic development plans and its implementation in light of domestic and international economic financial conditions and market changes and make prompt strategic adjustment recommendations to the Board; (iii) evaluate the overall development of our business and propose promptly to the Board adjustments to strategic development plans; (iv) review our annual financial budget and final accounts plans, and make recommendations to the Board; (v) review the following matters related to external investments which requires approval by the Board: 1. external investment management policies; 2. external investment management plans; 3. decision making procedures and authorization scheme for external investments; 4. strategic asset investment allocation plans, annual investment plans, investment guidelines and relevant adjustment plans; 5. significant direct investments; 6. strategy and operation plans for new investment categories; 7. procedure for evaluating and examining external investment appraisal; (vi) explain the external investment proposals at shareholders' and Board meetings upon their request; (vii) develop and revise policies related to our corporate governance, and make recommendations to the Board; (viii) supervise the Directors and senior management's training and continuing professional development; (ix) develop, amend and supervise the internal code of conduct for our staff and Directors; (x) supervise our disclosure on corporate governance in compliance with the relevant regulations of the stock exchange on which our Company's shares are listed; and (xi) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, terms of references of the Board and the strategy and investment committee, the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, or other matters as authorized by the Board.

Risk Management Committee

We have established a risk management committee with written terms of reference. The risk management committee consists of two executive Directors, being Mr. WANG Yincheng and Mr. LI Liangwen, two non-executive Directors, being Mr. LIU Yeqiao and Mr. QI Shaojun, and an independent non-executive Director Mr. CAI Weiguo. The chairman of the risk management committee is Mr. CAI Weiguo. The primary duties of the risk management committee include, but are not limited to, the following: (i) be responsible for our risk management, be completely familiar with our significant risks and the corresponding management status, supervise the operational effectiveness of our risk management controls; (ii) review our overall goals, fundamental policies and terms of references for risk management, and make suggestions and recommendations to the Board; (iii) review and approve our risk management organization and corresponding responsibilities, and make suggestions and recommendations to the Board; (iv) review significant risk assessment and solution related to our material decisions, and make suggestions and recommendations to the Board; (v) review our annual risk assessment report and make suggestions and recommendations to the Board; (vi) review and submit our annual compliance report to the Board; (vii) review and assess our semi-annual compliance report; (viii) consider relevant compliance reports and make suggestions and recommendations to the Board; (ix) develop and amend the internal compliance code applicable to our Company's staff and Directors, assess and supervise our compliance policies and status, and make recommendations to the Board; and (x) perform other duties as required by applicable laws, regulations, other regulatory documents, the Articles of Association, terms of references of the Board and the risk management committee, the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, or other matters as authorized by the Board.

COMPENSATION OF DIRECTORS, SUPERVISORS AND MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also employees of our Company, various compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. Our independent non-executive Directors receive compensation based on their responsibilities, and as of the Latest Practicable Date, our non-executive Directors (except for independent non-executive Directors) have not received any compensation from us.

The aggregate amount of remuneration which was paid to our Directors and Supervisors for the three financial years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB7,162,000, RMB9,908,000, RMB10,748,000 and RMB2,879,000, respectively.

The aggregate amount of remuneration which was paid by the Company to our five highest paid individuals for the three financial years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB6,831,000, RMB8,126,000, RMB8,813,800 and RMB2,532,000 respectively.

It is estimated that remuneration equivalent to approximately RMB7,056,000 in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2012 under arrangements in force at the date of this prospectus.

No remuneration was paid to our Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three financial years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, by us or any of our subsidiaries to our Directors.

DIRECTORS' INTEREST

Save as disclosed in this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, each of our Directors did not have any interest in the H Shares or the Domestic Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our H Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or a short position in our Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Immediately following the completion of the Global Offering (assuming no exercise of the H-Share Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the H-Share Over-allotment Option)		
Name of shareholder	Nature of interest and capacity	Class	Number of Shares	Approximate % of interest in our Company	Approximate % of the relevant class of Shares of our Company	Number of Shares	Approximate % of interest in our Company	Approximate % of the relevant class of Shares of our Company
MOF	Legal and beneficial owner	Domestic Shares	29,987,990,898	72.45%	88.72%	29,896,189,564	70.47%	88.72%
NSSF	Legal and beneficial owner	Domestic Shares	3,813,238,785	9.21%	11.28%	3,801,567,019	8.96%	11.28%
	Legal and beneficial owner	H Shares	689,820,900	1.67%	9.09%	793,294,000	1.87%	9.09%

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in our Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CONVERSION OF OUR COMPANY TO A JOINT STOCK LIMITED COMPANY

Our Company was converted to a joint stock limited company in September 2009, with a registered capital of RMB30.6 billion and the MOF as our promoter. In accordance with the Approval regarding the State-owned Shares Management Plan of The People's Insurance Company (Group) of China Limited issued by the MOF (Caijin 2009 No.55), the MOF holds 30,600,000,000 shares in our Company at par value RMB 1.00 per share, all of which are state-owned shares.

AFTER NSSF INVESTMENT BUT BEFORE GLOBAL OFFERING

Our Company, the MOF, and the NSSF entered into the Share Subscription Agreement on June 15, 2011, pursuant to which the NSSF subscribed for 3,891,050,583 newly issued shares representing 11.28% of the registered capital of our Company before the Global Offering for a consideration of RMB10 billion. Following the completion of the share subscription by NSSF, the total registered capital of our Company amounted to RMB34,491,050,583, and particulars of our Company's shareholdings were as follows:

Shareholder	Nature	Number of shares	Approximate percentage of registered capital
MOF	State-owned shares	30,600,000,000	88.72%
NSSF	State-owned shares	3,891,050,583	11.28%
Total		34,491,050,583	100.00%

UPON COMPLETION OF GLOBAL OFFERING

Immediately following the completion of the Global Offering, assuming that the H-Share Over-allotment Option is not exercised, the registered capital of our Company will be RMB41,389,259,583, comprising 7,588,029,900 H Shares and 33,801,229,683 Domestic Shares, representing approximately 18.34% and 81.66%, respectively, of the registered capital of our Company, and particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	Domestic Shares	29,987,990,898	72.45%
NSSF	Domestic Shares	3,813,238,785	9.21%
	H Shares	689,820,900	1.67%
H Shares issued pursuant to the Global Offering	H Shares	6,898,209,000	16.67%
Total		41,389,259,583	100.00%

Immediately following the completion of the Global Offering, assuming full exercise of the H-Share Over-allotment Option, the registered capital of our Company will be RMB42,423,990,583, comprising 8,726,234,000 H Shares and 33,697,756,583 Domestic Shares, representing approximately 20.57% and 79.43%, respectively, of the registered capital of our Company, and the particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	Domestic Shares	29,896,189,564	70.47%
NSSF	Domestic Shares	3,801,567,019	8.96%
	H Shares	793,294,000	1.87%
H Shares issued pursuant to the Global Offering	H Shares	7,932,940,000	18.70%
Total		42,423,990,583	100.00%

UPON COMPLETION OF GLOBAL OFFERING AND A SHARE OFFERING

Immediately following the completion of the Global Offering and the A Share Offering, assuming that none of the H Share Over-allotment Option and A Share Over-allotment Option is exercised, the registered capital of our Company will be RMB45,988,065,583, comprising 7,588,029,900 H Shares and 38,400,035,683 A Shares, representing approximately 16.50% and 83.50%, respectively, of the registered capital of our Company, and particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	A Shares	29,579,984,830	64.32%
NSSF	A Shares	4,221,244,853	9.18%
	H Shares	689,820,900	1.50%
H Shares issued pursuant to the Global Offering	H Shares	6,898,209,000	15.00%
A Shares issued pursuant to the A Share Offering	A Shares	4,598,806,000	10.00%
Total		45,988,065,583	100.00%

Immediately following the completion of the Global Offering and the A Share Offering, assuming full exercise of the H Share Over-allotment Option and A Share Over-allotment Option, the registered capital of our Company will be RMB47,712,616,583, comprising 8,726,234,000 H Shares and 38,986,382,583 A Shares, representing approximately 18.29% and 81.71%, respectively, of the registered capital of our Company, and the particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	A shares	29,426,982,666	61.68%
NSSF	A Shares	4,270,773,917	8.95%
	H Shares	793,294,000	1.66%
H Shares issued pursuant to the Global Offering	H Shares	7,932,940,000	16.63%
A Shares issued pursuant to the A Share Offering	A Shares	5,288,626,000	11.08%
Total		47,712,616,583	100.00%

RANKING

The H Shares in issue upon the respective completion of the Global Offering and Domestic Shares are ordinary shares in the registered capital of our Company. However, apart from QDIIs and persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authority, H Shares may not be subscribed for by or traded between legal or natural persons of China.

H Shares and Domestic Shares are regarded as different classes of shares under the relevant provisions of our Articles of Association. The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI — Summary of Articles of Association." Any change or abrogation of the rights of class shareholders should be approved by way of a special resolution at a general meeting of shareholders and by a separate meeting of the affected class of shareholders. However, the procedures for approval by separate class shareholders shall not apply (i) where our Company issues, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently every twelve months, shares representing not more than 20% of each of the existing issued H Shares and Domestic Shares; (ii) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities of the State Council; or (iii) where, pursuant to the approval of the securities regulatory authority of the State Council, shareholders of our Domestic Shares transfer such shares to overseas investors and such transferred shares are listed and traded on an overseas stock exchange. H Shares and Domestic Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

SHARES HELD BY THE MOF

Upon the completion of the Global Offering, all the shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares. Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, MOF may convert its Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. Class shareholder voting is required for the conversion of such shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and be re-registered on our H Share register maintained in Hong Kong, on the condition that (a) the H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H Share register, and the due dispatch of share certificates, and (b) the admission of the shares to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such shares are re-registered on the H Share register, such shares would not be listed as H Shares, and MOF will neither be entitled to attend meetings nor enjoy the voting rights of H shareholders in respect of such shares.

To effect the withdrawal of their shares that are deposited with the China Securities Depository and Clearing Corporation Limited and register such shares on the H Share register, the MOF shall issue to our Company a removal request on a prescribed form in respect of a specified number of shares attaching the relevant documents of title. Subject to our Company being satisfied with the authenticity of the document, and with the approval of our Board of Directors, our Company would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, the H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of shares. The relevant holders' shareholding interest deposited with the China Securities Depository and Clearing Corporation Limited would then be correspondingly reduced. In addition, our Company will comply with the Listing Rules in respect of the issuance of an announcement to inform shareholders and the public of such fact not less than three days prior to the proposed specified date.

Upon the completion of the Global Offering and the deposit of the shares held by the MOF with the China Securities Depository and Clearing Corporation Limited, the MOF will be subject to the following regulatory transfer restrictions:

- Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange.
- Under the Listing Rules, the MOF, as our Company's controlling shareholder, may not, amongst others (i) dispose of or agree to dispose any of our shares for a period commencing on the date of this prospectus and ending on the date which is six months from the date of listing on the Hong Kong Stock Exchange and (ii) during a period of six months thereafter, dispose of or agree to dispose of any of our Company's shares if, immediately after such disposition, it would cease to be our Company's controlling shareholder.

Upon any re-registration of the shares of the MOF on the H Share register, the MOF will remain subject to the above transfer restrictions under the PRC Company Law and Listing Rules to the extent that such restrictions have not expired.

As of the Latest Practicable Date, there were no pledges over or disputes on the shares held by the MOF.

SHARES HELD BY THE NSSF

Upon the completion of the Global Offering, the NSSF Subscription Shares held by the NSSF, except for those H Shares to be converted from NSSF Subscription Shares pursuant to the State-owned Shares Transfer Approval, will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares. Subject to the same requisite approvals, procedural requirements and conditions applicable to the MOF as described above, such shares could be re-registered as H Shares and listed on the Hong Kong Stock Exchange. In accordance with the Share Subscription Agreement, the NSSF Subscription Shares held by the NSSF are subject to a lock-up period of three years from the date of a Qualified Initial Public Offering or five years commencing from the date of the Share Subscription Agreement (provided no Qualified Initial Public Offering within such five-year period). During the first year following the expiration of the lock-up period, the NSSF is allowed to transfer an aggregate of no more than 272,373,541 NSSF Subscription Shares, and during the second year of the expiration of the lock-up period, the NSSF is allowed to transfer an aggregate of no more than 544,747,082 NSSF Subscription Shares. Starting from the day following the second anniversary after the expiration of the lock-up period, the NSSF may transfer the NSSF Subscription Shares without restrictions or limitation. The NSSF is to notify our Company before any transfer of the NSSF Subscription Shares is made. As of the Latest Practicable Date, there are no pledges over or disputes on the NSSF Subscription Shares.

LOCK-UP PERIODS

The following table summarizes applicable lock-up periods to the MOF and the NSSF upon the completion of the Global Offering.

Name	Class	Number of shares (assuming no exercise of the H Share Over-allotment Option)	Number of shares (assuming full exercise of the H Share Over-allotment Option)	Applicable lock-up period
MOF	Domestic Shares	29,987,990,898	29,896,189,564	One year from the date of listing on the Hong Kong Stock Exchange
NSSF	Domestic Shares	3,813,238,785(1)	3,801,567,019(1)	Three years from the date of a Qualified Initial Public Offering or five years from the date of Share Subscription Agreement (provided no Qualified Initial Public Offering within such five-year period)
	H Shares	689,820,900(2)	793,294,000(2)	None

(1) NSSF Subscription Shares after deduction of H Shares converted therefrom.

(2) Shares transferred according to the State-owned Shares Transfer Approval.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange. However, the H Shares to be transferred by the MOF and the NSSF, respectively, to the NSSF in accordance with relevant PRC regulations regarding transfer of state-owned shares and calculated based on the Global Offering (see "Transfer of State-Owned Shares" below) are not subject to such statutory restrictions.

TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, the state-owned shareholders of our Company, namely the MOF and the NSSF, are required to transfer to the NSSF, in proportion to their respective holdings in our Company, such number of shares in aggregate equivalent to 10% of the number of the Offer Shares (being 6,898,209,000 H Shares before the exercise of the H Share Over-allotment Option, and an additional 1,034,731,000 H Shares upon the full exercise of the H Share Over-allotment Option) or pay the equivalent cash at the Offer Price under the Global Offering to the NSSF. In accordance with the State-owned Shares Transfer Approval, the MOF will transfer such number of shares to the NSSF (being 612,009,102 H Shares before the exercise of the H Share Over-allotment Option, and an additional 91,801,334 H Shares upon the full exercise of the H Share Over-allotment Option). The H Shares to be converted from the NSSF Subscription Shares held by the NSSF pursuant to the State-owned Share Transfer Approval amount to 77,811,798 H Shares before the exercise of the H Share Over-allotment Option, and an additional 11,671,766 H Shares upon the full exercise of the H Share Over-allotment Option. At the time of listing, such shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering. Our Company will not receive any proceeds from the transfer of H Shares by the state-owned shareholders to the NSSF or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned shares by our Company's state-owned shareholders to the NSSF was approved by the MOF on May 15, 2012. The conversion of those shares into H Shares was approved by the CSRC on June 20, 2012. We have been advised that the transfer and the conversion, and the holding of H Shares by the NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK$50 million.

Our Company has applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise, and the Hong Kong Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1) of the Listing Rules to accept that the minimum percentage of our H Shares held by the public from time to time shall be no less than 16.28% of the enlarged share capital of our Company immediately upon the completion of the Global Offering and 14.43% of the enlarged share capital of our Company upon the completion of the Global Offering and the A Share Offering. The H Shares that will be held by the NSSF and Tokio Marine (upon the completion of transfer of State-owned shares from MOF and the NSSF) will not be treated as Shares held in public hands for purposes of Rule 8.08(1).

Our Company will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of public float in successive annual reports after listing. In addition, our Company will, with a view to ensuring compliance with our obligations under the Listing Rules in relation to the minimum number of our H Shares which must be in public hands, (i) monitor our H Share register, relevant disclosures made under Part XV of the SFO and other relevant sources of information available to us and (ii) (if at any time we become aware that the number of H Shares which are in public hands is less than such minimum number) take such steps as are legally available to us to restore the number of H Shares in public hands to such minimum number.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Hong Kong Companies Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. Since most of the business operations of our Company and our subsidiaries are managed and conducted outside of Hong Kong, and substantially all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

(a) We have appointed Wu Yan, an executive Director and chairman of the Board of our Company, and Li Liangwen, an executive Director of our Company, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with their contact details, and they can be readily contactable in Hong Kong to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. We will implement such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to the authorized representatives; and (ii) in the event that a Director expects to travel and or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives.

(b) We have provided the Hong Kong Stock Exchange with the contact details of each Director to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period.

(c) We have appointed a compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Hong Kong Stock Exchange, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisor will have access at all times to the authorized representatives, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of our Company.

WAIVER OF PUBLIC FLOAT REQUIREMENTS

We have applied to the Hong Kong Stock Exchange (after taking into account the H Shares held by Tokio Marine after the Listing which will not be counted towards the public float) and the Hong Kong Stock Exchange has granted:

(a) its consent under Rule 8.08(1)(d) of the Listing Rules to allow the Company to have a total public float of less than 25% upon completion of the Global Offering (and before the A Share Offering) subject to the conditions that:

  (1) the total minimum public float shall be at the higher of (a) 16.28% and (b) the percentage after the exercise of the H Share Over-Allotment Option; and

  (2) we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of public float in successive annual reports after the Company's listing; and

(b) a waiver from strict compliance with Rule 8.08(1) to allow a reduced public float for the Company's H Shares (upon completion of both the Global Offering and the A Share Offering) subject to the conditions that:

  (1) the minimum public float for the H Shares shall be the higher of (a) 14.43% of the total issued Shares and (b) such a percentage of H Shares held by the public immediately after completion of the Global Offering and A Share Offering (as increased by the H Shares to be issued upon any exercise of the H Share Over-Allotment Option); and

  (2) the Company will make appropriate disclosure of the lower prescribed percentage of public float and lower percentage of the H Share public float (following the completion of the A Share Offering) in this prospectus and confirm sufficiency of public float and the H Share public float in successive annual reports after the Company's listing.

WAIVER IN RELATION TO CLAWBACK MECHANISM

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-subscription, the Underwriters' Representatives, after consultation with us, shall apply an alternative clawback mechanism to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists. For further information, please refer to the section entitled "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation."

WAIVER IN RELATION TO PUBLIC OFFERING WITHOUT LISTING IN JAPAN

As part of our International Placing, we are conducting a public offering without listing in Japan ("POWL"). In this connection, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, waivers in relation to the requirement under Rule 9.11(35)(b) of and paragraph 11 of Appendix 6 to the Listing Rules for each placing broker to provide a list setting out the names, addresses and identity card or passport numbers (where individuals) and the names, addresses and registration numbers (where companies) of all its placees, the names and addresses of the beneficial owners (in the case of nominee companies) and the amount of shares taken up by each of the placees. The application is made on the grounds that:

(a) the Offer Shares will be sold in Japan in a public offering governed by the applicable laws and regulations of Japan, with reasonable measures taken to ensure independence of the investors. The POWL offering is an offering to the public in Japan and there is no mechanism for the placees to be preferred; and

(b) the Company, the International Purchasers (which include the Joint Sponsors) and the POWL placing brokers will use their reasonable efforts to comply with Rule 9.11(35)(b) of and paragraph 11 of Appendix 6 to the Listing Rules in good faith. However, it would not be practicable and would be unduly burdensome for the Company, the International Purchasers and the POWL placing brokers to provide a detailed list of placees in full compliance with the requirement given the nature and mechanics of the distribution to the public in Japan under a POWL.

The waiver granted by the Hong Kong Stock Exchange is subject to the following conditions:

(i) each POWL placing broker will submit to the Hong Kong Stock Exchange a list setting out details of all the institutional placees under the POWL and the number of H Shares taken up by each of them as required under Rule 9.11(35)(b) of and paragraph 11 of Appendix 6 to the Listing Rules;

(ii) the POWL will be conducted in accordance with the laws and regulations of a public offering in Japan to ensure independence of investors;

(iii) the Company, the International Purchasers and the POWL placing brokers will use their reasonable efforts to comply with Rule 9.11(35)(b) of and paragraph 11 of Appendix 6 to the Listing Rules in good faith; and

(iv) the Joint Sponsors, the International Purchasers or the POWL placing brokers will confirm in writing to the Hong Kong Stock Exchange the independence of the POWL placees.

WAIVER IN RELATION TO RULE 10.08

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 10.08 of the Listing Rules such that the Company may proceed with the A Share Offering after the completion of the listing of the H Shares on the Hong Kong Stock Exchange on the basis that (i) the A Share Offering was agreed by the shareholders prior to the commencement of dealings of the H Shares on the Hong Kong Stock Exchange and (ii) details of the A Share Offering are disclosed in this prospectus. For further information on the A Share Offering, please refer to the section entitled "A Share Offering."

CORNERSTONE INVESTMENT BY TOKIO MARINE

According to Rule 9.09 of the Listing Rules, there must be no dealing in the H Shares by any of our connected person from four clear business days before the expected hearing date until Listing is granted.

Tokio Marine has entered into a cornerstone investment agreement with us pursuant to which Tokio Marine has agreed to subscribe for such number of H Shares (rounded down to the nearest board lot of 1,000 H Shares) as may be purchased with an amount up to US$50 million at the Offer Price. See "Our Cornerstone Investors — Our Cornerstone Investors — Tokio Marine" in this prospectus for further details of the subscription by Tokio Marine. Tokio Marine controls 17.46% of the equity interests of ZSIB, a subsidiary of the Company, and will constitute a connected person of the Company upon the Listing pursuant to Rule 14A.11 of the Listing Rules.

An application has been made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 9.09 of the Listing Rules in relation to the cornerstone investment by Tokio Marine on the basis that the cornerstone investment by Tokio Marine will not unduly prejudice the interests of the potential investors. Such waiver has been granted by the Hong Kong Stock Exchange on the condition that:

(i) Tokio Marine's cornerstone investment will be at the Offer Price and it will be subject to a lock-up period of six months; and

(ii) we will disclose details of Tokio Marine's cornerstone investment in this prospectus.

The H Shares held by Tokio Marine after the Listing will not be counted as part of the public float. We have made an application to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 8.08 of the Listing Rules, which took into account the H Shares held by Tokio Marine will not be counted as part of the public float. For further information, please refer to "Waivers from compliance with the Listing Rules — Waiver of Public Float Requirements".

The Cornerstone Placing

We have entered into cornerstone investment agreements with certain investors (the "Cornerstone Investors," each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of US$1,769 million (the "Cornerstone Placing"). Assuming an Offer Price of HK$3.42 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 4,009,377,000, representing approximately (i) 9.45% of the Shares in issue upon the completion of the Global Offering, assuming that the H Share Over-allotment Option is fully exercised; or (ii) 9.68% of the Shares in issue upon completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,676,152,000, representing approximately (i) 8.67% of the Shares in issue upon the completion of the Global Offering, assuming that the H Share Over-allotment Option is fully exercised; or (ii) 8.88% of the Shares in issue upon completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 3,402,492,000, representing approximately (i) 8.02% of the Shares in issue upon the completion of the Global Offering, assuming that the H Share Over-allotment Option is fully exercised; or (ii) 8.19% of the Shares in issue upon completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised.

Except for Tokio Marine as described further below, each of the Cornerstone Investors is an independent third party, independent of each other, not our connected person, and not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 6, 2012.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the other fully paid H Shares in issue and will (other than those subscribed by Tokio Marine) be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Upon the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become our substantial shareholder. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering — The Hong Kong Public Offering."

Our Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

American International Group, Inc.

American International Group, Inc. ("AIG") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$500 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that AIG would subscribe for would be 1,133,040,000 representing approximately 2.74% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that AIG would subscribe for would be 1,038,873,000, representing approximately 2.51% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that AIG would subscribe for would be 961,538,000 representing approximately 2.32% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

In addition to the six-month lock up described under the heading "Restrictions on disposal of H Shares by the Cornerstone Investors", AIG has agreed not to dispose of more than 25% of the H Shares it subscribes in the Global Offering without the Company's prior consent for a period of 5 years commencing on the Listing Date, except that following the end of six months after the Listing Date, it will be permitted to sell all H Shares it holds without any consent from the Company if definitive legal documentation has not been entered into for the establishment of the joint venture agency company as described below by May 31, 2013 or upon the occurrence of certain other events in connection with the proposed joint venture agency company.

AIG is a leading international insurance organization serving customers in more than 130 countries. AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG's common stock is listed on the New York Stock Exchange and the Tokyo Stock Exchange.

On November 21, 2012, the Company and PICC Life entered into a non-binding term sheet with AIG with respect to the proposed establishment of a nationwide joint venture agency company between PICC Life and AIG which plans to distribute life insurance and other insurance products through a specialized agency force with a focus on major cities throughout China and to engage in reinsurance and other related business cooperation.

China Life Insurance (Group) Company

China Life Insurance (Group) Company ("China Life") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 226,608,000 representing approximately 0.55% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 207,774,000 representing approximately 0.50% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of

HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 192,307,000 representing approximately 0.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

China Life, headquartered in Beijing, is a large state-owned financial and insurance company. Its subsidiaries include China Life Insurance Company Limited, China Life Asset Management Company Limited, China Life Property & Casualty Insurance Company Limited, China Life Pension Company Limited, China Life Insurance (Overseas) Company Limited, China Life Investment Holding Company Limited and Insurance Professional College. Its business covers life insurance, property & casualty insurance, pension plans (corporate annuity), asset management, industrial investment and overseas operations. Through capital operation, it has invested in several banks, security firms and other non-financial institutions. China Life Insurance (Group) Company and its subsidiaries constitute the largest commercial insurance group in the PRC. It is the only state-owned insurance group with assets exceeding RMB1 trillion. It is also one of the largest institutional investors in China's capital market.

China Export & Credit Insurance Corporation

China Export & Credit Insurance Corporation ("Sinosure") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Sinosure would subscribe for would be 226,608,000 representing approximately 0.55% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Sinosure would subscribe for would be 207,774,000, representing approximately 0.50% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Sinosure would subscribe for would be 192,307,000 representing approximately 0.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Established in December 2001, Sinosure is a state-funded policy-oriented insurance company with independent status of legal person, established for promoting China's foreign trade and economic cooperation.

Sinosure is mandated, in accordance with the Chinese government's diplomatic, international trade, industrial, fiscal and financial policies, to promote Chinese exports of goods, technologies and services, especially high-tech and high value-added capital goods like electromechanical products, and national enterprises' overseas investment, by means of export credit insurance against non-payment risks.

China Reinsurance (Group) Corporation and China Property & Casualty Reinsurance Company Ltd.

China Reinsurance (Group) Corporation ("China Re Group") and its subsidiary China Property & Casualty Reinsurance Company Ltd. ("CPCR") together have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$70 million (inclusive of brokerage fee, Hong Kong Exchange trading fee and SFC transaction levy) at the Offer Price. US$10 million of the investment will be made by China Re Group and remaining US$60 million by CPCR. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the two entities would subscribe for would be 157,042,000 representing approximately 0.38% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that these two entities would subscribe for would be 143,990,000, representing approximately 0.35% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the two entities would subscribe for would be 133,272,000 representing approximately 0.32% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

China Re Group is a state-owned professional reinsurance company incorporated in China. The Group was jointly founded by Ministry of Finance of China with 15.1% and Central Huijin Investment Corporation with 84.9%. China Re Group provides comprehensive products and services including not only reinsurance, but also direct insurance, asset management, insurance brokerage and insurance media service.

CPCR is one of the six subsidiaries of China Re Group. CPCR is principally engaged in P&C re-insurance, short term health and personal accident reinsurance and related consultancy and services. CPCR currently has branches in Shanghai and Shenzhen.

Scor SE

Scor SE ("SCOR") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H shares) that may be purchased for Hong Kong Dollar equivalent of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that SCOR would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that SCOR would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares outstanding immediately following the completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that SCOR would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

As the fifth largest reinsurer in the world, SCOR has a balanced business model with three powerful engines: SCOR Global Life (Life reinsurance), SCOR Global P&C (Non-Life reinsurance) and SCOR Global Investments (asset management). With the acquisition of Transamerica Re in August 2011, SCOR has further accelerated its development. All of the rating agencies have upgraded SCOR's ratings in 2012. SCOR recorded a premium income of EUR 7.2 billion for the first nine months of 2012 and shareholder equity of EUR 4.7 billion at September 30, 2012. SCOR's shares (Stock Code: SCR) are publicly traded on NYSE Euronext Paris and on SIX Swiss Exchange.

Tokio Marine & Nichido Fire Insurance Co., Ltd

Tokio Marine has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Tokio Marine would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Tokio Marine would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Tokio Marine would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Tokio Marine is a limited liability company incorporated in Japan with its principal business activities in property & casualty insurance. Tokio Marine is a wholly owned subsidiary of Tokio Marine Holdings, Inc. which, along with its subsidiaries and affiliates, (collectively, "Tokio Marine Group") is Japan's leading insurance group and was ranked 224 in fortune global 500 list, with a market capitalization of US$19.2 billion as of June 29, 2012 and US$33 billion of premiums for the fiscal year ended March 31, 2012. The antecedent Tokyo Marine insurance is the first insurance company (as the marine insurance company) in Japan. The Tokio Marine Group has a worldwide network throughout 38 countries/regions, 446 cities.

Tokio Marine, has maintained the same rating as the Japanese Sovereign rating. It has an S&P rating of AA-, a Moody's rating of Aa3 and an A.M.Best rating of A++. It also has been rated "Strong" in Enterprise Risk Management ("ERM") by S&P, which is the highest rating of any Japanese insurer, as ERM has been adopted and implemented throughout its operations and decision making process. Tokio Marine, which controls 17.46% equity interests in Zhongsheng International Insurance Brokers Co., LTD, is a substantial shareholder of one of our subsidiaries, therefore is our connected person under the Listing Rules. Shares held by Tokio Marine after the listing will not be counted as part of the public float.

Ingosstrakh Insurance Company

Ingosstrakh Insurance Company ("Ingosstrakh") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$25 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Ingosstrakh would subscribe for would be 56,652,000 representing approximately 0.14% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Ingosstrakh would subscribe for would be 51,943,000, representing approximately 0.13% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Ingosstrakh would subscribe for would be 48,076,000 representing approximately 0.12% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Ingosstrakh was registered in 1947 and operates under Russian Law. Ingosstrakh is one of the major Russian property and casualty insurers with a focus on Russian and CIS markets. Ingosstrakh subsidiaries are active in life and non-life insurance, medical services and investments. Ingosstrakh consolidated capital as per December 31, 2011 amounts to RUR23,980 million (US$760 million), gross written premiums total RUR57,560 million (US$1.8 billion).

State Grid Yingda International Holdings Corporation Ltd

State Grid Yingda International Holdings Corporation Ltd ("Yingda") as the beneficiary of an asset management arrangement, with GF Securities Co Ltd ("GF Securities") in the capacity of a qualified domestic institutional investor as asset manager and nominee of Yingda, has agreed to subscribe as the ultimate beneficial investor for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$300 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Yingda would subscribe for would be 679,824,000 representing approximately 1.64% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Yingda would subscribe for would be 623,324,000, representing approximately 1.51% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Yingda would subscribe for would be 576,923,000 representing approximately 1.39% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

GF Securities is a major securities company incorporated in China. Its business includes securities brokerage, securities investment advisory and related financial advisers and securities trading, securities investment activities, securities underwriting and sponsorship, securities proprietary trading, securities asset management, securities fund consignment intermediary business, acting as an intermediary for futures companies and securities margin trading.

Yingda is a wholly-owned subsidiary of State Grid Corporation of China. Its business includes the provision of investment and asset management services; asset custodial services; services for corporate restructuring, mergers and acquisitions and strategic placement; investment consulting service and investment advisory service.

China Aerospace Investment Holdings Ltd.

China Aerospace Investment Holdings Ltd. ("China Aerospace") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Aerospace would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Aerospace would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Aerospace would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

China Aerospace is a company incorporated in the PRC whose businesses include investment and asset management, the provision of corporate management advisory services, implementation of aerospace technology and the provision of technical consultancy and related services.

China Aerospace is controlled by China Aerospace Science and Technology Corporation, which is a large state-owned enterprise engaged in the research and development, manufacturing and sales of aerospace related products as well as provision of technical research services.

China Aerospace may obtain external financing from lenders (which may include affiliates of BOCI Asia Limited) to finance its subscription of H Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations. Under the financing arrangement, China Aerospace may be required to repay the loan before its maturity following the occurrence of certain customary events of default. The H Shares to be subscribed by China Aerospace will not be charged to the lenders as security for such loan.

China National Machinery Industry Corporation

China National Machinery Industry Corporation ("SINOMACH") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$75 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that SINOMACH would subscribe for would be 169,956,000 representing approximately 0.41% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that SINOMACH would subscribe for would be 155,831,000 representing approximately 0.38% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer

Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that SINOMACH would subscribe for would be 144,230,000 representing approximately 0.35% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

SINOMACH, established in January 1997, is a large state-owned enterprise approved by the State Council and administered by the SASAC. SINOMACH is a Global 500 enterprise. SINOMACH has the largest scale, widest diversification, most comprehensive lines of business, and the strongest R&D capabilities in the PRC machinery industry. SINOMACH devotes to two major industry areas, namely machinery manufacturing and manufacturing service industries, and focuses on developing three primary businesses including R&D and manufacturing of machinery, project contracting, and trade and services. It has service presence in a wide range of key national economic sectors, including industries, agriculture, transportation, energy, construction, light industries, automobile, ship-building, mining, metallurgy and aerospace industries. SINOMACH offers professional services to over 140 countries and regions around the world.

SINOMACH boasts a strong capacity in resource integration and utilization. Combining its profound R&D capabilities, extensive global marketing networks, strong financial strength, and project financing capabilities, SINOMACH has developed a comprehensive industrial chain that covers areas such as design, R&D, manufacturing, project contracting, system integration and international trade, and has unique business values and competitive market advantages.

Yue Xiu Securities Holdings Ltd.

Yue Xiu Securities Holdings Ltd. ("Yue Xiu") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Yue Xiu would subscribe for would be 226,608,000 representing approximately 0.55% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Yue Xiu would subscribe for would be 207,774,000, representing approximately 0.50% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Yue Xiu would subscribe for would be 192,307,000 representing approximately 0.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Yue Xiu is a wholly-owned subsidiary and the financial services arm of the Guangzhou Yue Xiu Holdings Limited ("Yue Xiu Holdings"). Yue Xiu Holdings, established with the approval of the Guangzhou Municipal People's Government and registered with the Guangzhou Administration for Industry and Commerce, is a state-owned corporation.

Yue Xiu Holdings' businesses include real estate, transportation, financial services, manufacture and other industries, holdings more than RMB100 billion assets. It is also a controlling shareholder in three publicly listed companies or trust in Hong Kong, namely, Yuexiu Property Company Ltd. (stock code: 00123. HK), Yuexiu Transport Infrastructure Limited (stock code: 01052. HK) and Yuexiu Real Estate Investment Trust (stock code: 0405. HK).

Zijin Mining Group Company Limited

Zijin Mining Group Company Limited ("Zijin") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Zijin would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Zijin would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Zijin would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Zijin is registered in China, with its head office in Shanghang County, Fujian province. Zijin's gold production is ranked No. 1 in China and it also mines other metals including copper, lead, zinc, tungsten, tin, silver and iron. Zijin's offshore operations are still at an early stage but it has a strong potential for growth in the years to come. Zijin is dual listed on the Hong Kong Stock Exchange (Stock Code: 02899) and the Shanghai Stock Exchange (Stock Code: 601899), with a market capitalization of over US$12 billion.

Fosun International Limited

Fosun International Limited ("Fosun") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$20 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fosun would subscribe for would be 45,321,000 representing approximately 0.11% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Fosun would subscribe for would be 41,554,000, representing approximately 0.10% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Fosun would subscribe for would be 38,461,000 representing approximately 0.09% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Fosun was incorporated in Hong Kong on December 24, 2004, and its shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 00656). Fosun is principally engaged in insurance, pharmaceuticals and healthcare, property, steel, mining, retail, services and financial investments and asset management.

Munsun Financial Investment Fund LP

Munsun Financial Investment Fund LP ("Munsun") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H shares) that may be purchased for Hong Kong Dollar equivalent of US$140 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Munsun would subscribe for would be 317,251,000 representing approximately 0.77% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Munsun would subscribe for would be 290,884,000, representing approximately 0.70% of the Shares outstanding immediately following the completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Munsun would subscribe for would be 269,230,000 representing approximately 0.65% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Munsun, a Cayman Islands exempted limited partnership, was formed on October 15, 2012, under and pursuant to the provisions of the Exempted Limited Partnership Law (2011 Revision) of the Cayman Islands. Munsun is managed by its General Partner, Munsun Assets Management Ltd.. Munsun Assets Management Ltd. manages a series of funds investing in clean energy industry, mining industry, high-end equipment industry and financial industry.

To finance the subscription, Munsun has arranged an initial loan of approximately US$40,000,000 with a tenure of not less than 6 months and not longer than 24 months with CCB International Securities Limited and all H Shares subscribed by Munsun will be charged to CCB International Securities Limited as security for such loan. Pursuant to the financing arrangements with CCB International Securities Limited, Munsun may be required to repay the loan before its maturity following the occurrence of certain customary events of default (including breach of loan to value triggers based on the Company's stock price). CCB International Securities Limited may therefore have the right to enforce their security interest in the H Shares subject to such charge at any time from and including the Listing Date upon the occurrence of certain customary events of default. CCB International Securities Limited has agreed with Munsun not to dispose of the collateral shares to third parties in the event of default until after the date falling six months after the Listing Date.

In October 2012, the Company entered into a non-binding memorandum of understanding with Shenzhen Munsun Asset Management Limited with respect to the establishment of a mutually beneficial strategic relationship.

China Southern International Select Allocation Fund

China Southern International Select Allocation Fund ("China Southern Fund") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Southern Fund would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Southern Fund would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Southern Fund would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

China Southern Fund is an open-end fund incorporated in China. It is a Qualified Domestic Institutional Investor Fund ("QDII Fund") managed by China Southern Fund Management Co Ltd., which is a fund management company incorporated in China and one of the largest asset management companies in China. China Southern Fund was officially launched on 19 September 2007 and was the first QDII Fund in China. It seeks to achieve stable investment returns through globalized asset allocation and management. It invests in Hong Kong equities as well as global ETFs and other stock oriented funds. It currently manages assets in the aggregate amount of about RMB15.5 billion. China Southern Fund is ultimately controlled by Huatai Securities Co., Ltd.

Founded in May 1991 in Nanjing, Huatai Securities Co., Ltd (Shanghai Stock Exchange Stock Code: 601688) is one of the first batch of comprehensive equity brokers approved by the China Securities Regulatory Commission, and one of the earliest equity brokers that has obtained the qualification of Innovative Test.

Huatai Securities Co., Ltd owns a number of subsidiaries, including China Southern Fund Management, Huatai-PineBridge Fund Management, Huaitai United Securities, Huatai Great Wall Futures, Huatai Financial Holdings (Hong Kong) Limited and Huatai Zijin Investment Co., Ltd. It is also the second largest shareholder of the Jiangsu Bank. It has already established an international holding platform that includes the business segments of brokerage, fund management, futures, direct investment and overseas businesses.

In October 2012, the Company entered into a non-binding memorandum of understanding with China Southern Fund Management Co. Ltd and CSOP Asset Management Limited with respect to the establishment of a mutually beneficial strategic relationship.

Zhongrong International Trust Co., Ltd

Zhongrong International Trust Co., Ltd. ("Zhongrong") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongrong would subscribe for would be 113,304,000 representing approximately 0.27% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongrong would subscribe for would be 103,887,000, representing approximately 0.25% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongrong would subscribe for would be 96,153,000 representing approximately 0.23% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Zhongrong is incorporated in the PRC with limited liability, and is registered at 33 Songshan Road, Nangang District, Harbin, China. The Zhongrong's principal activities are trust business.

The ultimate controlling shareholder of Zhongrong is Jingwei Textile Machinery Company Limited which is listed on the Hong Kong Stock Exchange (Stock Code: 00350). The company's principal activities are production of textile machinery and other machinery and electronic products.

Pinpoint Asset Management Limited

Pinpoint Asset Management Limited ("Pinpoint") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H shares) that may be purchased for Hong Kong Dollar equivalent of US$40 million at the Offer Price. Assuming an Offer Price of HK$3.42, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Pinpoint would subscribe for would be 90,643,000 representing approximately 0.22% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.73, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Pinpoint would subscribe for would be 83,109,000, representing approximately 0.20% of the Shares outstanding immediately following the completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Assuming an Offer Price of HK$4.03, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Pinpoint would subscribe for would be 76,923,000 representing approximately 0.19% of the Shares in issue immediately following the completion of the Global Offering assuming that the H Share Over-allotment Option is not exercised.

Pinpoint is the Investment Manager of Pinpoint China Fund, a Cayman Islands exempted company.

Pinpoint is a limited liability company incorporated in Hong Kong on June 4, 2010. It is licensed to conduct asset management business (type 9 regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) by the Securities and Futures Commission of Hong Kong.

We have applied to the Hong Kong Stock Exchange for, and have been granted by the Hong Kong Stock Exchange, a waiver from strict compliance with Rule 9.09 and Rule 8.08 of the Listing Rules in respect of the subscription by Tokio Marine. For further information please see "Waivers from Compliance with the Listing Rules — Cornerstone Investment by Tokio Marine."

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements; and

(2) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked.

The cornerstone investment agreements with Ingosstrakh and AIG are subject to the additional condition that the Offer Price will be within the Offer Price range set out in this prospectus.

Restrictions on disposal of H Shares by the Cornerstone Investors

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and certain Joint Bookrunners or their representatives, it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any legal or beneficial interests in the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (or any interest in any company or entity holding any of the H Shares), other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing to be, and such Cornerstone Investor undertakes in writing prior to such transfer to procure such subsidiary to be, bound by the Cornerstone Investor's obligations under the relevant investment agreement.

For the case of Munsun, please refer to the above disclosures for further details on the pledge of H Shares according to the relevant cornerstone investment agreement for the purposes of obtaining funding in its investments in our H Shares.

You should read the discussion and analysis of our results of operations and financial condition set forth below in conjunction with "Appendix I — Accountants' Report," together with the accompanying notes, which has been prepared in accordance with IFRS. The financial data contained in this section is prepared in accordance with IFRS, except for the solvency margin ratio, which is calculated in accordance with applicable CIRC guidelines and based on PRC GAAP. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections entitled "Forward-looking Statements" and "Risk Factors."

OVERVIEW

General

Founded in October 1949, we were the first national insurance company in the PRC and have developed into a leading large-scale integrated insurance financial group in the PRC, ranking 292nd on the Global 500 (2012) published by *Fortune* magazine. We offer a broad range of insurance products and services to individual and institutional customers through a nationwide distribution and service network. As of June 30, 2012, we had approximately 130 million individual insurance customers and approximately 2,416,000 institutional insurance customers. Based on our reputation accumulated over the past 63 years, our highly-recognizable "PICC" brand, efficient management of various business lines at the PICC Group level and synergistic operations of different business lines, we have attained a leading market position in the PRC and established strong competitive advantages.

We developed rapidly during the Track Record Period. Our total income was RMB157,565 million, RMB219,856 million, RMB236,291 million and RMB136,155 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, and increased at a CAGR of 22.5% from 2009 to 2011. Our net profit attributable to equity holders of the parent was RMB1,108 million, RMB3,987 million, RMB5,185 million and RMB4,923 million in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, and increased at a CAGR of 116.3% from 2009 to 2011. Our total assets were RMB306,343 million, RMB442,879 million, RMB585,152 million and RMB649,743 million as of December 31, 2009, 2010, 2011 and June 30, 2012, respectively, and increased at a CAGR of 38.2% from 2009 to 2011.

Principal Business Lines and Operating Segments

We divide our three principal business lines of P&C insurance, life and health insurance and asset management into four operating segments for reporting purposes:

- ***P&C Insurance Business***. Our P&C insurance business constitutes our P&C Insurance segment for reporting purposes and includes PICC P&C and PICC Hong Kong, in which we hold 68.98% and 75.0% equity interests, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, GWPs from our P&C insurance business were RMB119,920 million, RMB154,451 million, RMB174,092 million and RMB101,260 million, respectively, representing 71.1%, 67.3%, 69.9% and 67.9%, respectively, of our total GWPs in those periods.

- ***Life and Health Insurance Business***. Our life and health insurance business accounted for 28.9%, 32.7%, 30.1% and 32.1% of our total GWPs in 2009, 2010, 2011 and the six months ended June 30, 2012, respectively, and constitute two separate segments for reporting purposes:

  — ***Life Insurance Segment***. Our life insurance segment includes PICC Life, in which we hold an 80.0% equity interest directly and indirectly. In 2009, 2010, 2011 and the six months ended June 30, 2012, GWPs from our life insurance segment were RMB46,567 million, RMB72,127 million, RMB70,361 million and RMB42,667 million, respectively, representing 27.6%, 31.4%, 28.3% and 28.6%, respectively, of our total GWPs in those periods.

  — ***Health Insurance Segment***. Our health insurance segment includes PICC Health, in which we hold a 90.98% equity interest directly and indirectly. In 2009, 2010, 2011 and the six months ended June 30, 2012, GWPs from our health insurance segment were RMB2,070 million, RMB2,863 million, RMB4,596 million and RMB5,303 million, respectively, representing 1.2%, 1.2%, 1.8% and 3.6%, respectively, of our total GWPs in those periods.

- ***Asset Management Business.*** Our asset management business constitutes our asset management segment for reporting purposes and primarily includes PICC AMC and PICC Investment, which are 81.0% and 100.0% owned by us, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, total income from our asset management segment was RMB1,597 million, RMB1,603 million, RMB1,757 million and RMB1,003 million, respectively.

In addition, we derive income from our insurance brokerage services conducted through ZSIB, which is 82.54% owned by us. We hold a 32.92% equity interest as the largest shareholder in China Credit Trust. We derive a small amount of income from operations conducted at the headquarters level of the PICC Group.

KEY EXTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition are affected by a number of external factors, many of which may be beyond our control, including:

- economy, demographic conditions and socioeconomic policies in the PRC;
- the regulatory environment;
- the investment environment;
- fluctuations in market interest rates and inflation;
- claims frequency and severity; and
- the reinsurance market.

The Economy, Demographic Conditions and Socioeconomic Policies in the PRC

As we conduct most of our business and generate substantially all of our income in the PRC, our business, financial condition, results of operations and prospects are significantly affected by the economy, demographic conditions and socioeconomic policies in the PRC.

China's economy

Under the large-scale economic reforms implemented by the PRC Government, China's economy has achieved significant development over the past few decades and, in recent years, it has become one of the world's fastest growing economies. While economic growth slowed as a result of the global financial crisis which began in late 2008, China's economy has recovered more quickly than most other countries, with real GDP growth of 9.3% from 2010 to 2011, compared to 1.7% in the United States and 0.8% in the United Kingdom over the same period, according to the Sigma Report 2012. Major indicators of China's economic development include investment, exports and consumer spending. Each of these is described further below.

- Investment in fixed assets in the PRC has grown at rapid rates, reflecting China's rapid economic development and urbanization. According to the National Bureau of Statistics of China, aggregate fixed assets in the PRC increased from RMB11.0 trillion in 2006 to RMB27.8 trillion in 2010, representing a CAGR of 26.1%. In 2010, investment in the following types of infrastructure continued to grow at a rapid rate: (i) transportation, storage and postal services, (ii) water conservancy, environmental protection and public facilities management, and (iii) sanitary, social security and social welfare facilities, the CAGRs of which from 2006 to 2010 were approximately 25.5%, 32.1% and 28.8%, respectively. The PRC real estate industry has also experienced rapid and stable development. Total fixed asset investment in real estate in the PRC in 2010 was RMB6.5 trillion, and the gross floor area of completed construction grew to approximately 3,043 million square meters in 2010 from approximately 2,125 million square meters in 2006.

- According to the *Serial Report of the Economic and Social Accomplishments during the 11th Five-year Plan* published by the National Bureau of Statistics of China, the total volume of imports and exports from 2006 to 2010 amounted to US$11.7 trillion, representing an increase of 160% over the total volume of imports and exports from 2001 to 2005, and the volume of freight traffic in China increased to 32.4 billion tonnes in 2010 from 20.3 billion tonnes in 2006, representing a CAGR of 12.3%.

- China's rapid economic development has also led to significant and continuing increases in household disposable income and savings. According to the Research on the Development of China Insurance Industry published by the Economic Science Press, based on international experience, as a country's GDP per capita reaches US$3,000, it is expected to experience rapid growth of insurance business. As of December 31, 2011, the PRC's GDP per capita exceeded US$5,000. Chinese consumption patterns have shifted to spending on improvements to quality of life such as medical care for the elderly, healthcare and education.

The fast growth of the PRC economy has led to the robust growth of its insurance market, which has been one of the fastest growing insurance markets worldwide in the last ten years. According to the Sigma Report 2012, in 2011, in terms of total premiums, the PRC insurance market was the second largest in Asia and the sixth largest worldwide and was the second largest non-life insurance market (including accident and health insurance) in Asia and the sixth largest worldwide, as well as the second largest life insurance market (excluding accident and health insurance) in Asia and the fifth largest in the world. According to the Sigma Report 2012, from 2006 to 2011, total premiums from PRC non-life insurance business (including accident and health insurance) and PRC life insurance business (excluding accident and health insurance) grew at CAGRs of 27.7% and 24.5%, respectively. The rapid growth of China's economy and its insurance industry has increased demand for various types of insurance products including those insurance products that we offer. This increased demand affects our results of operations and financial condition primarily in the following ways:

- The rapid increase in automobile ownership has increased the demand for automobile insurance. According to the China Association of Automobile Manufacturers, the aggregate sales volumes of motor vehicles in China were 13.6 million, 18.1 million and 18.51 million vehicles in 2009, 2010 and 2011, respectively, and China ranked first worldwide for automobile sales volume from 2009 to 2011.
- Significant growth in the number and financial condition of enterprises has increased demand for P&C insurance. According to the National Bureau of Statistics of China, the number of enterprises with an annual revenue of more than RMB5 million increased to 452,872 in 2010 from 301,961 in 2006. As of December 31, 2010, the aggregate assets of such enterprises were approximately RMB59.3 trillion, representing a CAGR of 19.5% from 2006 to 2010.
- The relatively rapid growth of investment in fixed assets has increased demand for several types of insurance, including construction insurance, liability insurance, commercial property insurance and homeowner insurance.
- Rapid growth in foreign trade has increased demand for cargo insurance, export credit insurance, hull insurance and other related insurance business.
- The significant increases in household disposable income and savings have increased demand for (i) life and health insurance products with participating or similar investment features which could serve as investment options, (ii) insurance products with protection features and (iii) health insurance products.
- The PRC Government has also encouraged the promotion and innovation of certain specific insurance products and has adopted the relevant detailed implementation measures. For example, certain PRC Government policies have required the coal mining industry to adopt mandatory liability insurance on a trial basis, and the PRC Government has indicated that based on experience accumulated from such pilot programs similar liability insurance requirements may be expanded to other high-risk industries, to areas used by the public and to domestic and foreign tourism.

Demographic conditions

China's demography affects the demand for various types of insurance products, including those insurance products that we offer, which in turn affects our results of operations and financial condition. Significant demographic changes in the PRC include an increase in life expectancy, a decrease in birth rate, an aging population and a growth in the urban population. These changes are driving the willingness of an increasing number of PRC citizens to purchase insurance products with protection features and to invest in pension funds or retirement plans. This trend is expected to increase the demand for life and health insurance products and pension products. In addition, as the elderly population grows, China may undertake further measures to advance new healthcare reforms that will benefit the medical insurance business of professional commercial insurance companies.

Socioeconomic policies

The PRC is in the midst of social welfare reform, a result of which is that the PRC Government is gradually transforming the government-based social welfare system into one in which the government, private enterprises and individuals will share responsibility for social welfare. The PRC Government's reform of the pension system consists of gradually creating a multi-layer social welfare and security regime that includes basic social pension products, corporate supplementary pension products and commercial pension products. These social reforms have stimulated PRC consumers' demand for life insurance, health insurance, retirement planning and insurance-related products, thus further creating development opportunities for the PRC insurance industry. Furthermore, in order to reduce the social and economic disparity between urban and rural areas, the PRC Government has increased investment in rural areas and adopted various measures to support the economic development of "Sannong," and there is also an increasing demand for the agriculture and forestry insurance promoted by the growth of primary industry, which is expected to promote the growth of "Sannong" insurance. In addition, liability insurance is expected to have increased market opportunities as the PRC Government further improves public management functions such as environmental protection liability, food safety and public safety.

Although market demand for insurance products is subject to changes in general economic conditions such as inflation, consumer confidence, urbanization and corporate and government spending, we believe that the rapid growth of China's economy, significant demographic change and future reform and development of the pension system in the PRC may increase business opportunities for our various business lines. See the section entitled "The PRC Insurance Industry — Key Drivers of the PRC Insurance Industry's Development."

Regulatory Environment

Our business operations, which are conducted almost entirely in the PRC, are strictly regulated. See the section entitled "Supervision and Regulation." The PRC insurance regulatory regime has gradually improved and adopted more transparent regulatory processes to be consistent with international standards. Certain changes in regulations or regulatory requirements may significantly impact our revenues, expenses and profitability:

- **Restrictions on investment assets.** Restrictions on our investment assets are discussed below in the section entitled "— Key External Factors Affecting Our Results of Operations and Financial Condition — Investment Environment;"
- **Product pricing.** Our ability to price our products is regulated by the CIRC to a significant extent. Under applicable CIRC regulations, we must submit the terms and premium rates of certain insurance products to the CIRC for its review and approval, including but not limited to:
  - — insurance products relating to compulsory insurance;
  - — automobile insurance products;
  - — new types of life insurance products;
  - — non-life insurance products with investment features;
  - — guarantee insurance and credit insurance policies with terms exceeding one year; and
  - — products that affect public interests.

  See the section entitled "Supervision and Regulation — Terms and Premium Rates of Insurance."
- **Solvency margin requirements.** We and our PRC insurance subsidiaries (PICC P&C, PICC Life and PICC Health) are required by PRC laws and CIRC regulations to meet regulatory requirements on solvency margin. If we or our insurance subsidiaries fail to meet the relevant solvency margin requirements, the CIRC may impose a range of sanctions and regulatory measures. See the section entitled "Supervision and Regulation — Solvency Margin Ratio."

- **Regulatory supervision.** We must comply with the relevant laws, regulations and policies issued by the CIRC, the MOF, the PBOC, the CBRC and other government agencies including the State Administration of Taxation, the State Administration of Industry and Commerce and the NAO, which may affect our future prospects and profitability. For example:

  — The PRC began comprehensively implementing compulsory motor vehicle liability insurance in 2006. Any regulatory changes affecting, among others, the volume, loss ratio or expense ratio of compulsory motor vehicle liability insurance products, or any potential further regulatory changes, could affect our results of operations and profitability. See the section entitled "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in demand for motor vehicles in the PRC and the continuing change in the implementation of compulsory motor vehicle liability insurance in the PRC could have a material adverse effect on our business, financial condition, results of operations and prospects."

  — As part of ongoing efforts to improve market discipline in the PRC P&C insurance sector, the CIRC issued *the Work Plan on Further Regulating the Order of the P&C Insurance Market*, or Guideline No. 70, in 2008. Guideline No. 70 is designed to reduce irregularities and improve market discipline in the PRC P&C insurance market, and includes initiatives relating to the increased enforcement of regulations on insurance policy and premium rates, prohibitions on irregular premium discounts, prevention of fraudulent claims and promotion of standardized and strict reserving practices. Since the implementation of Guideline No. 70, the order of the PRC P&C insurance industry has improved.

  — On November 1, 2010, the CBRC issued the *Notice on Further Strengthening the Sales Compliance and Risk Management of the Bancassurance Business of Commercial Banks,* or Notice No. 90, and on March 7, 2011, the CIRC and the CBRC jointly issued the *Guidelines on Regulating the Bancassurance Business of Commercial Banks*, or the Bancassurance Guidelines. Notice No. 90 and the Bancassurance Guidelines have had, and are expected to continue to have, an impact on the way in which our insurance products are sold through bancassurance arrangements. For additional information on Notice No. 90 and the Bancassurance Guidelines and their impact on us, see the sections entitled "Supervision and Regulation — Insurance Agents and Insurance Brokers — Ancillary Insurance Agency Organizations — Bancassurance," "Risk Factors — Risks Relating to Our Business — Any termination of, or any adverse change to, our bancassurance arrangements may have a material adverse effect on our business, financial condition, results of operations and prospects" and "Business — Life and Health Insurance — Distribution — Bancassurance Channel."

  — In August 2008, the Ministry of Finance issued Interpretation No. 2, which requires companies with both A shares listed on a PRC stock exchange and H shares listed on the Hong Kong Stock Exchange to recognize, measure and report the same transactions with the same accounting policies and estimates unless an exemption is available under Interpretation No. 2. The CIRC subsequently issued a notice, which requires that, beginning with the financial statements for the year ending December 31, 2009, each PRC insurance company modify its existing accounting policies that may cause discrepancies in its financial reporting for purposes of A shares and H shares so as to eliminate such discrepancies. Specifically, the CIRC requires that (i) premium income be recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of different components of a contract, (ii) acquisition costs for new insurance contracts be expensed in the income statement for the current period, instead of being deferred and amortized over the expected life of such insurance contracts and (iii) actuarial reserves be measured based on the principle of "best estimates." We have considered these requirements in preparing our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

Investment Environment

Our investments are an integral part of our business and an important factor in the overall profitability of our P&C insurance and life and health insurance businesses.

Our return on investment is affected by restrictions on invested assets. Prior to 2004, insurance companies were only allowed to invest in central government bonds, financial bonds issued by policy banks, certain types of corporate bonds, securities investment funds and bank deposits. In recent years, the CIRC and other PRC regulatory authorities have expanded the scope of the use of insurance funds in which insurance companies are permitted to invest and, as a result, insurance companies are increasingly participating in a wider range of investment options which now include, among others, (i) common shares listed on a stock exchange in the PRC or certain designated foreign stock exchanges, (ii) infrastructure investment plans, (iii) equities of unlisted companies and (iv) offshore investments through insurance asset management companies and other professional investment institutions. In 2009, amendments to the PRC Insurance Law permitted, for the first time, PRC insurance companies to invest in real estate. Since 2010, the CIRC has promulgated a number of new rules to further relax the deployment of insurance funds in areas such as bond investment, equity investment, real properties investment, entrusted investment, insurance assets, financial products, infrastructure debt investment plans, overseas investment, financial derivatives trading and stock index futures trading. These rules are expected to, while maintaining effective risk management, further expand the scope and increase the categories of permitted investment for PRC insurance companies, increase the flexibility of insurance assets allocation, and further promote the marketization of regulation on insurance funds deployment. We intend to apply for the relevant investment qualifications to enter into new investment areas within the permitted scope, enhance the efficiency of our risk management and continue to optimize asset-liability matching in order to increase our investment returns. Although these reforms have provided us with more investment opportunities, the extent to which we may diversify our investment portfolio remains limited by the amount and proportion of insurance funds that can be invested in certain asset classes. See the section entitled "Supervision and Regulation — Use of Insurance Funds."

Our return on investment is also affected by changes in the investment environment including, in particular, the securities markets. Our concentration of investments in debt and equity securities within the PRC means that we are particularly exposed to fluctuations in the PRC securities markets. The PRC securities markets are in the process of development and improvement, and may be significantly affected by changes in laws, rules, regulations and government policies in the PRC. Furthermore, any potential market and economic downturns or other uncertainties in the PRC or overseas may exacerbate the risks relating to the PRC securities markets. These and other factors may from time to time result in significant price volatility, unexpected losses, investment impairments, lack of liquidity and may also affect our investment returns. See the section entitled "Risk Factors — Risks Relating to Our Business — Volatility in the PRC and other securities markets could result in lower returns or losses on our investment assets."

Fluctuations in Market Interest Rates and Inflation

The profitability of many of our products and our investment returns are highly sensitive to interest rate fluctuations.

During periods of rising interest rates, we expect an increase in interest income generated from fixed-income assets newly added to our investment portfolio and from our re-investment of maturing investment assets, as well as an increase in interest income from our floating rate assets. Rising interest rates could also lead policyholders to seek to buy products with perceived higher returns. Rising rates could also reduce the fair value of certain of our fixed-income assets.

A decline in interest rates could enhance the attractiveness of our life and health insurance products to consumers, leading to an increase in premiums received from, as well as a rise in persistency rates for, products with flexible payment features, and could also lead to an increase in the fair value of our fixed income assets. In addition, a decline in interest rates could result in a decrease in the interest income generated from fixed income assets newly added to our investment portfolio and from our re-investment of maturing investment assets, as well as a decrease in the interest income generated from floating rate assets in our investment portfolio. See the section entitled "Risk Factors — Risks Relating to the PRC Insurance Industry — Changes in market interest rates could have a material adverse effect on our business and profitability."

Holders of our participating and universal life insurance policies are credited with a portion of the investment returns earned by the invested assets. Since a substantial portion of these invested assets consist of fixed income assets, their returns are affected to a significant degree by fluctuations in market interest rates in the PRC.

Changes in inflation or deflation may affect market interest rates and consumer spending patterns, which in turn affect (i) demand for our insurance products and our written premium income, and our investment income and (ii) the pricing of claims settlements and the cost of benefits in our non-life insurance businesses. According to the National Bureau of Statistics of China, as measured by the General Consumer Price Index, China recorded inflation rates of approximately -0.7%, 3.3% and 5.4% in 2009, 2010 and 2011, respectively. In response to changing inflation or deflation, the PRC Government may implement macroeconomic control measures. In particular, the PBOC has on several occasions in the last two years raised the one-year deposit benchmark interest rate and adjusted the reserve requirement ratio applicable to major PRC banks. The macroeconomic measures adopted by the PRC Government may affect our financial condition and results of operations if they affect market interest rates, reduce disposable income or demand for insurance products. See the section entitled "Risk Factors — Risks Relating to the PRC — The PRC Government's implementation of macroeconomic control measures to manage inflation may affect future demand for insurance products and the deployment of insurance funds."

Claims Frequency and Severity

Our business experiences large-amount claims from unpredictable events that we insure. Such events include natural catastrophes (such as typhoons, floods, earthquakes and pandemics) and other accidents (such as fire and explosions), which may cause significant property damage and casualties.

For example, the frequency of claims from P&C insurance can vary significantly from year to year, as a result of the random occurrence of natural catastrophes such as earthquakes, typhoons, tsunamis, storms and floods or other major losses, such as those caused by fires, explosions or terrorist attacks. Further, some disasters, such as fires, explosions and typhoons, occur in small geographic areas, and some disasters, such as earthquakes and floods, may produce significant damage to large, heavily populated areas. Certain recent events, such as hurricanes and floods in southern China in 2010 resulted in a significant increase in our total claims incurred and benefits paid in that year. Operating results from our P&C insurance business can be adversely affected by a large number of claims brought about by a single event.

For our P&C insurance business, we price our products and allocate reserves for claims and claims adjustment expenses in accordance with industry practice and accounting and regulatory requirements. See the section entitled "— Critical Accounting Policies and Estimates — Insurance Contracts Liabilities — Claim Reserves." In addition, we manage our catastrophe risk through underwriting procedures, including the use of deductibles and specific exclusions for floods and earthquakes, as allowed, and other factors, through geographic exposure management and through reinsurance programs. Our results of operations from our P&C insurance business depend significantly upon the extent to which our actual claims experience is consistent with our projections and the assumptions we use in allocating claims reserves, our comparative premium adequacy levels and our effectiveness at managing catastrophe risk.

Our life and health insurance businesses are exposed to the risk of catastrophic mortality and illness, such as epidemics, pandemics or other events that cause a large number of hospitalizations and deaths. Significant influenza pandemics occurred three times in the last century, and in 2003 an outbreak of severe acute respiratory syndrome infected over 5,000 individuals and caused over 300 deaths in China. Neither the likelihood, timing, nor the severity of a future pandemic can be predicted. With respect to our insurance businesses, epidemics or death from catastrophes occurring in a location where our group insurance customers are located may result in large-amount claims that we would have to cover.

Reinsurance Market

We reinsure a portion of the risks we underwrite to reduce our risk exposure, to protect our capital resources and to maintain stability in our operations. Reinsurance is particularly important to the management of risks in our P&C insurance business, although the portion of risks that we reinsure varies by product line. See the section entitled "Business — P&C Insurance — Reinsurance."

We purchase treaty reinsurance, facultative reinsurance and catastrophe excess-of-loss reinsurance, among other things, from both domestic and international reinsurers. Premiums ceded to reinsurers in 2009, 2010, 2011 and the six months ended June 30, 2012 were RMB16,695 million, RMB18,155 million, RMB39,200 million and RMB16,168 million, respectively, representing 9.9%, 7.9%, 15.7% and 10.8%, respectively, of our total GWPs in those periods.

The reinsurance market is cyclical, with periodic fluctuations in underwriting capacity in the market affecting the price at which reinsurance can be obtained. Underwriting capacity and rates in the reinsurance market, which are determined largely by underwriting conditions in the international market, may not necessarily move in tandem with those in the domestic PRC direct insurance market. Scarcity of underwriting capacity in the reinsurance market leading to increases in reinsurance rates could raise the cost of reinsurance to us and potentially decrease our underwriting profit. Reinsurance rates have increased in recent years in response to terrorist attacks and the occurrence of major regional natural disasters.

In addition, although we seek to manage risk by entering into reinsurance arrangements only with reputable and creditworthy reinsurers, a default by any reinsurer because of risk management, solvency or other problems could expose us to losses and therefore have an adverse effect on our results of operations and financial condition.

INTERNAL FACTORS AFFECTING OUR PROFITABILITY

Our results of operations and financial condition, as well as our results from period-to-period, are also affected by numerous internal factors pertaining to how successful we are in conducting our business. Our profitability primarily depends on (i) our ability to price and manage risks on insurance products, (ii) our ability to innovate and effectively distribute insurance products and control distribution channels, (iii) interest-bearing assets and investment capabilities, (iv) actual experience relating to claims and (v) our ability to reduce cost and improve efficiency. Each of these is described in detail below:

- *Ability to price and manage risks on insurance products.* The profitability of our P&C insurance business is affected by fluctuations in premium rates, claims frequency and severity and rate of return on investment. Accordingly, when determining the premium rates of our P&C insurance products, we primarily consider the relevant regulatory requirements, claims frequency and severity, expenses related to marketing and promotion and claims payment, our desired margin, competition and the pricing of similar products in the market. Our ability to price and manage risks on our life and health insurance products primarily depends on our actual experience in our life and health insurance businesses relating to mortality and morbidity rates, as well as surrender and renewal rates. We price our life and health insurance products and establish our reserves based on many assumptions and estimates, including those for mortality rates, morbidity rates, expirations, surrenders, persistency, expense ratio and investment yield;

- *Ability to innovate and effectively distribute insurance products and control distribution channels*. To attract and retain customers, we need to design and introduce popular insurance products that meet the needs of diverse customers and that provide efficient and convenient service to customers and improve the management of customer service quality. We must also be committed to improving our ability to distribute products and services on a long-term basis by effectively managing distribution channels including cross-selling and Internet sales in a highly competitive market and by enhancing sales force training, improving sales skills and attracting, developing and retaining strong performers to ensure quality service at all levels of new distribution channels;

- *Interest-bearing assets and investment capabilities.* Investments are an integral part of our business. Our results of operations and financial condition as well as our future prospects are affected by the quality and performance of our investment portfolio. We strive to systemically manage our funds and thereby increase our interest-bearing assets. In addition, we manage our portfolio and optimize our returns within our risk parameters. The total investment yields of our Group were 5.4%, 5.2%, 3.6% and 4.5% (annualized)[(1)] in 2009, 2010, 2011, and the six months ended June 30, 2012, respectively;

- *Actual experience relating to claims and ability to manage risks*. Our profitability depends in part on our actual experience relating to claims, including the frequency and severity of catastrophic loss and our ability to manage risks, including managing the risks associated with the diversified growth of our insurance products and investments. Based on our business needs, we adjust our risk management policies, tools and procedures, including the management of our insurance products related to unpredictable catastrophes and other losses, and, design and arrange for reinsurance accordingly. Our P&C insurance business had loss ratios for 2009, 2010, 2011 and the six months ended June 30, 2012 of 69.1%, 67.3%, 65.8% and 61.4%, respectively; and

- *Ability to reduce cost and improve efficiency*. Our profitability is affected by our cost efficiency, which includes our ability to consolidate resources and our ability to utilize existing resources efficiently, among others. We strive to effectively control costs and increase our resource utilization rate by taking advantage of the synergies of our group-level management of branding, cross-selling, building organizational networks

(1) For convenience only, the total investment yield presented in the six months ended June 30, 2012 is an annualized amount derived by multiplying by two the actual total investment yield in the six months ended June 30, 2012, is not intended to be representative of what the total investment yield would be for the 12 months ending December 31, 2012 and is not comparable to the investment yield in the 12 months ended December 31, 2009, 2010 or 2011.

and information technology platform. For example, cost control from our P&C insurance business is primarily measured by an expense ratio. Our P&C insurance business had an expense ratio for 2009, 2010, 2011 and the six months ended June 30, 2012 of 33.1%, 30.3%, 28.3% and 31.0%, respectively.

PRINCIPAL CONSOLIDATED INCOME STATEMENT COMPONENTS

Gross Written Premiums (GWPs)

GWPs primarily include premiums written by us on P&C insurance contracts, life insurance contracts, accident and health insurance contracts issued or renewed for a given period, without deduction for premiums ceded by us to reinsurers. GWPs also include premiums ceded to us from other insurers in our inward reinsurance business.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers represent the portion of GWPs ceded to reinsurers who share part of the insured risk that we have assumed under our P&C insurance contracts and life and health insurance contracts.

Net Written Premiums

Net written premiums represent GWPs net of premiums ceded to reinsurers.

Change in Unearned Premium Reserves

Change in unearned premium reserves represents the reserves provided for the net written premiums (net of certain acquisition costs) relating to the unexpired terms of insurance at the end of the current period, less the reserves provided for the net written premiums (net of certain acquisition costs) relating to the expired terms of insurance coverage at the end of the previous period.

Net Earned Premiums

Net earned premiums represent net written premiums less change in unearned premium reserves.

Reinsurance Commission Income

Reinsurance commission income represents commission income, which we receive from reinsurers to whom we cede premiums.

Investment Income

Investment income primarily comprises (i) interest income from current and term deposits, debt securities and loans and receivables, (ii) operating lease income from investment properties, (iii) dividend income from equity securities, (iv) realized gains from debt and equity securities, (v) unrealized gains from financial assets carried at fair value through profit or loss and (vi) relevant impairment losses.

Other Income

Other income primarily includes (i) management fees charged to policyholders, (ii) disposal gains from properties and intangible assets and (iii) others.

Total Income

Total income represents the sum of (i) net earned premiums, (ii) reinsurance commission income, (iii) investment income and (iv) other income.

Claims and Policyholders' Benefits

Claims and policyholders' benefits include (i) life insurance death and other benefits paid, (ii) claims incurred, (iii) changes in long-term life insurance contract liabilities and (iv) policyholder dividends.

Life insurance death and other benefits paid represent death and other benefits, including maturities and surrenders, paid on long-term life insurance policies issued by us.

Claims incurred includes claims and claim adjustment expenses incurred on P&C insurance contracts, and short-term accident and health insurance, net of claims and claim adjustment expenses that are recoverable from reinsurers through preexisting reinsurance arrangements. Claims paid also include changes in our claim reserves.

Changes in long-term life insurance contract liabilities represent the increase in the liabilities with respect to life contracts and long-term health contracts issued by us, net of the portion of such increase in the liabilities that is assumed by our reinsurers through preexisting reinsurance arrangements. Changes in life contract liabilities also include changes in provisions made with respect to dividends payable on our participating life insurance products.

Policyholder dividends represent dividends payable on our participating life insurance products.

Handling Charges and Commissions

Handling charges and commissions include handling charges paid by us in the course of obtaining insurance contracts from individual insurance agents and commission expenses paid by us in the course of obtaining insurance contracts from insurance agencies and brokers.

Finance Costs

Finance costs mainly include interest credited to policyholders on investment contracts, interest expense paid on subordinated debt issued by us and securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses mainly represent wages, salaries and other employee benefit expenses, travel and conference fees, office expenses, operating lease expenses, marketing and promotion expenses, depreciation and amortization expenses and other administrative expenses, business taxes and surcharges, impairment losses on insurance receivables and other assets, handling fees and expenses for investment contracts and other non-operating expenses.

CURRENT TRADING

You should read the summary historical consolidated financial statements set forth below in conjunction with our consolidated financial information included in the Accountants' Report set forth in "Appendix I — Accountants' Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary historical consolidated income statements for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 and the selected consolidated statements of financial position as of December 31, 2009, 2010 and 2011 and June 30, 2012 set forth below are derived from our consolidated financial statements, including the notes thereto, set forth in "Appendix I — Accountants' Report." The unaudited consolidated income statements for the six months ended June 30, 2011 are derived from our unaudited consolidated financial information, including the notes thereto, set forth in "Appendix I — Accountants' Report."

SUMMARY HISTORICAL CONSOLIDATED INCOME STATEMENTS DATA

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(RMB in millions, except for earnings per share)				
Gross written premiums	168,552	229,440	249,047	138,201	149,224
Less: premiums ceded to reinsurers	(16,695)	(18,155)	(39,200)	(19,288)	(16,168)
Net written premiums	151,857	211,285	209,847	118,913	133,056
Change in unearned premium reserves	(10,302)	(14,204)	(3,499)	(7,888)	(13,803)
Net earned premiums	141,555	197,081	206,348	111,025	119,253
Reinsurance commission income	3,490	5,579	13,304	6,472	5,608
Investment income	9,899	14,205	13,799	7,601	10,258
Other income	2,621	2,991	2,840	1,418	1,036
Total income	157,565	219,856	236,291	126,516	136,155
Claims and policyholders' benefits	110,935	155,606	160,287	86,844	90,783
Life insurance death and other benefits paid	965	3,984	19,557	13,343	6,818
Claims incurred	65,988	84,726	90,082	44,237	46,673
Changes in long-term life insurance contract liabilities	43,856	65,919	48,254	27,951	35,750
Policyholder dividends	126	977	2,394	1,313	1,542
Handling charges and commissions	14,494	17,268	18,109	9,498	10,701
Finance costs	2,330	3,288	4,665	2,036	2,629
Exchange (gains)/losses, net	12	410	424	258	(32)
Other operating and administrative expenses	28,107	36,497	43,424	20,562	22,758
Total benefits, claims and expenses	155,878	213,069	226,909	119,198	126,839
Share of profit of associates	528	741	828	430	263
Profit before tax	2,215	7,528	10,210	7,748	9,579
Income tax expense	(464)	(1,681)	(2,313)	(1,738)	(2,435)
Net Profit	1,751	5,847	7,897	6,010	7,144
Attributable to:					
Equity holders of the parent	1,108	3,987	5,185	4,039	4,923
Non-controlling interests	643	1,860	2,712	1,971	2,221
Earnings per share					
Basic and diluted (in RMB)	0.04	0.13	0.16	0.13	0.14

SUMMARY HISTORICAL CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DATA

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Assets				
Cash and cash equivalents	36,116	40,498	55,333	69,887
Derivative financial assets	105	46	184	137
Debt securities	130,167	206,953	213,996	208,273
Equity securities	35,429	51,184	71,050	85,267
Equity and fund investments at fair value	32,671	49,037	59,997	71,191
Insurance receivables	17,466	10,320	23,437	34,653
Income tax receivables	—	—	—	240
Reinsurance assets	14,687	15,844	25,223	27,068
Term deposits	14,253	44,262	94,716	118,291
Restricted statutory deposits	3,912	4,589	7,635	7,922
Investments in associates	6,486	8,043	2,951	3,063
Investment properties	2,673	4,390	7,529	8,040
Property and equipment	13,753	18,366	19,060	19,317
Intangible assets	5,828	5,559	3,933	4,043
Deferred tax assets	498	2,271	2,826	1,931
Other assets	24,970	30,554	42,670	61,611
Assets of a disposal group classified as held for sale	—	—	14,609	—
Total assets	306,343	442,879	585,152	649,743

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Liabilities				
Securities sold under agreements to repurchase	11,360	29,713	54,080	66,850
Derivative financial liabilities	—	127	—	—
Income tax payable	72	863	520	52
Due to banks and other financial institutions	2,580	3,961	284	321
Subordinated debts	20,755	29,474	34,670	34,761
Insurance contracts liabilities	157,143	254,095	326,281	381,743
Investment contract liabilities for policyholders	31,663	41,253	49,156	48,013
Policyholder dividends payable	177	1,083	3,125	4,340
Pension benefit obligation	3,187	3,086	3,056	3,195
Deferred tax liabilities	1,263	1,592	36	38
Other liabilities	43,862	40,919	57,187	53,620
Liabilities directly associated with the assets classified as held for sale	—	—	8,822	—
Total liabilities	272,062	406,166	537,217	592,933
Equity				
Share capital	30,600	30,600	34,491	34,491
Reserves	(8,593)	(7,365)	(3,147)	5,244
Equity attributable to equity holders of the parent	22,007	23,235	31,344	39,735
Non-controlling interests	12,274	13,478	16,591	17,075
Total equity	34,281	36,713	47,935	56,810
Total equity and liabilities	306,343	442,879	585,152	649,743

FINANCIAL AND OPERATING RATIOS

	For the year ended December 31,			For the six months ended June 30,
	2009	2010	2011	2012(1)
Group				
Weighted average return on equity(2)	5.7%	17.6%	19.0%	27.7%
Return on average assets(3)	0.6%	1.6%	1.5%	2.3%
Total investment yield(4)	5.4%	5.2%	3.6%	4.5%
Net investment yield(5)	3.3%	3.6%	4.3%	4.5%
P&C insurance				
Growth ratio of retained premiums(6)	33.5%	32.9%	-0.5%	18.0%
Retention ratio(7)	86.3%	89.0%	78.6%	85.7%
Loss ratio	69.1%	67.3%	65.8%	61.4%
Expense ratio	33.1%	30.3%	28.3%	31.0%
Combined ratio	102.2%	97.6%	94.0%	92.4%
Total investment yield(4)	4.9%	3.8%	2.3%	3.8%
Life insurance				
Growth ratio of retained premiums(6)	756.3%	54.9%	-2.6%	-2.5%
Surrender ratio(8)	0.9%	1.8%	3.8%	2.8%
Total investment yield(4)	6.2%	6.3%	4.5%	4.8%
Health insurance				
Growth ratio of retained premiums(6)	-84.8%	-10.9%	63.3%	114.8%
Surrender ratio(8)	1.4%	0.7%	0.2%	0.8%
Total investment yield(4)	6.8%	6.1%	3.1%	1.9%

(1) For convenience only, the ratios of weighted average return on equity, return on average assets, total investment yield and net investment yield in the six months ended June 30, 2012 presented above are annualized amounts derived by multiplying by two the actual ratios in the six months ended June 30, 2012, are not intended to be representative of what the ratios would be for the 12 months ending December 31, 2012 and are not comparable to the ratios in the 12 months ended December 31, 2009, 2010 or 2011. The surrender ratio in the six months ended June 30, 2012 has not been annualized.

(2) Ratio of net profit to balance of weighted average equity calculated pursuant to CSRC's Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Return on Equity and Earnings per Shares (2010 Revision), as amended on January 11, 2010.

(3) Ratio of net profit to average balance of total assets as of the beginning and end of the period.

(4) Ratio of total investment income to the average of investment assets as of the beginning and end of the period. See the section entitled "Business — Asset Management — Our Portfolio Composition" for information regarding the composition of our investment portfolio and other information relating to our investment assets.

Total investment income equals the sum of investment income and income from investment in associates, net of interest expenses on securities sold under agreements to repurchase.

Investment assets equals the sum of cash and cash equivalents, debt securities assets (including term deposits, bonds, and other fixed income assets such as loans and refundable deposits), equity securities assets (including funds, stocks and others), investment properties, derivative financial assets, subordinated debts, and investment in associates, net of securities sold under agreements to repurchase.

(5) Ratio of net investment income to the average of investment assets as of the beginning and end of the period.

(6) Ratio of the difference of retained premiums of the current period and the previous period divided by retained premiums of the previous period. Retained premiums is equal to GWPs net of premiums ceded to reinsurers.

(7) Ratio of net written premiums to GWPs.

(8) Ratio of surrender amount for the current period to the sum of the reserves for long-term life insurance and health insurance liabilities at the beginning of the period and GWPs from life insurance and long-term health insurance for the current period.

Group

In 2009, 2010 and 2011 and the six months ended June 30, 2012, weighted average return on equity of the Group was 5.7%, 17.6%, 19.0% and 27.7% (annualized),[(1)] respectively. The increase in weighted average return on equity of the Group over the Track Record Period was primarily due to the growth of our net profit outpacing the growth of our net assets, as well as the overall improvement in the profitability of our P&C insurance and life insurance segments, and the increased net investment yield and underwriting quality of our Group. During the Track Record Period, our Group was able to capture market opportunities and take advantage of synergistic operations of our P&C insurance and life and health insurance business lines. The rapid growth of our insurance businesses has resulted in an increase in the scale of investment assets and investment income. In the meantime, we have enhanced our budget management and cost control over our administrative expenses and sales costs.

In 2009, 2010, 2011 and the six months ended June 30, 2012, return on average assets of the Group was 0.6%, 1.6%, 1.5% and 2.3% (annualized),[(1)] respectively. The significant increase in return on average assets of the Group from December 31, 2011 to June 30, 2012 was primarily due to the steady growth of our P&C insurance business, the significant increase in profitability in our life insurance business, and our improved efficiency in asset utilization. Return on average assets of the Group was relatively stable in 2011 compared to 2010. The increase in return on average assets of the Group from 2009 to 2010 was primarily due to the fast growth of our business that mainly resulted from our ability to capture market opportunities and proper market positioning, as well as our improved cost efficiency.

P&C Insurance

In 2009, 2010, 2011 and the six months ended June 30, 2012, the growth ratio of retained premiums of our P&C insurance segment was 33.5%, 32.9%, -0.5% and 18.0%, respectively. The increase in growth ratio of retained premiums of our P&C insurance segment in the six months ended June 30, 2012 compared to the 12 months ended December 31, 2011 was primarily because our P&C insurance segment proactively developed its business and further enhanced its business strength and quality. As a result, our P&C insurance segment reduced cession ratio accordingly. The growth ratio of retained premiums of our P&C insurance segment declined in 2011 compared to 2010 primarily because we increased cession ratio in our P&C insurance business while rapidly growing our P&C insurance business. The growth ratio of retained premiums of our P&C insurance segment in 2009 and 2010 were relatively stable.

In 2009, 2010, 2011 and the six months ended June 30, 2012, the retention ratio of our P&C insurance segment was 86.3%, 89.0%, 78.6% and 85.7%, respectively. The increase in retention ratio of our P&C insurance segment in the six months ended June 30, 2012 compared to the 12 months ended December 31, 2011 was primarily because our P&C insurance segment enhanced its business strength and quality. As a result, our P&C insurance segment reduced cession ratio accordingly. The decline in retention ratio of our P&C insurance segment from 2011 to 2010 was primarily because we increased the cession ratio in our P&C insurance business as we aim to continue healthy and steady development of our business while rapidly growing our P&C insurance segment. The retention ratio of our P&C insurance segment from 2009 to 2010 was relatively stable.

(1) For convenience only, the weighted average return on equity and return on average assets data presented in the six months ended June 30, 2012 are annualized amounts derived by multiplying by two the actual amounts in the six months ended June 30, 2012, are not intended to be representative of what such ratios would be for the 12 months ending December 31, 2012 and are not comparable to the data in the 12 months ended December 31, 2009, 2010 or 2011.

In 2009, 2010, 2011 and the six months ended June 30, 2012, the combined ratio of our P&C insurance segment were 102.2%, 97.6%, 94.0% and 92.4%, respectively. The declines in the combined ratio of our P&C insurance segment during the Track Record Period were primarily due to our implementation of more stringent underwriting and risk selection procedures, our enhanced underwriting and claims management, our improved cost control resulting from the strengthening of business management and budgeting, as well as our efforts to increase the efficiency of our resource utilization.

Life Insurance

In 2009, 2010, 2011 and the six months ended June 30, 2012, the growth ratio of retained premiums of our life insurance segment was 756.3%, 54.9%, -2.6% and -2.5%, respectively. The decline in the growth ratio of retained premiums of our life insurance segment in 2011 and the six months ended June 30, 2012 was primarily due to a decrease in GWPs attributable to bancassurance distribution channel resulting from the adverse changes in macroeconomic policies, interest rate environment and the implementation of the New Policy on bancassurance business. These unfavorable factors were partially offset by an increase in sales from our efforts to develop diversified distribution channels and promote cross-selling. The growth ratio of retained premiums of our life insurance segment increased in 2009 and 2010 primarily because we took advantage of low benchmark interest rates and low fixed rates of return on our life insurance products which had the effect of increasing demand for participating life insurance products. See the section entitled "Business — Life and Health Insurance — Life Insurance Products — Participating Life Insurance" for more information.

In 2009, 2010, 2011 and the six months ended June 30, 2012, the surrender ratio of our life insurance segment was 0.9%, 1.8%, 3.8% and 2.8%, respectively. The increase in the surrender ratio of our life insurance segment was primarily due to (i) the PRC Government shifting its monetary policy from "moderately loose" to "tight" during the Track Record Period, and (ii) the rising surrender ratio in China's life insurance industry (including us) since 2011 mainly resulting from the downturn of China's capital markets and the issuance of various other types of financial products competing with insurance products.

Health Insurance

In 2009, 2010, 2011 and the six months ended June 30, 2012, the growth ratio of retained premiums of our health insurance segment was -84.8%, -10.9%, 63.3% and 114.8%, respectively. The increase in growth ratio of retained premiums of our health insurance segment in the six months ended June 30, 2012 was primarily due to an increase in GWPs attributable to our health insurance segment mainly resulting from the rapid growth of our participating insurance products and our Supplemental Basic Medical Care Insurance. The increase in the growth ratio of retained premiums of our health insurance segment in 2011 was primarily due to our active participation in medical security reform in China through the expansion of the "Zhanjiang Model" of Supplemental Basic Medical Care Insurance. At the same time, the CIRC in September 2011 approved our health insurance segment to sell participating insurance products on a pilot basis. We also increased our sales in accident insurance. The decline in growth ratio of retained premiums of our health insurance segment in 2010 was primarily due to an increase in the proportion of premiums ceded to reinsurers in relation to our Supplemental Basic Medical Care Insurance. The decline in the growth ratio of retained premiums of our health insurance segment in 2009 was primarily due to the adjustment of the structure of our health insurance business.

In 2009, 2010, 2011 and the six months ended June 30, 2012, the surrender ratio of our health insurance segment was 1.4%, 0.7%, 0.2% and 0.8%, respectively. The increase in the surrender ratio of our health insurance segment for the six months ended June 30, 2012 was primarily due to a significant increase in GWPs attributable to participating insurance products. The declines in surrender ratio of our health insurance segment from 2009 to 2011 were primarily due to our enhanced sales and services in our health insurance segment.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, other primary statements and notes to the consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows. For more information regarding our significant accounting policies, see Note 3 to the Accountants' Report set forth in Appendix I to this prospectus.

Certain accounting estimates and judgments are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management's current judgments. For more information regarding the summary of significant accounting judgments and estimates, see Note 4 to the Accountants' Report set forth in Appendix I to this prospectus.

Contract Classification

We issue insurance policies that transfer insurance risk or financial risk or both to us. The insurance policies we issue are classified as insurance contracts and investment contacts. Insurance contracts are those contracts that transfer significant insurance risk from the policyholders to us. They may also transfer certain insignificant financial risk. Investment contracts are those contracts that transfer financial risk without significant insurance risk.

Insurance Contracts Liabilities

Our insurance contract liabilities include claims reserves, unearned premium reserves and long-term life insurance policyholders' reserves.

We measure insurance contract liabilities based on a reasonable estimate of amount of payments when we fulfill the relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e., the expected future net cash outflows. Expected future cash outflows represent reasonable cash outflows which are necessary for us to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include (i) guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits, (ii) non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends and (iii) reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses. Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges. We estimate the expected future net cash flows based on information currently available as of the date of the balance sheet.

When we determine insurance contract liabilities, we consider margins and measure them separately. Margins are amortized and recognized in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin. Risk margin represents provision for the uncertainty associated with the future net cash flows. At inception of an insurance contract, we will not recognize any "day-one" gain in the income statement, but will include liabilities as a residual margin in the insurance contract. At inception of an insurance contract, we recognize any "day-one" loss in the income statement. Any residual margin is subsequently measured based on the assumptions of the years when the policies become effective, and will not be adjusted for future change in assumptions. For P&C insurance contracts, we amortize the residual margin on a timely basis during the whole insurance coverage period and record it in profit or loss. For life insurance contracts, we amortize the residual margin on the basis of the sums insured or the release of risk margin during the whole insurance coverage period.

When we determine insurance contract liabilities, we also consider the time value of money. The related future cash flows are discounted when the impact of the time value of money is significant. For short-duration contracts whose duration is within one year, the cash flows are not discounted. We determine the discount rates used in the measurement of the time value of money with reference to information currently available as of the date of the balance sheet and is not locked.

When we determine insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew the policy ceases if the probability that the policyholders may execute the option is high and we do not have the right to re-price the premium.

Unearned Premium Reserves

Unearned premium reserves are provided for unexpired insurance obligations of P&C insurance, accidental injury insurance and short-term life and health insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for fees and commissions, business tax, insurance guarantee fund, regulatory charges and other incremental costs. Subsequent to the initial recognition, unearned premium reserves are measured on a 1/365 or 1/24 basis.

Claim Reserves

Claim reserves are insurance contract liabilities provided for insurance claims of our P&C insurance contracts, accidental injury insurance and short-term life and health insurance contracts.

Claim reserves include (i) incurred and reported reserves, (ii) IBNR reserves and (iii) loss adjustment reserves. We measure incurred and reported reserves not higher than the sum insured of the insurance contracts. Based on our estimate of the ultimate claim amount and margins, we use the case-by-case method and payment per claim incurred method to establish incurred and reported reserves. We measure IBNR reserves based on a number of factors such as the nature and distribution of insurance risks, claims development and experience data. Based on our reasonable estimate of ultimate claim amount and margins, we use the chain ladder method, Bornhuetter-Ferguson method and other methods. We measure the loss adjustment reserve based on our reasonable estimate of the ultimate necessary claim expenses in the future by using the case-by-case method and ratio allocation method.

Long-Term Life Insurance Policyholders' Reserves

Long-term life insurance policyholders' reserves are insurance contract liabilities provided for long-term life and health insurance contracts. We determine risk margins of long-term life insurance policyholders' reserve by using the cost of capital method. Cost of capital is the cost of holding the corresponding capital to guarantee full confidence of policyholders to fulfill their obligations.

To measure the long-term life insurance policyholders' reserve, we apply certain assumptions, which include assumptions regarding insurance accident occurrence rates, lapse and surrender rates, expense assumptions, assumptions of insurance policy dividends and a discount rate assumption. In deriving these assumptions, we use information currently available as of the date of the balance sheet.

Liability Adequacy Test

We perform a liability adequacy test on the unearned premium reserve, claim reserve and long-term life insurance policyholders' reserves as of the date of the balance sheet. We assess the adequacy of insurance contract liabilities by recalculating the insurance contract liability on the date of the liability adequacy test and using the insurance actuarial methods described above. If the amount of insurance contract liability exceeds the carrying amounts, we will make an additional provision based on the difference. Otherwise, we make no adjustment of provision for the respective insurance contract liabilities.

Investment Contract Liabilities

Investment contract liabilities are recognized when contracts are entered into and premiums are charged. We do not recognize premium receipts as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment-type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities. We recognize charges including policy administration fees as other income during the period of service provided.

Reinsurance

We cede part of insurance risk in the normal course of business. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

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

Ceded reinsurance arrangements do not relieve us from obligations to our policyholders. We assume reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, considering the product classification of the reinsured business. Reinsurance liabilities primarily represent balances due to reinsurance companies for ceded insurance liabilities. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Revenue Recognition

Gross Written Premiums

Gross written premiums for P&C insurance comprise the total premiums receivable for the whole period of coverage provided by contracts entered into during the accounting period and are recognized on the date on which the policy commences. We recognize gross written premiums on recurring life and health contracts as revenue when they are payable by the policyholder. We recognize revenue from single premium business on the date on which the policy is effective.

Income from Investment Contracts

Investment contracts policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. We recognize these fees as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those periods.

Investment Income

We calculate interest income using the effective interest rate method, and we recognize interest income in the income statement as it accrues. We recognize dividends as investment income when the right to receive payment is established.

Benefits, Claims and Expenses Recognition

Gross Benefits and Claims

Gross benefits and claims include the cost of all claims arising during the year including internal and external claim handling costs that are directly related to the processing and settlement of claims and policyholder dividends declared on long-term life and health insurance contracts with discretionary participation features, as well as changes in the gross valuation of insurance contract liabilities. Death claims and surrenders are recorded on the basis of notification received. Maturities and annuity payments are recorded when due.

Reinsurance Claims

We recognize reinsurance claims when the related gross insurance claims are recognized according to the terms of the relevant contract.

Finance Costs

We calculate interest paid using the effective interest rate method, and we recognize interest paid in the income statement as it accrues.

Classification and Fair Value of Financial Instruments

We classify our investment in financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. We determine the classification of our financial assets at initial recognition. Related transaction costs of financial assets at fair value through profit or loss are directly included in the income statement. Related transaction costs for other categories of financial assets are included in the initially recognized amount.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities at the close of business as of the date of the balance sheet. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's-length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. The use of different pricing models and assumptions could produce materially different estimates of fair values.

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

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

Impairment of Available-for-Sale Equity Financial Instruments

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, we consider quantitative and qualitative evidence. We collectively consider the magnitude of the decline in fair value relative to cost, volatility and the duration of the decline in evaluating whether a decline in fair value is significant. We also consider the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

We also consider qualitative evidence, including but not limited to (i) significant financial difficulty of the investee, including failure to comply with contractual obligations, financial restructuring, deterioration of going concern expectations and (ii) adverse changes relative to the investee's technology, market, customer base, macroeconomic indicators relative to its business and significant legal or regulatory matters.

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable for foreign currency changes, are also recognized in profit or loss until the asset is derecognized.

CONSOLIDATED GROUP RESULTS OF OPERATIONS

Years Ended December 31, 2009, 2010 and 2011

Gross Written Premiums

Our GWPs grew by 8.5% to RMB249,047 million in 2011 from RMB229,440 million in 2010, primarily due to our proactive measures to promote the development of our business. GWPs attributable to our P&C insurance segment grew by 12.7% to RMB174,092 million in 2011 from RMB154,451 million in 2010, primarily due to an increase in GWPs received from motor vehicle insurance. GWPs attributable to our life and health insurance segments were RMB74,990 million and RMB74,957 million in 2010 and 2011, respectively. GWPs for our life and health insurance segments remained relatively stable in spite of a number of unfavorable factors affecting the PRC insurance industry in 2011, including changes in macroeconomic policies and interest rates and the impact of the implementation of the New Policy on bancassurance business.

Our GWPs grew by 36.1% to RMB229,440 million in 2010 from RMB168,552 million in 2009, due to the growth of our P&C and life and health insurance businesses as we took advantage of growth in the PRC economy and opportunities in the PRC insurance market to grow our life and health insurance business while maintaining our leading position in the P&C insurance market and to improve our operating efficiency. GWPs attributable to our P&C insurance segment grew by 28.8% to RMB154,451 million in 2010 from RMB119,920 million in 2009. GWPs attributable to our life and health insurance segments grew by 54.2% to RMB74,990 million in 2010 from RMB48,637 million in 2009.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers increased by 115.9% to RMB39,200 million in 2011 from RMB18,155 million in 2010, primarily because we increased cession ratio in our P&C insurance segment in order to continue the healthy and steady development of our business, particularly our P&C insurance business. Premiums ceded to reinsurers for our P&C insurance segment increased by 119.6% to RMB37,219 million in 2011 from RMB16,948 million in 2010.

Premiums ceded to reinsurers increased by 8.7% to RMB18,155 million in 2010 from RMB16,695 million in 2009, primarily due to an increase in premiums ceded to reinsurers for our P&C insurance and health insurance segments. Premiums ceded to reinsurers for our P&C insurance segment increased by 2.8% to RMB16,948 million in 2010 from RMB16,484 million in 2009. Premiums ceded to reinsurers for our health segment increased significantly to RMB1,205 million in 2010 from RMB209 million in 2009.

Net Written Premiums

As a result of the foregoing, our net written premiums decreased slightly by 0.7% to RMB209,847 million in 2011 from RMB211,285 million in 2010 and increased by 39.1% to RMB211,285 million in 2010 from RMB151,857 million in 2009.

Change in Unearned Premium Reserves

Change in unearned premium reserves was an increase of RMB3,499 million in 2011 and an increase of RMB14,204 million in 2010. The change was in line with the growth of our business and the change in cession ratio during the same period.

Change in unearned premium reserves was an increase of RMB14,204 million in 2010 and an increase of RMB10,302 million in 2009. The change was in line with the growth of our business and the change in cession ratio during the same period.

Net Earned Premiums

As a result of the foregoing, our net earned premiums increased by 4.7% to RMB206,348 million in 2011 from RMB197,081 million in 2010 and increased by 39.2% to RMB197,081 million in 2010 from RMB141,555 million in 2009.

Reinsurance Commission Income

Reinsurance commission income increased by 138.5% to RMB13,304 million in 2011 from RMB5,579 million in 2010, which was in line with the change in cession ratio during the same period.

Reinsurance commission income increased by 59.9% to RMB5,579 million in 2010 from RMB3,490 million in 2009, which was in line with the change in cession ratio during the same period.

Investment Income

Investment income decreased by 2.9% to RMB13,799 million in 2011 from RMB14,205 million in 2010. This decrease was primarily due to (i) a change of realized losses of RMB9 million in 2011 compared to realized gains of RMB5,302 million in 2010 and (ii) an increase in impairment losses on financial assets to RMB2,591 million in 2011 from RMB591 million in 2010, partially offset by (i) an increase in interest income to RMB14,140 million in 2011 from RMB8,416 million in 2010, (ii) an increase in dividend income from equity securities to RMB1,975 million in 2011 from RMB1,011 million in 2010 and (iii) a change in fair value gains to RMB32 million in 2011 compared to fair value losses of RMB160 million in 2010. During the downturn of capital markets and falling stock indices in China in 2011, investment income was relatively flat because we continued the growth of our investment assets promoted by the growth of our P&C and life insurance businesses, adopted prudent investment strategies and increased the proportion of fixed-income assets including negotiated deposits.

Investment income increased by 43.5% to RMB14,205 million in 2010 from RMB9,899 million in 2009. This increase primarily reflected (i) an increase in interest income to RMB8,416 million in 2010 from RMB5,193 million in 2009, (ii) an increase in realized gains to RMB5,302 million in 2010 from RMB3,576 million in 2009, (iii) an increase in dividend income from equity securities to RMB1,011 million in 2010 from RMB555 million in 2009 and (iv) fair value losses of RMB160 million in 2010 compared to fair value gains of RMB419 million in 2009. Investment income increased from 2009 to 2010 mainly due to (i) the rapid growth of our P&C insurance business and our life and health insurance business which increased our total funds available for investment and (ii) our strengthened centralized fund management and continued efforts to optimize our investment portfolio, which, we believe, improved the efficiency of our fund allocation and increased our returns.

Other Income

Other income decreased by 5.0% to RMB2,840 million in 2011 from RMB2,991 million in 2010, primarily due to a slight decrease in the management fee charged to policyholders.

Other income increased by 14.1% to RMB2,991 million in 2010 from RMB2,621 million in 2009, primarily due to (i) an increase in handling fees for withholding vehicle and vessel taxes and (ii) an increase in the management fee charged to policyholders and policy initiation fees from universal life insurance products.

Total Income

As a result of the foregoing, our total income increased by 7.5% to RMB236,291 million in 2011 from RMB219,856 million in 2010, which in turn was an increase of 39.5% from RMB157,565 million in 2009.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 3.0% to RMB160,287 million in 2011 from RMB155,606 million in 2010, primarily due to an increase in claims incurred resulting from the growth of our P&C insurance segment which was partly offset by a slight decrease in life and health insurance segments claims and policyholders' benefits paid. Claims incurred for our P&C insurance business increased at a lower rate than the growth in net earned premiums.

Claims and policyholders' benefits increased by 40.3% to RMB155,606 million in 2010 from RMB110,935 million in 2009, primarily due to an increase in long-term life insurance policyholders' reserves resulting from an increase in premiums and an increase in claims incurred resulting from the growth of our P&C insurance segment. Claims incurred for our P&C insurance business increased at a lower rate than the growth in net earned premiums.

Handling Charges and Commissions

Handling charges and commissions increased by 4.9% to RMB18,109 million in 2011 from RMB17,268 million in 2010, primarily due to the growth of our insurance businesses. Handling charges and commissions increased at a lower rate than the growth in GWPs primarily due to our enhanced cost efficiency.

Handling charges and commissions increased by 19.1% to RMB17,268 million in 2010 from RMB14,494 million in 2009, primarily due to the growth of our insurance businesses. Handling charges and commissions increased at a lower rate than the growth in GWPs primarily due to our enhanced cost efficiency.

Finance Costs

Finance costs increased by 41.9% to RMB4,665 million in 2011 from RMB3,288 million in 2010, primarily due to an increase in interest credited to policyholders of our participating life insurance products and an increase in interest expense on securities sold under agreements to repurchase and subordinated debts.

Finance costs increased by 41.1% to RMB3,288 million in 2010 from RMB2,330 million in 2009, primarily due to an increase in interest expense on subordinated debts and securities sold under agreements to repurchase, as well as an increase in interest credited to policyholders of our participating life insurance products.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 19.0% to RMB43,424 million in 2011 from RMB36,497 million in 2010, primarily due to increases in labor cost and expenses arising from our development of new distribution channels and back office facilities resulting from overall growth of our business. We continued to strengthen our cost efficiency by closely managing our budget and applying stringent management measures.

Other operating and administrative expenses increased by 29.9% to RMB36,497 million in 2010 from RMB28,107 million in 2009, primarily due to the overall growth of our business in 2010. Other operating and administrative expenses increased at a lower rate than the growth in net earned premiums. We continued to closely manage our budget, paid greater attention to controlling costs, centralized the procurement of certain large-quantity items among major subsidiaries and promoted cost saving initiatives across the Group.

Total Benefits, Claims and Expenses

As a result of the foregoing, our total benefits, claims and expenses increased by 6.5% to RMB226,909 million in 2011 from RMB213,069 million in 2010, which in turn increased by 36.7% from RMB155,878 million in 2009.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 35.6% to RMB10,210 million in 2011 from RMB7,528 million in 2010, which in turn significantly increased from RMB2,215 million in 2009.

Income Tax Expense

We incurred income tax expense of RMB2,313 million in 2011, RMB1,681 million in 2010 and RMB464 million in 2009, respectively. The variation of our income tax expense was primarily influenced by the variations in our profit before tax and deferred income tax.

Net Profit

As a result of the foregoing, net profit increased to RMB7,897 million in 2011 from RMB5,847 million in 2010, which in turn significantly increased from RMB1,751 million in 2009.

Six Months Ended June 30, 2011 and 2012

Gross Written Premiums

GWPs grew by 8.0% to RMB149,224 million for the six months ended June 30, 2012 from RMB138,201 million for the six months ended June 30, 2011, primarily due to the steady growth of GWPs attributable to our P&C insurance business and life and health insurance business. GWPs attributable to our P&C insurance segment grew by 10.6% to RMB101,260 million for the six months ended June 30, 2012 from RMB91,516 million for the six months ended June 30, 2011. GWPs attributable to our life and health insurance business grew by 2.8% to RMB47,970 million for the six months ended June 30, 2012 from RMB46,686 million for the six months ended June 30, 2011.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers decreased by 16.2% to RMB16,168 million for the six months ended June 30, 2012 from RMB19,288 million for the six months ended June 30, 2011, primarily due to a decrease in premiums ceded to reinsurers in our P&C insurance segment. Premiums ceded to reinsurers for our P&C insurance segment decreased by 19.6% to RMB14,470 million for the six months ended June 30, 2012 from RMB17,987 million for the six months ended June 30, 2011.

Net Written Premiums

As a result of the foregoing, our net written premiums increased by 11.9% to RMB133,056 million for the six months ended June 30, 2012 from RMB118,913 million for the six months ended June 30, 2011.

Change in Unearned Premium Reserves

Change in unearned premiums reserves was RMB13,803 million for the six months ended June 30, 2012 and RMB7,888 million for the six months ended June 30, 2011. The change was in line with the growth of our business and the change in cession ratio during the same period.

Net Earned Premiums

As a result of the foregoing, net earned premiums increased by 7.4% to RMB119,253 million for the six months ended June 30, 2012 from RMB111,025 million for the six months ended June 30, 2011.

Reinsurance Commission Income

Reinsurance commission income decreased by 13.3% to RMB5,608 million for the six months ended June 30, 2012 from RMB6,472 million for the six months ended June 30, 2011, primarily due to the decrease in reinsurance commission income in our P&C insurance segment.

Investment Income

Investment income increased by 35.0% to RMB10,258 million for the six months ended June 30, 2012 from RMB7,601 million for the six months ended June 30, 2011, primarily due to an increase in interest income resulting from an increase in our investment assets and higher interest rates in our fixed-income investment. Interest income increased to RMB9,077 million for the six months ended June 30, 2012 from RMB6,132 million for the six months ended June 30, 2011. Dividend income and unrealized gains also increased during this period. These increases were partially offset by a decrease in realized gains and an increase in impairment losses on financial assets resulting from the downturn in China's capital markets.

Other Income

Other income decreased by 26.9% to RMB1,036 million for the six months ended June 30, 2012 from RMB1,418 million for the six months ended June 30, 2011, primarily due to a decrease in policy initiation fees and management fees charged to policyholders.

Total Income

As a result of the foregoing, total income increased by 7.6% to RMB136,155 million for the six months ended June 30, 2012 from RMB126,516 million for the six months ended June 30, 2011.

Claims and Policyholders' Benefits

Claims and policyholders' benefits increased by 4.5% to RMB90,783 million for the six months ended June 30, 2012 from RMB86,844 million for the six months ended June 30, 2011, primarily due to an increase in long-term life insurance policyholders' reserves and an increase in claims incurred resulting from the growth of our P&C insurance business. Net claims incurred in our P&C insurance segment increased at a lower rate than the growth in net earned premiums.

Handling Charges and Commissions

Handling charges and commissions increased by 12.7% to RMB10,701 million for the six months ended June 30, 2012 from RMB9,498 million for the six months ended June 30, 2011, primarily due to the growth of our insurance business.

Finance Costs

Finance costs increased by 29.1% to RMB2,629 million for the six months ended June 30, 2012 from RMB2,036 million for the six months ended June 30, 2011, primarily due to an increase in interest expenses relating to interest credited to policyholders, subordinated debts and securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 10.7% to RMB22,758 million for the six months ended June 30, 2012 from RMB20,562 million for the six months ended June 30, 2011, primarily due to the growth of our P&C insurance business.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses increased by 6.4% to RMB126,839 million for the six months ended June 30, 2012 from RMB119,198 million for the six months ended June 30, 2011.

Profit Before Tax

As a result of the foregoing, profit before tax increased by 23.6% to RMB9,579 million for the six months ended June 30, 2012 from RMB7,748 million for the six months ended June 30, 2011.

Income Tax Expense

We incurred income tax expense of RMB2,435 million for the six months ended June 30, 2012 and RMB1,738 million for the six months ended June 30, 2011. The changes of income tax expense were primarily influenced by variations in profit before tax and changes in deferred income tax.

Net Profit

As a result of the foregoing, net profit increased by 18.9% to RMB7,144 million for the six months ended June 30, 2012 from RMB6,010 million for the six months ended June 30, 2011.

SEGMENTAL RESULTS OF OPERATIONS

We have three principal business lines for which we report four principal operating segments: (i) P&C insurance business, which constitutes our non-life insurance segment (hereinafter referred to as our P&C insurance segment), (ii) life and health insurance business, which is reported separately as our life insurance segment and health insurance segment and (iii) asset management business, which constitutes our asset management segment. The tables in this section set forth certain information of our segmental results of operations. For more information, see Note 6 to the Accountants' Report set forth in Appendix I to this prospectus.

The table below sets forth a summary of GWPs and net profit/(loss) by each principal reporting segment for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
			(RMB in millions)	(unaudited)	
GWPs					
P&C Insurance	119,920	154,451	174,092	91,516	101,260
Life Insurance	46,567	72,127	70,361	43,697	42,667
Health Insurance	2,070	2,863	4,596	2,989	5,303
Net Profit/(loss)					
P&C Insurance	1,983	5,342	8,065	5,327	6,576
Life Insurance	99	737	551	715	912
Health Insurance	32	54	(482)	(186)	(297)
Asset Management	257	457	680	636	253

P&C INSURANCE

The following table sets forth selected income statements data for our P&C insurance segment for the periods indicated. This table reflects the results of operations of our PRC business (PICC P&C) and PICC Hong Kong.

	For the year ended December 31,					For the six months ended June 30,		
	2009		2010		2011	2011		2012
	(RMB in millions)	% change	(RMB in millions)	% change	(RMB in millions)	(RMB in millions) (unaudited)	% change	(RMB in millions)
Gross written premiums	119,920	28.8	154,451	12.7	174,092	91,516	10.6	101,260
Less: premiums ceded to reinsurers	(16,484)	2.8	(16,948)	119.6	(37,219)	(17,987)	(19.6)	(14,470)
Net written premiums	103,436	32.9	137,503	(0.5)	136,873	73,529	18.0	86,790
Change in unearned premium reserves	(10,054)	—	(13,956)	—	(3,314)	(7,111)	—	(12,955)
Net earned premiums	93,382	32.3	123,547	8.1	133,559	66,418	11.2	73,835
Reinsurance commission income	3,480	54.5	5,375	138.1	12,797	6,253	(14.6)	5,337
Investment income	4,813	3.4	4,979	(20.3)	3,969	2,623	40.3	3,680
Other income	787	20.8	951	(13.8)	820	275	14.2	314
Total income	**102,462**	**31.6**	**134,852**	**12.1**	**151,145**	**75,569**	**10.1**	**83,166**
Claims and policyholders' benefits[1]	64,557	28.8	83,127	5.7	87,844	43,145	5.1	45,363
Handling charges and commissions	12,130	15.8	14,048	4.5	14,679	7,504	16.2	8,718
Finance costs	377	115.4	812	62.4	1,319	514	60.9	827
Exchange (gains)/losses, net	5	7,300.0	370	(11.6)	327	234	(108.5)	(20)
Other operating and administrative expenses	22,999	30.1	29,920	22.8	36,753	17,431	14.1	19,885
Total benefits, claims and expenses	**100,068**	**28.2**	**128,277**	**9.9**	**140,922**	**68,828**	**8.6**	**74,773**
Share of profits from associates	26	211.5	81	33.3	108	61	1.6	62
Profit before tax	2,420	175.0	6,656	55.2	10,331	6,802	24.3	8,455
Income tax expense	(437)	200.7	(1,314)	72.5	(2,266)	(1,475)	27.4	(1,879)
Net profit	**1,983**	**169.4**	**5,342**	**51.0**	**8,065**	**5,327**	**23.4**	**6,576**

(1) "Claims and policyholders' benefits" and "net claims incurred" are used interchangeably in this "P&C Insurance" subsection.

Years Ended December 31, 2009, 2010 and 2011

Gross Written Premiums

The following table sets forth the breakdown of GWPs attributable to our P&C insurance segment by principal product lines for the periods indicated.

	For the year ended December 31,					
	2009		2010		2011	
	(RMB in millions)	% of total	(RMB in millions)	% of total	(RMB in millions)	% of total
Motor vehicle insurance	85,536	71.3	115,759	74.9	128,058	73.6
Commercial property insurance	9,565	8.0	10,643	6.9	11,874	6.8
Liability insurance	4,689	3.9	5,479	3.5	6,481	3.7
Accidental injury and health insurance	3,889	3.3	4,195	2.7	5,343	3.1
Cargo insurance	2,770	2.3	3,435	2.2	4,055	2.3
Other P&C insurance[(1)]	13,471	11.2	14,940	9.7	18,281	10.5
Total	**119,920**	**100.0**	**154,451**	**100.0**	**174,092**	**100.0**

(1) Other P&C insurance primarily includes agricultural insurance, hull insurance, construction insurance, homeowner insurance, special risk insurance, and credit and bond insurance.

GWPs for our P&C insurance segment increased by 12.7% to RMB174,092 million in 2011 from RMB154,451 million in 2010, primarily due to the growth of motor vehicle insurance, agricultural insurance, commercial property insurance, accidental injury and health insurance and liability insurance businesses.

GWPs for our P&C insurance segment increased by 28.8% to RMB154,451 million in 2010 from RMB119,920 million in 2009, primarily due to (i) the continued growth in motor vehicle ownership and increases in industrial production and fixed-asset investment in Urban Areas during a period of sustained growth in the PRC economy and (ii) our ability to capture market opportunities to enhance our sales capabilities which contributed to the growth of our motor vehicle insurance, commercial property insurance, liability insurance and cargo insurance, as well as construction insurance and homeowner insurance products that are included under "Other P&C insurance."

Motor Vehicle Insurance. GWPs attributable to motor vehicle insurance increased by 10.6% to RMB128,058 million in 2011 from RMB115,759 million in 2010. In 2011, the market for motor vehicle sales decreased significantly, primarily due to the termination of preferential purchase tax policies, rising fuel prices and the restrictions on automobile purchases in certain cities designed to reduce traffic congestion. In order to respond to changes in the domestic vehicle sales, our P&C insurance segment expanded its telephone and internet sales, integrated its own distribution channels, promoted strategic cooperation with motor vehicle manufacturers, enhanced the management of insurance renewals and pursued available means to generate more business from existing customers so as to promote overall business growth.

GWPs attributable to motor vehicle insurance increased by 35.3% to RMB115,759 million in 2010 from RMB85,536 million in 2009, mainly due to (i) the continuation in 2010 of a series of PRC governmental measures encouraging motor vehicle sales and the consequent continuing increase in the number of motor vehicle insurance policies sold and (ii) increases in the average premiums we charged for motor vehicle insurance.

Commercial Property Insurance. GWPs attributable to commercial property insurance increased 11.6% to RMB11,874 million in 2011 from RMB10,643 million in 2010, primarily due to higher renewal rate of quality existing business and an increase in the sales of commercial property insurance derived from construction insurance. In addition, market competition disciplined and continued growth of fixed-asset investment also laid an advantageous foundation for the growth of commercial property insurance.

GWPs attributable to commercial property insurance increased by 11.3% to RMB10,643 million in 2010 from RMB9,565 million in 2009, primarily due to a recovery in demand for commercial property insurance beginning in 2010 resulting from the sustained growth of China's domestic economy, the stimulus effect of domestic investment in industrial production and fixed-asset investment in urban areas and the improved profits and financial condition of commercial enterprises.

Liability Insurance. GWPs attributable to liability insurance increased by 18.3% to RMB6,481 million in 2011 from RMB5,479 million in 2010, primarily due to our further development of customers in the safety supervision, education, transportation, tourism and special equipment industries.

GWPs attributable to liability insurance increased by 16.8% to RMB5,479 million in 2010 from RMB4,689 million in 2009, primarily due to an increase in GWPs from production safety liability insurance, campus liability insurance and carrier liability insurance products, resulting from our increased and more creative sales efforts and product innovation.

Accidental Injury and Health Insurance. GWPs attributable to accidental injury and health insurance increased by 27.4% to RMB5,343 million in 2011 from RMB4,195 million in 2010, primarily due to the integration of our own distribution channels and customers.

GWPs attributable to accidental injury and health insurance increased by 7.9% to RMB4,195 million in 2010 from RMB3,889 million in 2009, primarily due to favorable changes in market order following the CIRC's implementation of the "Standards for Operating Accidental Injury Insurance Business" in August 2009 and our large-scale development of distinct, benefit-type accidental injury insurance products for drivers, travelers and borrowers.

Cargo Insurance. GWPs attributable to cargo insurance increased by 18.0% to RMB4,055 million in 2011 from RMB3,435 million in 2010, primarily due to increases in prices and volumes in the railway cargo transportation market and the total amount of foreign trade in 2011 which in turn propelled the growth of our railway transportation insurance business and import cargo transportation insurance business.

GWPs attributable to cargo insurance increased by 24.0% to RMB3,435 million in 2010 from RMB2,770 million in 2009, primarily due to our taking advantage of the rebound in cargo volumes to develop new distribution channels for innovative market-driven products and offering sales incentives which stimulated the growth of our cargo insurance business.

Other P&C Insurance. GWPs attributable to other P&C insurance increased by 22.4% to RMB18,281 million in 2011 from RMB14,940 million in 2010, primarily due to the increasing support from both the central and local governments to agricultural insurance business. GWPs attributable to agricultural insurance increased to RMB9,430 million in 2011 from RMB7,058 million in 2010. GWPs attributable to special risk insurance, homeowner insurance and credit and bond insurance also increased relatively fast in 2011.

GWPs attributable to other insurance increased by 10.9% to RMB14,940 million in 2010 from RMB13,471 million in 2009, primarily due to (i) an increase in domestic fixed-asset investment which generated an increase in GWPs attributable to construction insurance, (ii) growth in homeowner insurance related to our enhanced sales and our cooperation with local governments to promote unified rural housing insurance plans, (iii) increased sales of hull insurance and (iv) increased sales of agricultural insurance to GWPs of RMB7,058 million in 2010 from RMB6,999 million in 2009.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our P&C insurance segment were RMB37,219 million in 2011 compared to RMB16,948 million in 2010, representing 21.4% and 11.0% of GWPs in 2011 and 2010, respectively. The approximately 10 percentage point lower retention level in 2011 compared to 2010 was primarily because we increased the cession ratio in our P&C insurance business as we aim to continue healthy and steady development of our business while rapidly growing our P&C insurance segment.

Premiums ceded to reinsurers for our P&C insurance segment were RMB16,948 million in 2010 compared to RMB16,484 million in 2009, representing 11.0% and 13.7% of GWPs in 2010 and 2009, respectively. The higher retention level in 2010 compared to 2009 was primarily due to a lower cession ratio commensurate with our increased underwriting capacity related to the growth of our business, strengthened risk management benefitting from a more structured market.

Net Written Premiums

After considering premiums ceded to reinsurers, net written premiums for our P&C insurance segment decreased by 0.5% to RMB136,873 million in 2011 from RMB137,503 million in 2010, which in turn increased by 32.9% from RMB103,436 million in 2009.

Change in Unearned Premium Reserves

Change in unearned premium reserves for our P&C insurance segment was an increase of RMB3,314 million in 2011 and an increase of RMB13,956 million in 2010. The change was in line with the growth of our business and the change in cession ratio during the same period.

Change in unearned premium reserves for our P&C insurance segment was an increase of RMB13,956 million in 2010 and an increase of RMB10,054 million in 2009. The change was in line with the growth of our business during the same period.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our P&C insurance segment increased by 8.1% to RMB133,559 million in 2011 from RMB123,547 million in 2010, which in turn increased by 32.3% from RMB93,382 million in 2009.

Reinsurance Commission Income

Reinsurance commission income for our P&C insurance segment increased by 138.1% to RMB12,797 million in 2011 from RMB5,375 million in 2010, which was in line with the growth of our business and the related increase of premiums ceded to reinsurers.

Reinsurance commission income for our P&C insurance segment increased by 54.5% to RMB5,375 million in 2010 from RMB3,480 million in 2009, which was in line with the growth of our P&C insurance business and the related increase in premiums ceded to reinsurers.

Investment Income

The majority of investment assets for our P&C insurance segment is managed by PICC AMC. See the section entitled "Business — Asset Management" for more information. The investment income generated by these assets are included in the investment income of our P&C insurance segment and not in our asset management segment.

Investment income for our P&C insurance segment decreased by 20.3% to RMB3,969 million in 2011 from RMB4,979 million in 2010, primarily due to a large impairment loss for available-for-sale equity financial assets resulting from significant or prolonged declines in the fair value of equity financial assets during the downturn in China's capital markets in 2011.

Investment income for our P&C insurance segment increased by 3.4% to RMB4,979 million in 2010 from RMB4,813 million in 2009, primarily due to an increase in interest income, dividend income and realized gains. These increases resulted mainly from the strong growth of our GWPs in the P&C insurance segment in 2010, the continued growth of our investment assets, our ability to capture market opportunities and our continued efforts to optimize our investment portfolio.

Other Income

Other income for our P&C insurance segment decreased by 13.8% to RMB820 million in 2011 from RMB951 million in 2010, primarily due to a decrease in income from certain agency services that we provided in connection with our P&C insurance business.

Other income for our P&C insurance segment increased by 20.8% to RMB951 million in 2010 from RMB787 million in 2009, primarily due to an increase in handling fees for withholding vehicle and vessel taxes.

Total Income

As a result of the foregoing, total income for our P&C insurance segment increased by 12.1% to RMB151,145 million in 2011 from RMB134,852 million in 2010, which in turn increased by 31.6% from RMB102,462 million in 2009.

Net Claims Incurred

Net claims incurred for our P&C insurance segment increased by 5.7% to RMB87,844 million in 2011 from RMB83,127 million in 2010. The loss ratio of our P&C insurance segment decreased by 1.5 percentage points to 65.8% in 2011 from 67.3% in 2010, primarily because our P&C insurance segment strengthened its underwriting management and claims management controls, which resulted in lower loss ratios for our commercial property insurance, liability insurance and cargo insurance while maintained a stable loss ratio for motor vehicle insurance.

Net claims incurred for our P&C insurance segment increased by 28.8% to RMB83,127 million in 2010 from RMB64,557 million in 2009. The loss ratio of our P&C insurance segment decreased by 1.8 percentage points from 69.1% in 2009 to 67.3% in 2010, primarily due to an increase in our motor vehicle insurance premium adequacy, which resulted in an increase in the average GWPs for motor vehicle insurance policies. At the same time, our P&C insurance segment strengthened its underwriting management and claims management controls, which resulted in a decrease in the loss ratio for motor vehicle insurance to 68.2% in 2010 from 69.5% in 2009.

Handling Charges and Commissions

Handling charges and commissions for our P&C insurance segment increased by 4.5% to RMB14,679 million in 2011 from RMB14,048 million in 2010. Handling charges and commissions increased at a lower rate than the growth in GWPs, primarily due to continued strengthening of our underwriting management and implementing strict internal controls to improve cost efficiency while growing our business.

Handling charges and commissions for our P&C insurance segment increased by 15.8% to RMB14,048 million in 2010 from RMB12,130 million in 2009. Handling charges and commissions increased at a lower rate than the growth in GWPs, primarily due to our strict internal controls on sales costs while growing our business.

Finance Costs

Finance costs increased by 62.4% to RMB1,319 million in 2011 from RMB812 million in 2010, primarily due to higher interest expense on securities sold under agreements to repurchase and higher levels of subordinated debt outstanding in 2011 compared to 2010.

Finance costs increased by 115.4% to RMB812 million in 2010 from RMB377 million in 2009, primarily due to higher interest expense on securities sold under agreements to repurchase and higher levels of subordinated debt outstanding in 2010 compared to 2009.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 22.8% to RMB36,753 million in 2011 from RMB29,920 million in 2010, primarily due to an increase in underwriting expenses resulting from the growth of our business and an increase in employee costs primarily resulting from inflation, price increases and growth of our business. Our P&C insurance segment continued to strengthen its underwriting management and steadfastly promoted cost efficiency.

Other operating and administrative expenses increased by 30.1% to RMB29,920 million in 2010 from RMB22,999 million in 2009, primarily due to (i) an increase in underwriting expenses resulting from the growth of our business in 2010, (ii) an increase in employee costs to meet the needs of our business and (iii) the impact of inflation and price increases.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses for our P&C insurance segment increased by 9.9% to RMB140,922 million in 2011 from RMB128,277 million in 2010, which in turn increased by 28.2% from RMB100,068 million in 2009.

Profit Before Tax

As a result of the foregoing, profit before tax for our P&C insurance segment increased by 55.2% to RMB10,331 million in 2011 from RMB6,656 million in 2010, which in turn significantly increased from RMB2,420 million in 2009.

Income Tax Expense

Income tax expense for our P&C insurance segment was RMB2,266 million in 2011, RMB1,314 million in 2010 and RMB437 million in 2009, respectively. The changes of our income tax was primarily due to the changes in our profit before tax and changes in deferred income tax.

Net Profit

As a result of the foregoing, net profit for our P&C insurance segment increased by 51.0% to RMB8,065 million in 2011 from RMB5,342 million in 2010, which in turn increased significantly from RMB1,983 million in 2009.

Six Months Ended June 30, 2011 and 2012

Gross Written Premiums

The following table sets forth the breakdown of GWPs attributable to our P&C insurance segment by principal product lines for the periods indicated.

	For the six months ended June 30,			
	2011		2012	
	(RMB in millions) (unaudited)	% of total	(RMB in millions)	% of total
Motor vehicle insurance	64,340	70.3	69,963	69.1
Commercial property insurance	7,656	8.4	7,908	7.8
Liability insurance	3,557	3.9	4,064	4.0
Accidental injury and health insurance	2,897	3.2	3,578	3.5
Cargo insurance	2,261	2.5	2,278	2.2
Other P&C insurance[(1)]	10,805	11.8	13,469	13.3
Total	**91,516**	**100.0**	**101,260**	**100.0**

(1) Other P&C insurance primarily includes agricultural insurance, hull insurance, construction insurance, homeowner insurance, special risk insurance and credit and bond insurance.

GWPs for our P&C insurance segment increased by 10.6% to RMB101,260 million for the six months ended June 30, 2012 from RMB91,516 million for the six months ended June 30, 2011, primarily driven by the growth of motor vehicle insurance and agricultural insurance, as well as the relatively fast growth of accidental injury and health insurance, liability insurance and credit and bond insurance.

Motor Vehicle Insurance. GWPs attributable to motor vehicle insurance increased by 8.7% to RMB69,963 million for the six months ended June 30, 2012 from RMB64,340 million for the six months ended June 30, 2011. The growth rate of motor vehicle production and sales in China declined in the six months ended June 30, 2012, primarily due to the slowdown in the motor vehicle sales in China. In response to the decreased growth of sales of new motor vehicles in China, as well as the trend of new motor vehicle sales shifting toward mid- to high-end vehicles and the third and fourth tier cities in China, our P&C insurance segment appropriately adapted its marketing strategies and expanded its own sales channels such as telephone and internet sales and cross-selling by taking advantage of its broad geographic coverage and numerous sales outlets, enhanced the management of 4S stores and other third party channels, as well as proactively promoted strategic cooperation with motor vehicle manufacturers. As a result, our P&C insurance segment has benefited from our development of these sales channels. Meanwhile, as our P&C insurance segment continued its efforts to generate more business from existing customers, the renewal rate of the motor vehicle insurance have improved.

Commercial Property Insurance. GWPs attributable to commercial property insurance increased by 3.3% to RMB7,908 million for the six months ended June 30, 2012 from RMB7,656 million for the six months ended June 30, 2011.

Liability Insurance. GWPs attributable to liability insurance increased by 14.3% to RMB4,064 million for the six months ended June 30, 2012 from RMB3,557 million for the six months ended June 30, 2011, primarily due to our further development of customers in medical institutions, safety supervision, education, tourism, transportation and special equipment industries, which resulted in the steady growth in the medical liability insurance, safety production liability insurance, public liability insurance, employer liability insurance and freighter liability insurance businesses.

Accidental Injury and Health Insurance. GWPs attributable to accidental injury and health insurance increased by 23.5% to RMB3,578 million for the six months ended June 30, 2012 from RMB2,897 million for the six months ended June 30, 2011, primarily due to our P&C insurance segment capturing the opportunity offered by the national reform of the medical and health care system that promoted the development of a new model of rural cooperative medical system and supplementary medical insurance for urban employees and residents.

Cargo Insurance. GWPs attributable to cargo insurance increased by 0.8% to RMB2,278 million for the six months ended June 30, 2012 from RMB2,261 million for the six months ended June 30, 2011.

Other P&C Insurance. GWPs attributable to other P&C insurance segment increased by 24.7% to RMB13,469 million for the six months ended June 30, 2012 from RMB10,805 million for the six months ended June 30, 2011, primarily due to an increase in sales of agricultural insurance from GWPs of RMB5,213 million for the six months ended June 30, 2011 to GWPs of RMB8,159 million for the six months ended June 30, 2012, mainly resulting from (i) our enhanced sales of agricultural insurance through a sales and service system for the Sannong insurance business of which we completed the construction during the first half of 2012, and (ii) increasing support from both the central and local government of the agricultural insurance business aimed at further expanding geographic coverage and scope of agricultural subsidy. In addition, credit and bond insurance business also grew, primarily because our P&C insurance segment enhanced marketing activities and continued to improve the underwriting process and readiness for market change.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our P&C insurance segment decreased by 19.6% to RMB14,470 million for the six months ended June 30, 2012 from RMB17,987 million for the six months ended June 30, 2011, representing 14.3% and 19.7% of GWPs for the six months ended June 30, 2012 and 2011, respectively. The higher retention level for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 was primarily due to a lower cession ratio as a result of enhanced underwriting management, improved business quality and strengthened risk management capacity in our P&C insurance segment.

Net Written Premiums

After considering premiums ceded to reinsurers, net written premiums for our P&C insurance segment increased by 18.0% to RMB86,790 million for the six months ended June 30, 2012 from RMB73,529 million for the six months ended June 30, 2011.

Change in Unearned Premium Reserves

Change in unearned premiums reserves for our P&C insurance segment increased to RMB12,955 million for the six months ended June 30, 2012 from RMB7,111 million for the six months ended June 30, 2011, which was in line with the growth of our P&C insurance business and the change in cession ratio during the same period.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our P&C insurance segment increased by 11.2% to RMB73,835 million for the six months ended June 30, 2012 from RMB66,418 million for the six months ended June 30, 2011.

Reinsurance Commission Income

Reinsurance commission income for our P&C insurance segment decreased by 14.6% to RMB5,337 million for the six months ended June 30, 2012 from RMB6,253 million for the six months ended June 30, 2011, which was in line with the decrease in premiums ceded to reinsurers and which also resulted from our enhanced business quality.

Investment Income

Investment income for our P&C insurance segment increased by 40.3% to RMB3,680 million for the six months ended June 30, 2012 from RMB2,623 million for the six months ended June 30, 2011, primarily due to an increase in interest income, which was primarily due to an increase in our investment assets resulting from a relatively stable cash flow generated by the steady growth of GWPs and underwriting profit in our P&C insurance segment. In addition, our P&C insurance segment enhanced the scale and efficiency of capital utilization by continuing an overall management of its operation and investment capital, continued to strengthen a centralized payment system and enhanced the management of working capital in order to reduce the amount of working capital to a minimum level. Moreover, our P&C insurance segment continued to increase its allocation of negotiated deposits, and actively participated in energy and infrastructure debt investment projects in order to expand its use of funds.

Other Income

Other income for our P&C insurance segment increased by 14.2% to RMB314 million for the six months ended June 30, 2012 from RMB275 million for the six months ended June 30, 2011, primarily due to an increase in handling fees for vehicle and vessel withholding taxes.

Total Income

As a result of the foregoing, our total income increased by 10.1% to RMB83,166 million for the six months ended June 30, 2012 from RMB75,569 million for the six months ended June 30, 2011.

Net Claims Incurred

Net claims incurred for our P&C insurance segment increased by 5.1% to RMB45,363 million for the six months ended June 30, 2012 from RMB43,145 million for the six months ended June 30, 2011. Net claims incurred increased at a lower rate than the growth of net earned premiums, primarily due to the improvement in underwriting quality in our P&C insurance business. The loss ratio of our P&C insurance segment decreased by 3.6 percentage points from 65.0% for the six months ended June 30, 2011 to 61.4% for the six months ended June 30, 2012, primarily due to the decline in loss ratios of motor vehicle insurance, commercial property insurance, accidental injury and health insurance and cargo insurance.

Handling Charges and Commissions

Handling charges and commissions for the P&C insurance segment increased by 16.2% to RMB8,718 million for the six months ended June 30, 2012 from RMB7,504 million for the six months ended June 30, 2011, primarily due to the growth of GWPs in our P&C insurance segment and an increase in the rate of handling charges relating to certain insurance products, such as motor vehicle insurance. During the first half of 2012, our P&C insurance segment steadily promoted an underwriting strategy through enhanced risk selection and efforts in the differentiated allocation of sales expenses in the face of increasing market competition.

Finance Costs

Finance costs increased by 60.9% to RMB827 million for the six months ended June 30, 2012 from RMB514 million for the six months ended June 30, 2011, primarily due to an increase in interest expense on subordinated debt and securities sold under agreements to repurchase.

Other Operating and Administrative Expenses

Other operating and administrative expenses increased by 14.1% to RMB19,885 million for the six months ended June 30, 2012 from RMB17,431 million for the six months ended June 30, 2011, primarily due to (i) an increase in investment in developing the sales and service network in rural areas, the establishment of the operation and management platform, and the reform of the sales and service system in our P&C insurance segment, and (ii) the enhanced efforts in the differentiated allocation of sales expenses.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses for our P&C insurance segment increased by 8.6% to RMB74,773 million for the six months ended June 30, 2012 from RMB68,828 million for the six months ended June 30, 2011.

Profit Before Tax

As a result of the foregoing, profit before tax for our P&C insurance segment increased by 24.3% to RMB8,455 million for the six months ended June 30, 2012 from RMB6,802 million for the six months ended June 30, 2011.

Income Tax Expense

Income tax expense for our P&C insurance segment was RMB1,879 million and RMB1,475 million for the six months ended June 30, 2012 and 2011, respectively. The variation of our income tax was primarily due to the variations in our profit before tax and changes in deferred income tax.

Net Profit

As a result of the foregoing, net profit for our P&C insurance segment increased by 23.4% to RMB6,576 million for the six months ended June 30, 2012 from RMB5,327 million for the six months ended June 30, 2011.

LIFE AND HEALTH INSURANCE

Our life and health insurance business constitutes two separate segments for reporting purposes, our life insurance segment and our health insurance segment, which are discussed below.

Life Insurance

The following table sets forth selected income statements data for our life insurance segment for the periods indicated:

	For the year ended December 31,					For the six months ended June 30,		
	2009		2010		2011	2011		2012
	(RMB in millions)	% change	(RMB in millions)	% change	(RMB in millions)	(RMB in millions) (unaudited)	% change	(RMB in millions)
Gross written premiums	46,567	54.9	72,127	(2.4)	70,361	43,697	(2.4)	42,667
Less: premiums ceded to reinsurers	0	—	0	—	(92)	(23)	213.0	(72)
Net written premiums	46,567	54.9	72,127	(2.6)	70,269	43,674	(2.5)	42,595
Change in unearned premium reserves	(186)	—	(232)	—	(159)	(175)	—	(85)
Net earned premiums	46,381	55.0	71,895	(2.5)	70,110	43,499	(2.3)	42,510
Reinsurance commission income	0	—	0	—	35	14	(64.3)	5
Investment income	3,604	110.1	7,571	16.8	8,844	4,148	44.0	5,972
Other income	893	(5.7)	842	(15.2)	714	434	(34.6)	284
Total income	50,878	57.8	80,308	(0.8)	79,703	48,095	1.4	48,771
Claims and policyholders' benefits	44,485	59.1	70,769	(1.0)	70,037	42,630	0.4	42,812
Handling charges and commissions	2,178	45.1	3,161	7.7	3,405	1,946	(2.5)	1,897
Finance costs	1,033	23.8	1,279	39.9	1,789	814	26.8	1,032
Exchange losses, net	1	3,100.0	32	162.5	84	24	(150.0)	(12)
Other operating and administrative expenses	3,019	37.8	4,160	(5.4)	3,935	1,811	8.1	1,957
Total benefits, claims and expenses	50,716	56.6	79,401	(0.2)	79,250	47,225	1.0	47,686
Share of profits of associates	0	—	0	—	64	0	—	7
Profit before tax	162	459.9	907	(43.0)	517	870	25.5	1,092
Income tax (expense)/credit	(63)	169.8	(170)	(120.0)	34	(155)	16.1	(180)
Net profit	99	644.4	737	(25.2)	551	715	27.6	912

Years Ended December 31, 2009, 2010 and 2011

Gross Written Premiums

GWPs attributable to our life insurance segment slightly decreased by 2.4% to RMB70,361 million in 2011 from RMB72,127 million in 2010, primarily due to a number of unfavorable factors in 2011, including adverse changes in macroeconomic policies and the interest rate environment and the implementation of the New Policy on bancassurance business. These unfavorable factors were partially offset by our efforts to develop diversified distribution channels and promote sales in individual life insurance, group life insurance and cross-selling.

GWPs attributable to our life insurance segment increased by 54.9% to RMB72,127 million in 2010 from RMB46,567 million in 2009, primarily due to sales of our participating life insurance products. Under improving market conditions, we took advantage of low benchmark interest rates and low fixed rates of return on our life insurance products, which had the effect of increasing demand for participating life insurance products. See the section entitled "Business — Life and Health Insurance — Life Insurance Products — Participating Life Insurance" for more information. We improved the productivity of our sales agent network and sales forces and maintained the business strategy of "driving diversified sales channel development with bancassurance as the main driver." GWPs attributable to our participating life insurance products increased by 54.8% to RMB70,470 million in 2010 from RMB45,522 million in 2009.

The following table sets forth GWPs attributable to our bancassurance, individual life insurance and group life insurance for the periods indicated, together with the percentage change in those items:

	For the year ended December 31,				
	2009		2010		2011
	(RMB in millions)	% change	(RMB in millions)	% change	(RMB in millions)
GWPs					
Bancassurance	43,975	44.6	63,605	(5.6)	60,038
Individual life insurance	2,012	280.8	7,662	18.9	9,109
Group life insurance	580	48.3	860	41.2	1,214
Total	46,567	54.9	72,127	(2.4)	70,361

Bancassurance. GWPs attributable to our bancassurance distribution channel decreased by 5.6% to RMB60,038 million in 2011 from RMB63,605 million in 2010. First year premiums decreased to RMB57,303 million in 2011 from RMB62,524 million in 2010. Renewal premiums increased significantly to RMB2,736 million in 2011 from RMB1,081 million in 2010. The slight decrease in GWPs attributable to our bancassurance distribution channel was primarily due to the tightening liquidity and increased yields of financial products and, thus, the decreased attractiveness of our participating life insurance products, resulting from the PRC Government shifting its monetary policy from "moderately loose" to "tight" and the PBOC repeatedly raising the RMB deposit reserve ratio and the benchmark interest rate for financial institutions. Against this background, commercial banks had less incentive to sell insurance products under the pressure of meeting loan to deposit ratio requirements and, instead, increased their efforts to sell their own wealth management products, while the prevalence of private lending reduced the availability of funds for purchasing insurance products offered through the bancassurance channel. Furthermore, revenue from our bancassurance channel was also impacted by the New Policy on bancassurance business to a certain extent. However, these external impacts were effectively reduced to a certain extent, due to our brand and distribution network advantages and the adjustment of our sales strategies in the bancassurance channel.

GWPs attributable to our bancassurance distribution channel increased by 44.6% to RMB63,605 million in 2010 from RMB43,975 million in 2009. First year premiums increased by 42.2% to RMB62,524 million in 2010 from RMB43,963 million in 2009. Renewal premiums increased significantly to RMB1,081 million in 2010 from RMB12 million in 2009. The increase in GWPs attributable to our bancassurance distribution channel was primarily due to our life insurance segment adhering to a sales channel development strategy of "driving diversified sales channel development with bancassurance as the main driver," the significant increase in the number of outlets and expansion of sales force and the development of close business cooperation with banks through leveraging our strengths, such as the PICC brand, which promoted the business growth of the bancassurance channel.

Individual life insurance. GWPs attributable to our individual life insurance business increased by 18.9% to RMB9,109 million in 2011 from RMB7,662 million in 2010, primarily due to the continued rapid growth in the number of life insurance segment sales personnel, enhanced sales training, continued improvement in sales personnel competency, the expansion of our individual life insurance sales force in the County Areas and the increased focus on the implementation of our strategy of equal emphasis on urban and rural markets. Individual life insurance sold through our agency channel accounted for 12.9% and 10.6% of the total GWPs of our life insurance segment in 2011 and 2010, respectively. The increase in 2011 was primarily due to our development of distribution channels for individual life insurance products. First year premiums increased to RMB7,253 million in 2011 from RMB6,515 million in 2010. Renewal premiums increased to RMB1,856 million in 2011 from RMB1,146 million in 2010.

GWPs attributable to our individual life insurance business significantly increased by 280.8% to RMB7,662 million in 2010 from RMB2,012 million in 2009, primarily due to (i) the continued rapid growth in the number of life insurance segment sales personnel, (ii) the continued increases insales personnel competency, (iii) the expansion of our individual life insurance sales force in the County Areas and (iv) the increased focus on the implementation of our strategy of equal emphasis on urban and rural markets. Individual life insurance business accounted for 10.6% and 4.3% of the total GWPs from our life insurance business in 2010 and 2009, respectively. The increase in 2010 was primarily due to solidifying existing distribution channels and actively developing other distribution channels for distributing individual life insurance products. First year premiums significantly increased to RMB6,515 million in 2010 from RMB1,475 million in 2009, and renewal premiums increased to RMB1,146 million in 2010 from RMB537 million in 2009.

Group life insurance. GWPs attributable to our group life insurance business increased by 41.2% to RMB1,214 million in 2011 from RMB860 million in 2010, which in turn increased by 48.3% from RMB580 million in 2009, primarily due to (i) our emphasis on large customers, (ii) further efforts to build our sales force and (iii) increased sales force competency.

Net Written Premiums

Net written premiums for our life insurance segment decreased by 2.6% to RMB70,269 million in 2011 from RMB72,127 million in 2010, which in turn increased by 54.9% from RMB46,567 million in 2009.

Change in Unearned Premium Reserves

Change in unearned premium reserves for our life insurance segment were RMB186 million, RMB232 million and RMB159 million in 2009, 2010 and 2011, respectively, which was in line with the change of our life insurance business.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our life insurance segment decreased by 2.5% to RMB70,110 million in 2011 from RMB71,895 million in 2010, which in turn increased by 55.0% from RMB46,381 million in 2009.

Investment Income

The majority of investment assets for our life insurance segment are managed by PICC AMC. See the section entitled "Business — Asset Management" for more information. The investment income generated by these assets is included in the investment income of our life insurance segment and not in our asset management segment.

Investment income for our life insurance segment increased by 16.8% to RMB8,844 million in 2011 from RMB7,571 million in 2010, primarily due to increases in interest income and dividend income that resulted from a more effective allocation of investment assets with the effect of increasing the proportion of fixed-income assets in spite of the downturn of capital markets in China in 2011.

Investment income for our life insurance segment increased by 110.1% to RMB7,571 million in 2010 from RMB3,604 million in 2009, primarily due to an increase in interest income and realized gains. Interest income and realized gains increased primarily due to (i) the continuing increase in investment assets that resulted from the rapid growth of our life insurance business, (ii) a more effective allocation of investment assets between bonds, negotiated deposits and debt investment plans, and (iii) increases in realized gains from debt and equity securities resulting from our proper market positioning.

Other Income

Other income for our life insurance segment decreased by 15.2% to RMB714 million in 2011 from RMB842 million in 2010, which in turn decreased by 5.7% from RMB893 million in 2009.

Total Income

As a result of the foregoing, total income for our life insurance segment decreased by 0.8% to RMB79,703 million in 2011 from RMB80,308 million in 2010, which in turn increased by 57.8% from RMB50,878 million in 2009.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life insurance segment decreased by 1.0% to RMB70,037 million in 2011 from RMB70,769 million in 2010, which was in line with changes in GWPs.

Claims and policyholders' benefits for our life insurance segment increased by 59.1% to RMB70,769 million in 2010 from RMB44,485 million in 2009, primarily due to an increase in long-term life insurance contract liabilities and an increase in dividends paid to policyholders. Long-term life insurance contract liabilities increased by RMB67,017 million in 2010, compared to an increase of RMB43,594 million in 2009, consistent with growth in life insurance GWPs and the resulting increase in reserves. Dividends paid to policyholders increased to RMB977 million in 2010 from RMB126 million in 2009.

Handling Charges and Commissions

Handling charges and commissions for our life insurance segment increased by 7.7% to RMB3,405 million in 2011 from RMB3,161 million in 2010, primarily due to an increase in commissions paid for the sales of individual life insurance policies in our life insurance segment business.

Handling charges and commissions for our life insurance segment increased by 45.1% to RMB3,161 million in 2010 from RMB2,178 million in 2009, primarily due to a significant increase in GWPs for our life insurance segment and an increase in the number of agents and bancassurance branches.

Finance Costs

Finance costs for our life insurance segment increased by 39.9% to RMB1,789 million in 2011 from RMB1,279 million in 2010, primarily due to an increase in interest expense on investment contract liabilities for policyholders and an increase in interest expense on securities sold under agreements to repurchase.

Finance costs for our life insurance segment increased by 23.8% to RMB1,279 million in 2010 from RMB1,033 million in 2009, primarily due to (i) an increase in interest expense on investment contract liabilities for policyholders, (ii) an increase in interest expense on securities sold under agreements to repurchase and (iii) additional interest expense reflecting new subordinated debt issued in July 2010.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our life insurance segment decreased by 5.4% to RMB3,935 million in 2011 from RMB4,160 million in 2010, which was in line with the changes in GWPs attributable to our life insurance segment. Other operating and administrative expenses decreased as a percentage of net earned premiums for our life insurance segment to 5.6% in 2011 from 5.8% in 2010, largely as a result of our continuous and strict cost controls.

Other operating and administrative expenses for our life insurance segment increased by 37.8% to RMB4,160 million in 2010 from RMB3,019 million in 2009, primarily due to the higher expenses necessary to support the growth of our life insurance business. Other operating and administrative expenses decreased as a percentage of net earned premiums for our life insurance segment to 5.8% in 2010 from 6.5% in 2009, largely as a result of our efforts to control administrative expense fixed costs while expanding our life insurance business.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses for our life insurance segment decreased by 0.2% to RMB79,250 million in 2011 from RMB79,401 million in 2010, which in turn increased by 56.6% from RMB50,716 million in 2009.

Profit Before Tax

As a result of the foregoing, profit before tax for our life insurance segment decreased to RMB517 million in 2011 from RMB907 million in 2010, which in turn significantly increased from RMB162 million in 2009.

Income Tax (Expense)/Credit

Our life insurance segment had an income tax credit of RMB34 million in 2011, an income tax expense of RMB170 million in 2010 and an income tax expense of RMB63 million in 2009. The variation of our income tax (expense)/credit primarily reflected our profit before tax and changes in deferred income tax.

Net Profit

As a result of the foregoing, net profit for our life insurance segment decreased to RMB551 million in 2011 from RMB737 million in 2010, which in turn significantly increased from RMB99 million in 2009.

Six Months Ended June 30, 2011 and 2012

Gross Written Premiums

GWPs attributable to our life insurance segment decreased by 2.4% to RMB42,667 million for the six months ended June 30, 2012 from RMB43,697 million for the six months ended June 30, 2011, primarily due to a decrease in GWPs attributable to bancassurance distribution channel and an adjustment in product portfolio in individual life insurance, which was partially offset by a significant increase in GWPs attributable to group life insurance.

The following table sets forth GWPs attributable to bancassurance, individual life insurance and group life insurance for the periods indicated, together with the percentage change in those items:

	For the six months ended June 30,		
	2011		2012
	(RMB in millions) (unaudited)	% change	(RMB in millions)
Gross Written Premium			
Bancassurance	37,180	(14.5)	31,785
Individual life	5,774	(12.1)	5,077
Group life insurance	743	681.3	5,805
Total	43,697	(2.4)	42,667

Bancassurance. GWPs attributable to bancassurance distribution channel decreased by 14.5% to RMB31,785 million for the six months ended June 30, 2012 from RMB37,180 million for the six months ended June 30, 2011. The decrease in GWPs attributable to bancassurance distribution channel was primarily due to the slowdown of macro-economic growth, as well as the impact from the change of the PRC Government's monetary policy, the increasing sales of other competing financial products and the New Policy on bancassurance business.

Individual Life Insurance. GWPs attributable to our individual life insurance business decreased by 12.1% to RMB5,077 million for the six months ended June 30, 2012 from RMB5,774 million for the six months ended June 30, 2011, primarily due to the adjustment in product portfolio in individual life insurance.

Group life insurance. GWPs attributable to our group life insurance business significantly increased to RMB5,805 million for the six months ended June 30, 2012 from RMB743 million for the six months ended June 30, 2011, primarily because our life insurance segment proactively followed industry development trends, continued its emphasis on large institutional customers, made further efforts to build sales force and increased sales force competency.

Net Written Premiums

Net written premiums for our life insurance segment decreased by 2.5% to RMB42,595 million for the six months ended June 30, 2012 from RMB43,674 million for the six months ended June 30, 2011.

Change in Unearned Premium Reserves

Change in unearned premium reserves for our life insurance segment was RMB85 million for the six months ended June 30, 2012 as compared to RMB175 million for the six months ended June 30, 2011.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our life insurance segment decreased by 2.3% to RMB42,510 million for the six months ended June 30, 2012 from RMB43,499 million for the six months ended June 30, 2011.

Investment Income

Investment income for our life insurance segment increased by 44.0% to RMB5,972 million for the six months ended June 30, 2012 from RMB4,148 million for the six months ended June 30, 2011, primarily due to an increase in investment assets and investment yield resulting from a more effective allocation of investment assets by increasing the proportion of fixed-income assets.

Other Income

Other income for our life insurance segment decreased by 34.6% to RMB284 million for the six months ended June 30, 2012 from RMB434 million for the six months ended June 30, 2011, primarily due to a decrease in policy initiation fees and policyholders' deposits and investment funds.

Total Income

As a result of the foregoing, total income for our life insurance segment increased by 1.4% to RMB48,771 million for the six months ended June 30, 2012 from RMB48,095 million for the six months ended June 30, 2011.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our life insurance segment increased by 0.4% to RMB42,812 million for the six months ended June 30, 2012 from RMB42,630 million for the six months ended June 30, 2011.

Handling Charges and Commissions

Handling charges and commissions for our life insurance segment decreased by 2.5% to RMB1,897 million for the six months ended June 30, 2012 from RMB1,946 million for the six months ended June 30, 2011, which was in line with the decrease in GWPs attributable to our life insurance segment for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Finance Costs

Finance costs for our life insurance segment increased by 26.8% to RMB1,032 million for the six months ended June 30, 2012 from RMB814 million for the six months ended June 30, 2011, primarily due to an increase in interest expense on investment contract liabilities for policyholders.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our life insurance segment increased by 8.1% to RMB1,957 million for the six months ended June 30, 2012 from RMB1,811 million in 2011, primarily due to an increase in employee compensation. Our life insurance segment continued to control administrative expenses and fixed costs while expanding life insurance business.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses for our life insurance segment increased by 1.0% to RMB47,686 million for the six months ended June 30, 2012 from RMB47,225million for the six months ended June 30, 2011.

Profit Before Tax

As a result of the foregoing, profit before tax for our life insurance segment increased by 25.5% to RMB1,092 million for the six months ended June 30, 2012 from RMB870 million for the six months ended June 30, 2011.

Income Tax Expense

Our life insurance segment had income tax expense of RMB180 million for the six months ended June 30, 2012 and income tax expense of RMB155 million for the six months ended June 30, 2011. The variation of our income tax expense was primarily influenced by the variations in our profit before tax and changes in deferred income tax.

Net profit

As a result of the foregoing, net profit for our life insurance segment increased by 27.6% to RMB912 million for the six months ended June 30, 2012 from RMB715 million for the six months ended June 30, 2011.

Health Insurance

The following table sets forth selected income statements data for our health insurance segment for the periods indicated:

	For the year ended December 31,					For the six months ended June 30,		
	2009		2010		2011	2011		2012
	(RMB in millions)	% change	(RMB in millions)	% change	(RMB in millions)	(RMB in millions) (unaudited)	% change	(RMB in millions)
Gross written premiums	2,070	38.3	2,863	60.5	4,596	2,989	77.4	5,303
Less: premiums ceded to reinsurers	(209)	476.6	(1,205)	56.8	(1,889)	(1,278)	27.3	(1,627)
Net written premiums	1,861	(10.9)	1,658	63.3	2,707	1,711	114.8	3,676
Change in unearned premium reserves	(62)	—	(17)	—	(25)	(603)	—	(763)
Net earned premiums	1,799	(8.8)	1,641	63.4	2,682	1,108	162.9	2,913
Reinsurance commission income	10	1,940.0	204	131.4	472	205	29.8	266
Investment income	1,280	7.4	1,375	(51.1)	672	416	(46.6)	222
Other income	199	117.1	432	(25.0)	324	214	(63.1)	79
Total income	3,288	11.1	3,652	13.6	4,150	1,943	79.1	3,480
Claims and policyholders' benefits	1,912	(10.6)	1,710	40.7	2,406	1,069	144.0	2,608
Handling charges and commissions	189	(30.7)	131	43.5	188	89	74.2	155
Finance costs	115	200.0	345	69.6	585	274	27.7	350
Exchange losses, net	(1)	—	3	66.7	5	0	—	0
Other operating and administrative expenses	1,095	22.6	1,342	7.9	1,448	697	(4.7)	664
Total benefits, claims and expenses	3,310	6.7	3,531	31.2	4,632	2,129	77.4	3,777
Share of profits from associates	0	—	0	—	0	0	—	0
Profit/(loss) before tax	(22)	—	121	—	(482)	(186)	—	(297)
Income tax (expense)/credit	54	—	(67)	—	0	0	—	0
Net profit/(loss)	32	68.8	54	—	(482)	(186)	—	(297)

Years Ended December 31, 2009, 2010 and 2011

Gross Written Premiums

GWPs attributable to our health insurance segment increased by 60.5% to RMB4,596 million in 2011 from RMB2,863 million in 2010. This increase was primarily due to our active participation in medical security reform in China through the expansion of the "Zhanjiang Model" of Supplemental Basic Medical Care Insurance. At the same time, the CIRC in September 2011 approved our health insurance segment to sell participating insurance products on a pilot basis, from which we generated GWPs of RMB433 million for the year. GWPs from accident insurance also increased by 49.7% to RMB485 million in 2011 from RMB324 million in 2010.

GWPs attributable to our health insurance segment increased by 38.3% to RMB2,863 million in 2010 from RMB2,070 million in 2009. This increase was primarily due to our active participation in medical security reform in China through the expansion of the "Zhanjiang Model" of Supplemental Basic Medical Care Insurance. GWPs from accident insurance also increased by 77.0% to RMB324 million in 2010 from RMB183 million in 2009.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our health insurance segment increased by 56.8% to RMB1,889 million in 2011 from RMB1,205 million in 2010. The higher level of premiums ceded to reinsurers in 2011 was primarily due to the growth of our protection health insurance products. In order to enhance our risk management, we increased the portion of premiums ceded to reinsurers in relation to our Supplemental Basic Medical Care Insurance.

Premiums ceded to reinsurers for our health insurance segment increased significantly by 476.6% to RMB1,205 million in 2010 from RMB209 million in 2009. The higher level of premiums ceded to reinsurers in 2010 was primarily due to the growth of our protection health insurance products. In order to enhance our risk management, we increased the portion of premiums ceded to reinsurers in relation to our Supplemental Basic Medical Care Insurance.

Net Written Premiums

After considering premiums ceded to reinsurers, net written premiums for our health insurance segment increased by 63.3% to RMB2,707 million in 2011 from RMB1,658 million in 2010, which in turn decreased by 10.9% from RMB1,861 million in 2009.

Change in Unearned Premium Reserves

Change in unearned premium reserves for our health insurance segment was an increase of RMB25 million in 2011 as compared to an increase of RMB17 million in 2010. The larger increase of unearned premium reserves in 2011 was primarily due to the increase in premiums from short-term insurance business.

Change in unearned premium reserves for our health insurance segment was an increase of RMB17 million in 2010 as compared to an increase of RMB62 million in 2009. The smaller increase of unearned premium reserves in 2010 was primarily due to a larger part of the premiums in our Supplemental Basic Medical Care Insurance business ceded to reinsurers, which outpaced the growth of GWPs in our health insurance segment.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our health insurance segment increased by 63.4% to RMB2,682 million in 2011 from RMB1,641 million in 2010, which in turn decreased by 8.8% from RMB1,799 million in 2009.

Investment Income

The majority of investment assets for our health insurance segment is managed by PICC AMC. See the section entitled "Business — Asset Management" for more information. The investment income generated by these assets are included in the investment income of our health insurance segment and not in our asset management segment.

Investment income for our health insurance segment decreased by 51.1% to RMB672 million in 2011 from RMB1,375 million in 2010, primarily due to a decrease in our assets under management resulting from the concentration of benefits paid and the impact from the downturn of China's capital markets in 2011.

Investment income for our health insurance segment increased by 7.4% to RMB1,375 million in 2010 from RMB1,280 million in 2009. This increase was primarily due to an increase in interest income and dividend income. This increase was partly offset by a decrease in unrealized gains and provisions for impairment losses.

Other Income

Other income for our health insurance segment decreased by 25.0% to RMB324 million in 2011 from RMB432 million in 2010, primarily due to a decrease in policy initiation fees and management fees charged to policyholders.

Other income for our health insurance segment increased significantly by 117.1% to RMB432 million in 2010 from RMB199 million in 2009, primarily due to an increase in policy initiation fees and management fees charged to policyholders from the significant growth of our universal health insurance products.

Total Income

As a result of the foregoing, total income for our health insurance segment increased by 13.6% to RMB4,150 million in 2011 from RMB3,652 million in 2010, which in turn increased by 11.1% from RMB3,288 million in 2009.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our health insurance segment increased by 40.7% to RMB2,406 million in 2011 from RMB1,710 million in 2010, which was in line with the increase in GWPs from our health insurance segment. Our health insurance segment continued strengthening the risk management of medical care insurance, and the quality of its underwriting business and major insurance products in order to control claim risks.

Claims and policyholders' benefits for our health insurance segment decreased by 10.6% to RMB1,710 million in 2010 from RMB1,912 million in 2009, primarily due to (i) the strengthening of our risk management for medical care insurance, health insurance's underwriting business and major insurance products and (ii) an increase in premiums ceded to reinsurers in the health insurance segment in 2010 compared to 2009 in order to transfer more risk to our reinsurers.

Handling Charges and Commissions

Handling charges and commissions for our health insurance segment increased by 43.5% to RMB188 million in 2011 from RMB131 million in 2010, primarily due to the rapid growth of our accidental injury insurance business conducted through intermediary channels.

Handling charges and commissions for our health insurance segment decreased by 30.7% to RMB131 million in 2010 from RMB189 million in 2009, primarily due to our enhanced efforts in direct sales relating to the Supplemental Basic Medical Care Insurance business.

Finance Costs

Finance costs for our health insurance segment increased by 69.6% to RMB585 million in 2011 from RMB345 million in 2010, primarily due to an increase in interest expense on policyholders' investment contracts.

Finance costs for our health insurance segment significantly increased to RMB345 million in 2010 from RMB115 million in 2009, primarily due to an increase in interest expense on policyholders' investment contracts resulting from the growth of our universal health insurance business and an increase in interest expense relating to subordinated debt.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our health insurance segment increased by 7.9% to RMB1,448 million in 2011 from RMB1,342 million in 2010, primarily due to an increase in operating and administration expenses resulting from the overall growth of our health insurance business. The percentage increased in other operating and administrative expenses for our health insurance segment was lower than the growth of GWPs from our health insurance segment for the same period.

Other operating and administrative expenses for our health insurance segment increased by 22.6% to RMB1,342 million in 2010 from RMB1,095 million in 2009, primarily due to an increase in operating and administration expenses resulting from the overall growth of our health insurance business. The percentage increased in other operating and administrative expenses for our health insurance segment was lower than the growth of GWPs from our health insurance segment for the same period.

Total Benefits, Claims and Expenses

As a result of the foregoing, total benefits, claims and expenses for our health insurance segment increased by 31.2% to RMB4,632 million in 2011 from RMB3,531 million in 2010, which in turn increased by 6.7% from RMB3,310 million in 2009.

Profit/(Loss) Before Tax

As a result of the foregoing, our health insurance segment had a loss of RMB482 million in 2011 compared to a profit before tax of RMB121 million in 2010 and a loss of RMB22 million in 2009.

Income Tax (Expense)/Credit

Our health insurance segment had an income tax expense of RMB0 in 2011, compared to an income tax expense of RMB67 million in 2010 and an income tax credit of RMB54 million in 2009. The variation of our income tax (expense)/credit was influenced by variations in our profit/(loss) before tax and deferred income tax.

Net Profit/(Loss)

As a result of the foregoing, the net profit of our health insurance segment decreased to a net loss of RMB482 million in 2011 from a net profit of RMB54 million in 2010, which in turn increased by 68.8% from a net profit of RMB32 million in 2009.

Six Months Ended June 30, 2011 and 2012

Gross Written Premiums

GWPs attributable to our health insurance segment increased by 77.4% to RMB5,303 million for the six months ended June 30, 2012 from RMB2,989 million for the six months ended June 30, 2011. This increase was primarily due to an increase in GWPs attributable to Supplemental Basic Medical Care Insurance through our expansion of the "Zhanjiang Model" and "Taicang Project," and an increase in GWPs attributable to participating insurance products since we obtained approval to sell these products on a pilot basis in September 2011. Our health insurance segment also continued to grow accident insurance business which had a high profit margin.

Premiums Ceded to Reinsurers

Premiums ceded to reinsurers for our health insurance segment increased by 27.3% to RMB1,627 million for the six months ended June 30, 2012 from RMB1,278 million for the six months ended June 30, 2011, primarily due to an increase in protection health insurance products.

Net Written Premiums

After considering premiums ceded to reinsurers, net written premiums for our health insurance segment increased by 114.8% to RMB3,676 million in the first six months of 2012 from RMB1,711 million for the six months ended June 30, 2011.

Change in Unearned Premium Reserves

Change in unearned premium reserves for our health insurance segment was RMB763 million for the six months ended June 30, 2012 as compared to RMB603 million for the six months ended June 30, 2011. The change in unearned premium reserves was primarily due to the growth of our Supplemental Basic Medical Care Insurance and accident insurance.

Net Earned Premiums

As a result of the foregoing, net earned premiums for our health insurance segment significantly increased to RMB2,913 million for the six months ended June 30, 2012 from RMB1,108 million for the six months ended June 30, 2011.

Investment Income

Investment income for our health insurance segment decreased by 46.6% to RMB222 million for the six months ended June 30, 2012 from RMB416 million for the six months ended June 30, 2011, primarily due to a decrease in investment yield resulting from the downturn of China's capital markets during the first half of 2012, and a decrease in the investment assets.

Other Income

Other income for our health insurance segment decreased by 63.1% to RMB79 million for the six months ended June 30, 2012 from RMB214 million for the six months ended June 30, 2011, primarily due to a decrease in policy initiation fees resulting from a decrease in the sales of new policies of universal insurance associated with the fast growth of participating insurance business in our health insurance segment.

Total Income

As a result of the foregoing, total income for our health insurance segment increased by 79.1% to RMB3,480 million for the six months ended June 30, 2012 from RMB1,943 million for the six months ended June 30, 2011.

Claims and Policyholders' Benefits

Claims and policyholders' benefits for our health insurance segment increased by 144.0% to RMB2,608 million for the six months ended June 30, 2012 from RMB1,069 million for the six months ended June 30, 2011, primarily due to an increase in claims reserves corresponding to the growth of participating insurance business.

Handling Charges and Commissions

Handling charges and commissions for our health insurance segment increased by 74.2% to RMB155 million for the six months ended June 30, 2012 from RMB89 million for the six months ended June 30, 2011, primarily due to the commencement of sales of participating insurance products since September 2011 and the fast growth of accident insurance business.

Finance Costs

Finance costs for our health insurance segment increased by 27.7% to RMB350 million for the six months ended June 30, 2012 from RMB274 million for the six months ended June 30, 2011, primarily due to an increase in interest expense on investment contract liabilities for policyholders.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our health insurance segment decreased by 4.7% to RMB664 million for the six months ended June 30, 2012 from RMB697 million for the six months ended June 30, 2011.

Total Benefits, Claims and Expenses

As a result of the foregoing, total expenses for our health insurance segment increased by 77.4% to RMB3,777 million for the six months ended June 30, 2012 from RMB2,129 million for the six months ended June 30, 2011.

Profit/(loss) Before Tax

As a result of the foregoing, our health insurance segment had a loss of RMB297 million for the six months ended June 30, 2012, compared to a loss of RMB186 million for the six months ended June 30, 2011.

Income Tax/(Expense)/Credit

Income tax for our health insurance segment was both nil for the six months ended June 30, 2012 and 2011.

Net Profit/(Loss)

As a result of the foregoing, our health insurance segment had a loss of RMB297 million for the six months ended June 30, 2012 and a loss of RMB186 million for the six months ended June 30, 2011, respectively.

Asset Management

The following table sets forth income statements data for our asset management business for the periods indicated:

	For the year ended December 31,					For the six months ended June 30,		
	2009		2010		2011	2011		2012
	(RMB in millions)	% change	(RMB in millions)	% change	(RMB in millions)	(RMB in millions) (unaudited)	% change	(RMB in millions)
Investment income	500	(4.2)	479	13.2	542	532	(7.5)	492
Other income	1,097	2.5	1,124	8.1	1,215	525	(2.7)	511
Total income	1,597	0.4	1,603	9.6	1,757	1,057	(5.1)	1,003
Finance costs	324	(9.0)	295	(8.8)	269	134	(35.8)	86
Exchange losses, net	8	(87.5)	1	100.0	2	1	—	0
Other operating and administrative expenses	1,174	0.0	1,174	(14.2)	1,007	367	(22.3)	285
Total expenses	1,506	(2.4)	1,470	(13.1)	1,278	502	(26.1)	371
Share of profits from associates	296	41.9	420	(16.7)	350	224	(83.9)	36
Profit before tax	387	42.9	553	49.9	829	779	(14.2)	668
Income tax expense	(130)	—	(96)	—	(149)	(143)	—	(415)
Net profit	257	77.8	457	48.8	680	636	(60.2)	253

Years Ended December 31, 2009, 2010 and 2011

Investment Income

Investment income for our asset management segment primarily includes realized gains from debt and equity securities, operating lease income from investment properties, gains on disposal of subsidiaries, relevant impairment losses, and unrealized gains from financial assets carried at fair value through profit or loss and dividend income. Investment income for our asset management segment does not include investment income generated by investment assets managed by PICC AMC on behalf of our P&C insurance, life insurance and health insurance segments. Investment income generated by investment assets managed by PICC AMC on behalf of our other segments are included in the investment income of the relevant segment.

Investment income for our asset management segment increased by 13.2% to RMB542 million in 2011 from RMB479 million in 2010, primarily due to an increase in income from the sales of long-term equity investments and in dividend income.

Investment income for our asset management segment was generally stable at RMB479 million in 2010 and RMB500 million in 2009.

Other Income

Other income for our asset management segment primarily includes management fees (including management fees received by PICC AMC for investment management services provided to our other segments), and commissions, as well as disposal gains, from properties and intangible assets.

Other income for our asset management segment increased by 8.1% to RMB1,215 million in 2011 from RMB1,124 million in 2010, primarily due to an increase in fees and commissions earned by PICC Investment subsidiaries and an increase in management fees from an increase in the assets under management by PICC AMC.

Other income for our asset management segment increased by 2.5% to RMB1,124 million in 2010 from RMB1,097 million in 2009.

Total Income

As a result of the foregoing, total income for our asset management segment increased by 9.6% to RMB1,757 million in 2011 from RMB1,603 million in 2010, which in turn increased by 0.4% from RMB1,597 million in 2009.

Finance Costs

Finance costs for our asset management segment decreased by 8.8% to RMB269 million in 2011 from RMB295 million in 2010.

Finance costs for our asset management segment decreased by 9.0% to RMB295 million in 2010 from RMB324 million in 2009.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our asset management segment decreased by 14.2% to RMB1,007 million in 2011 from RMB1,174 million in 2010.

Other operating and administrative expenses for our asset management segment in both 2009 and 2010 were RMB1,174 million.

Total Expenses

As a result of the foregoing, total expenses for our asset management segment decreased by 13.1% to RMB1,278 million in 2011 from RMB1,470 million in 2010, which in turn decreased by 2.4% from RMB1,506 million in 2009.

Share of Profits of Associates

Share of profits of associates decreased by 16.7% to RMB350 million in 2011 from RMB420 million in 2010, primarily due to a decrease in profits received by PICC Investment from its associates attributable to the downturn in capital markets in China.

Share of profits of associates increased by 41.9% to RMB420 million in 2010 from RMB296 million in 2009, primarily due to an increase in profits received by PICC Investment from its associates.

Profit Before Tax

As a result of the foregoing, profit before tax for our asset management segment increased by 49.9% to RMB829 million in 2011 from RMB553 million in 2010, which in turn increased by 42.9% from RMB387 million in 2009.

Income Tax Expense

Income tax expense for our asset management segment was RMB149 million in 2011, RMB96 million in 2010 and RMB130 million in 2009, respectively. The changes in income tax expense were influenced by the variations in our profit before tax and changes in deferred income taxes.

Net Profit

As a result of the foregoing, net profit for our asset management segment increased by 48.8% to RMB680 million in 2011 from RMB457 million in 2010, which in turn increased by 77.8% from RMB257 million in 2009.

Six Months Ended June 30, 2011 and 2012

Investment Income

Investment income for our asset management segment decreased by 7.5% to RMB492 million for the six months ended June 30, 2012 from RMB532 million for the six months ended June 30, 2011, primarily due to a decrease in income from sales of long-term equity investments by PICC Investment.

Other Income

Other income for our asset management segment decreased by 2.7% to RMB511 million for the six months ended June 30, 2012 from RMB525 million for the six months ended June 30, 2011.

Total Income

As a result of the foregoing, total income for our asset management segment decreased by 5.1% to RMB1,003 million for the six months ended June 30, 2012 from RMB1,057 million for the six months ended June 30, 2011.

Finance Costs

Finance costs for our asset management segment decreased by 35.8% to RMB86 million for the six months ended June 30, 2012 from RMB134 million for the six months ended June 30, 2011, primarily due to a decrease in interest expense resulting from partial repayment of borrowings by PICC Investment.

Other Operating and Administrative Expenses

Other operating and administrative expenses for our asset management segment decreased by 22.3% to RMB285 million for the six months ended June 30, 2012 from RMB367 million for the six months ended June 30, 2011.

Total Expenses

As a result of the foregoing, total expenses for our asset management segment decreased by 26.1% to RMB371 million for the six months ended June 30, 2012 from RMB502 million for the six months ended June 30, 2011.

Share of Profits of Associates

Share of profits of associates decreased by 83.9% to RMB36 million for the six months ended June 30, 2012 from RMB224 million for the six months ended June 30, 2011, primarily due to a decrease in profits received by PICC Investment from its associates attributable to the downturn in China's capital markets.

Profit Before Tax

As a result of the foregoing, profit before tax for our asset management segment decreased by 14.2% to RMB668 million for the six months ended June 30, 2012 from RMB779 million for the six months ended June 30, 2011.

Income Tax Expense

Income tax expense for our asset management segment was RMB415 million for the six months ended June 30, 2012 and RMB143 million for the six months ended June 30, 2011. The variation of our income tax expense was influenced by the variations in our profit before tax and changes in deferred income taxes.

Net profit

As a result of the foregoing, net profit for our asset management segment decreased by 60.2% to RMB253 million for the six months ended June 30, 2012 from RMB636 million for the six months ended June 30, 2011.

CONSOLIDATED GROUP SELECTED FINANCIAL POSITION

Assets

As of December 31, 2009, 2010, 2011 and June 30, 2012, our total assets amounted to RMB306,343 million, RMB442,879 million, RMB585,152 million and RMB649,743 million, respectively. Our significant assets included cash and cash equivalents, term deposits, debt securities and equity securities.

Cash and cash equivalents and term deposits

As of December 31, 2009, 2010, 2011 and June 30, 2012, our cash and cash equivalents and term deposits amounted to RMB50,369 million, RMB84,760 million, RMB150,049 million and RMB188,178 million, respectively.

Cash and cash equivalents and term deposits continuously increased as a percentage of our total assets from December 31, 2009 to June 30, 2012, primarily due to an increase in term deposits, especially negotiated deposits, so as to increase the percentage of interest-bearing assets to increase investment yield from our investment portfolio.

Debt securities

As of December 31, 2009, 2010, 2011 and June 30, 2012, our debt securities amounted to RMB130,167 million, RMB206,953 million, RMB213,996 million and RMB208,273 million, respectively. Our debt securities increased by 59.0% from December 31, 2009 to December 31, 2010, 3.4% from December 31, 2010 to December 31, 2011 and decreased by 2.7% from December 31, 2011 to June 30, 2012, primarily due to an increase in debt securities available-for-sale and held-to-maturity as our overall investment assets increased in connection with the rapid growth of our business. Since 2011, we have enhanced our management of matching assets and liabilities, optimized the structure of fixed-income assets, increased the proportion of negotiated deposits and slowed the growth of investment in debt securities to a relatively stable level.

Equity securities

As of December 31, 2009, 2010, 2011 and June 30, 2012, the balance of our equity securities amounted to RMB35,429 million, RMB51,184 million, RMB71,050 million and RMB85,267 million, respectively. Our equity securities increased by 44.5% from December 31, 2009 to December 31, 2010, 38.8% from December 31, 2010 to December 31, 2011 and 20.0% from December 31, 2011 to June 30, 2012, primarily due to an increase in equity securities available-for-sale as our overall investment assets increased in connection with the rapid growth of our business.

Liabilities

As of December 31, 2009, 2010, 2011 and June 30, 2012, our total liabilities amounted to RMB272,062 million, RMB406,166 million, RMB537,217 million and RMB592,933 million, respectively. Our liabilities primarily include insurance contracts liabilities, which increased along with the growth of our insurance business and contributed to the increase in our total liabilities.

Securities sold under agreements to repurchase

As of December 31, 2009, 2010, 2011 and June 30, 2012, the balance of our securities sold under agreements to repurchase amounted to RMB11,360 million, RMB29,713 million, RMB54,080 million and RMB66,850 million, respectively. Our securities sold under agreements to repurchase increased by 161.6% from December 31, 2009 to December 31, 2010, 82.0% from December 31, 2010 to December 31, 2011 and 23.6% from December 31, 2011 to June 30, 2012, primarily due to the growth of our investment assets, which increased our available financing gradually. This financing was used primarily to facilitate the flexible allocation of investment assets.

Subordinated debts

As of December 31, 2009, 2010, 2011 and June 30, 2012, the balance of our subordinated debts amounted to RMB20,755 million, RMB29,474 million, RMB34,670 million and RMB34,761 million, respectively. Our subordinated debt increased by 42.0% from December 31, 2009 to December 31, 2010, 17.6% from December 31, 2010 to December 31, 2011 and 0.3% from December 31, 2011 to June 30, 2012, respectively. The proceeds from the bonds we issued were primarily used to supplement our supplementary capital and to improve our solvency.

Insurance contracts liabilities

Our insurance contract liabilities are primarily comprised of unearned premium reserves, claims reserves and long-term life insurance contract liabilities. As of December 31, 2009, 2010, 2011 and June 30, 2012, our insurance contract liabilities amounted to RMB157,143 million, RMB254,095 million, RMB326,281 million and RMB381,743 million, respectively. Our insurance contracts liabilities increased by 61.7% from December 31, 2009 to December 31, 2010, 28.4% from December 31, 2010 to December 31, 2011 and 17.0% from December 31, 2011 to June 30, 2012.

(1) *Unearned premium reserves*

As of December 31, 2009, 2010, 2011 and June 30, 2012, our unearned premium reserves were RMB45,456 million, RMB61,131 million, RMB70,743 million and RMB83,113 million, respectively. Our unearned premium reserves increased by 34.5% from December 31, 2009 to December 31, 2010, 15.7% from December 31, 2010 to December 31, 2011 and 17.5% from December 31, 2011 to June 30, 2012.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our unearned premium reserves attributable to our P&C insurance segment were RMB44,908 million, RMB60,222 million, RMB69,622 million and RMB80,567 million, respectively. Our unearned premium reserves attributable to our P&C insurance segment increased by 34.1% from December 31, 2009 to December 31, 2010, 15.6% from December 31, 2010 to December 31, 2011 and 15.7% from December 31, 2011 to June 30, 2012, primarily due to the continued growth of our P&C insurance business.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our unearned premium reserves attributable to our life insurance segment were RMB291 million, RMB523 million, RMB683 million and RMB768 million, respectively. Our unearned premium reserves attributable to our life insurance segment increased by 79.7% from December 31, 2009 to December 31, 2010, 30.6% from December 31, 2010 to December 31, 2011 and 12.5% from December 31, 2011 to June 30, 2012.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our unearned premium reserves attributable to our health insurance segment were RMB257 million, RMB386 million, RMB439 million and RMB1,778 million, respectively. Our unearned premium reserves attributable to our health insurance segment increased by 50.2% from December 31, 2009 to December 31, 2010, 13.7% from December 31, 2010 to December 31, 2011, and 305.0% from December 31, 2011 to June 30, 2012.

The increase in our unearned premium reserves for our life and health insurance segments was primarily due to the growth of our short-term life insurance policies and health insurance policies.

(2) *Claims reserves*

As of December 31, 2009, 2010, 2011 and June 30, 2012, our claims reserves were RMB48,791 million, RMB64,145 million, RMB78,449 million and RMB85,777 million, respectively. Our claims reserves increased by 31.5% from December 31, 2009 to December 31, 2010, 22.3% from December 31, 2010 to December 31, 2011, and 9.3% from December 31, 2011 to June 30, 2012, respectively.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our claims reserves attributable to our P&C insurance segment were RMB48,086 million, RMB62,939 million, RMB76,286 million and RMB83,661 million, respectively. Our claims reserves attributable to our P&C insurance segment increased by 30.9% from December 31, 2009 to December 31, 2010, 21.2% from December 31, 2010 to December 31, 2011, and 9.7% from December 31, 2011 to June 30, 2012, respectively.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our claims reserves attributable to our life insurance segment were RMB60 million, RMB131 million, RMB356 million and RMB378 million, respectively. Our claims reserves attributable to our life insurance segment increased by 118.3% from December 31, 2009 to December 31, 2010, 171.8% from December 31, 2010 to December 31, 2011, and 6.2% from December 31, 2011 to June 30, 2012, respectively.

As of December 31, 2009, 2010, 2011 and June 30, 2012, our claims reserves attributable to our health insurance segment were RMB645 million, RMB1,074 million, RMB1,807 million and RMB1,737 million, respectively. Our claims reserves attributable to our health insurance segment increased by 66.5% from December 31, 2009 to December 31, 2010, 68.2% from December 31, 2010 to December 31, 2011, and remained stable from December 31, 2011 to June 30, 2012.

The increase in our claims reserves for the three segments described above was primarily due to the growth of our business.

(3) *Long-term life insurance contract liabilities*

As of December 31, 2009, 2010, 2011 and June 30, 2012, our long-term life insurance contract liabilities were RMB62,896 million, RMB128,819 million, RMB177,089 million and RMB212,853 million, respectively. Our long-term life insurance contract liabilities increased by 104.8% from December 31, 2009 to December 31, 2010, 37.5% from December 31, 2010 to December 31, 2011, and 20.2% from December 31, 2011 to June 30, 2012, respectively, primarily due to the growth of in-force business of our long-term life insurance business.

Investment contract liabilities for policyholders

As of December 31, 2009, 2010, 2011 and June 30, 2012, our investment contract liabilities for policyholders amounted to RMB31,663 million, RMB 41,253 million, RMB49,156 million and RMB48,013 million, respectively.

Our investment contract liabilities for policyholders decreased by 2.3% from RMB49,156 million as of December 31, 2011 to RMB48,013 million as of June 30, 2012.

Our investment contract liabilities for policyholders increased by 19.2% from RMB41,253 million as of December 31, 2010 to RMB49,156 million as of December 31, 2011, primarily due to the growth of universal insurance products in our life and health insurance segment.

Our investment contract liabilities for policyholders increased by 30.3% from RMB31,663 million as of December 31, 2009 to RMB41,253 million as of December 31, 2010, primarily due to the growth of the sales of certain annuity products in our life insurance segment and universal insurance products in our health insurance segment.

LIQUIDITY AND CAPITAL RESOURCES

We manage our liquidity and capital resources on a consolidated basis. Our businesses are conducted through those of our operating subsidiaries in which we hold controlling interests. As a result, substantially all of our cash flows derive from dividends and investment income from these operating subsidiaries and associates.

The principal sources of funds generated by our insurance operations are premiums, management fees charged to policyholders, deposits of investment contracts to policyholders, investment income (net of administrative costs) and net proceeds and income from the sale or maturity of investments, while the major uses of these funds are:

- to pay P&C insurance claims and related claims expenses;
- to provide life and health insurance policy benefits, settle surrenders and withdrawals, pay accidental injury and short-term health claims and pay dividends to participating universal life insurance policyholders; and
- to pay other operating costs.

We generate substantial cash flows from operations as a result of most premiums, management fees charged to policyholders, and deposits of investment contracts policyholders being received in advance of the time when policy benefits or claim payments are to be required. Our positive operating cash flows, along with cash held for investment portfolios and liquid securities, have historically met the liquidity requirements of our insurance operations.

The liquidity of our insurance operations is affected by a series of internal and external factors. The liquidity of our P&C insurance business is primarily affected by the frequency and severity of losses under our P&C insurance policies. Future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for our P&C insurance operations. The liquidity needs of our life and health insurance operations are generally affected by trends in actual mortality and morbidity, referring to the differences in assumptions used in the pricing of our life and health insurance policies, and by contracted insurance liabilities set forth in our life and health insurance contracts and the level of surrenders and withdrawals. In addition, we are required by CIRC regulations to distribute at least 70% of our distributable profits to the holders of participating insurance products.

In addition to the uses of funds described above, our primary use of funds includes cash for investing expenses, repayment of principal and interest expense on outstanding indebtedness, payment of dividends expense and others. Our premiums, management fees charged to policyholders and deposits of investment contracts policyholders, investment income, cash received on the sale or maturity of investments and debt offerings and equity financing are sufficient to meet the liquidity requirements of our insurance operations on both a short-term and long-term basis. We also have access to additional liquidity through financial assets sold under agreements to repurchase. Our cash and cash equivalents as of December 31, 2009, 2010 and 2011 were RMB36,116 million, RMB40,498 million and RMB55,507 million, respectively. Our cash and cash equivalents as of June 30, 2011 and 2012 were RMB70,021 million and RMB69,887 million, respectively.

The following table sets forth our cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
			(RMB in millions)		
Net cash flows from operating activities	57,063	104,390	74,757	52,181	31,511
Net cash flows used in investing activities	(61,908)	(125,072)	(99,490)	(64,444)	(28,202)
Net cash flows from financing activities	9,807	25,108	39,799	41,794	11,069
Cash and cash equivalents at end of the year	36,116	40,498	55,507	70,021	69,887

Net cash inflows from operating activities for the six months ended June 30, 2011 and June 30, 2012 were RMB52,181 million and RMB31,511 million, respectively. The decrease in net cash inflows from operating activities for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 was primarily due to an increase in net cash paid for reinsurance, a decrease in deposits of policyholders, and an increase in surrender payments. Net cash inflows from operating activities in 2010 and 2011 were RMB104,390 million and RMB74,757 million, respectively. Net cash inflows from operating activities decreased from 2010 to 2011, primarily due to maturity payments arising from certain products in our health insurance segment. Net cash inflows from operating activities in 2009 and 2010 were RMB57,063 million and RMB104,390 million, respectively. Net cash inflows from operating activities increased from 2009 to 2010, primarily due to increases in income from the insurance business and the improvement of business quality within the P&C insurance segment.

Net cash outflows used in investing activities for the six months ended June 30, 2011 and June 30, 2012 were RMB64,444 million and RMB28,202 million, respectively. The decrease in net cash outflows used in investing activities for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 was primarily due to a decrease in net cash inflows from operating activities and financing activities. As a result, our cash available for investment was reduced correspondingly. Net cash outflows used in investing activities in 2010 and 2011 were RMB125,072 million and RMB99,490 million, respectively. Net cash outflows used in investing activities decreased from 2010 to 2011, primarily due to a decrease in cash paid for investments, as our cash available for investment was reduced by our maturity payments on long-term savings products in our health insurance segment. Net cash outflows used in investing activities in 2009 and 2010 were RMB61,908 million and RMB125,072 million, respectively. Net cash outflows from investing activities increased from 2009 to 2010, primarily due to our continued increases in investment during that period.

Net cash inflows from financing activities for the six months ended June 30, 2011 and June 30, 2012 were RMB41,794 million and RMB11,069 million, respectively. The decrease in net cash inflows from financing activities for the six months ended June 30, 2012 as compared to the six month period ended June 30, 2011 was primarily because cash inflows from equity financing and debt issuance during the first half of 2012 were less than cash inflows from NSSF's investment in PICC Group and rights issue by PICC P&C during the first half of 2011. Net cash inflows from financing activities in 2010 and 2011 were RMB25,108 million and RMB39,799 million, respectively. Net cash inflows from financing activities increased from 2010 to 2011, primarily due to a RMB10,000 million investment in PICC Group by the NSSF and rights issues by PICC P&C and PICC Life. Net cash inflows from financing activities in 2009 and 2010 were RMB9,807 million and RMB25,108 million, respectively. Net cash inflows from financing activities increased from 2009 to 2010, primarily due to an increase in securities sold under agreements to repurchase and the issuance of subordinated debt in 2010.

Between June 30, 2012 and the Latest Practicable Date, we incurred approximately RMB15 million in expenses for the Global Offering, and we expect to incur an additional RMB120 million until the completion of the Global Offering. We do not expect these expenses to have a material impact on our results of operation for 2012 as reflected in our consolidated income statements for 2012.

Solvency Margin Ratio

The solvency margin ratio is a measure of solvency for PRC insurance companies and is calculated by dividing the actual capital by a statutory minimum capital. Actual capital is the difference between an insurance company's admissible assets and admissible liabilities. Minimum capital is the amount of capital that an insurance company must maintain to respond to the adverse impact of asset risks and underwriting risks on its solvency margin. The CIRC requires insurance companies to assess their solvency margin ratio, to calculate their minimum capital and actual capital and to conduct dynamic solvency tests on a regular basis.

Under the applicable CIRC regulations, PRC insurance companies are required to maintain specified solvency margin ratios. Accordingly, our Company as a group and each of our insurance subsidiaries (including PICC P&C, PICC Life and PICC Health) are required to comply with solvency margin ratio requirements. Based on their solvency margins, the CIRC classifies insurance companies into three categories:

- Inadequate Solvency: insurance companies with a solvency margin ratio less than 100%;
- Adequate Solvency I: insurance companies with a solvency margin ratio between 100% and 150%; and
- Adequate Solvency II: insurance companies with a solvency margin ratio higher than 150%.

Pursuant to regulatory requirements of the CIRC, if the solvency margin ratio falls between 100% and 150%, the CIRC may require the insurance company to submit and implement an insolvency prevention plan, which may include a detailed plan to set up a functioning solvency risk prevention mechanism, and may order the insurance company to remedy the solvency margin ratio, which may include specific requirements for the insurance company to distribute profits based on the lower of the distributable profits determined under PRC GAAP and the remaining consolidated income determined under the Rules on Enterprise Solvency Report. If the solvency margin ratio falls below 100%, the CIRC may take supervisory measures, among others, such as ordering the insurance company to increase its capital or restrict its distribution of dividends, and limit its scope of investments and ability to establish new branch entities. For a detailed description of the solvency margin requirements, see "Supervision and Regulation — Solvency Margin Ratio."

Our solvency margin depends on our ability to meet the growth of our business by achieving profitability, reasonably ceding premiums to reinsurers and timely and adequately increasing our capital base. See "Risk Factors — Risks Relating to Our Business — If we do not meet solvency margin ratio requirements, we could be subject to regulatory sanctions and could be forced to change our business strategies or slow down our growth."

The following table sets forth solvency margin ratios of our Company as a group and each of our insurance subsidiaries as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
Solvency margin ratio(1)				
Group	139%	125%	165%	156%
PICC P&C	111%	115%	184%	184%
PICC Life	181%	124%	132%	136%
PICC Health	211%	115%	107%	101%

(1) The solvency margin ratio is calculated in accordance with the applicable CIRC guidelines and based on PRC GAAP.

As of December 31, 2009, 2010, 2011 and June 30, 2012, the solvency margin ratio of our Company as a group was 139%, 125%, 165% and 156%, respectively. The solvency margin ratio of our Company remained in the Adequate Solvency II category as classified by the CIRC, though it decreased as of June 30, 2012 as compared to December 31, 2011. The increase in solvency margin ratio as of December 31, 2011 compared to December 31, 2010 was primarily due to our improved profitability and an increase in actual capital from the RMB10.0 billion investment made by NSSF, along with the RMB5.0 billion subordinated debt issuance and the RMB5.0 billion rights issue by PICC P&C in 2011. The decline in solvency margin ratio as of December 31, 2010 compared to December 31, 2009 was primarily due to the rapid growth of our P&C insurance and life and health businesses.

As of December 31, 2009, 2010, 2011 and June 30, 2012, PICC P&C's solvency margin ratio was 111%, 115%, 184% and 184%, respectively. The solvency margin ratio as of June 30, 2012 remained stable as compared to December 31, 2011, which was primarily due to an increase in profitability and investment income in our P&C insurance segment and the rebound of the fair value of available-for-sale financial assets, which effectively satisfied the requirement to increase the minimum capital as a result of business growth in our P&C insurance segment. The significant increase in solvency margin ratio as of December 31, 2011 compared to December 31, 2010 was primarily due to the growth in PICC P&C's profitability, along with an increase in actual capital from the RMB5.0 billion subordinated debt issuance and the RMB5.0 billion rights issue. The slight increase in solvency margin ratio as of December 31, 2010 compared to December 31, 2009 was primarily due to the improved profitability and an increase in actual capital from the RMB6 billion subordinated debt issuance, which offset the increase in the statutory minimum capital requirement in associated with the rapid growth of PICC P&C's business.

As of December 31, 2009, 2010, 2011 and June 30, 2012, PICC Life's solvency margin ratio was 181%, 124%, 132% and 136%, respectively. The increase in the solvency margin ratio as of June 30, 2012 as compared to December 31, 2011 was primarily due to a significant increase in profit for the first half of 2012, the efforts of our life insurance segment to optimize assets allocation, and the rebound of fair value of available-for-sale financial assets. The increase in solvency margin ratio as of December 31, 2011 as compared to December 31, 2010 was primarily due to an increase in the actual capital resulting from the capital injection of RMB11.3 billion by PICC Life's shareholders and the reinsurance arrangement by PICC Life that reduced the capital required in order to comply with the statutory minimum capital requirement, although the fast business growth of PICC Life and the reduction of actual capital caused by the decline on the available-for-sale financial assets from the volatile China's capital markets increased the capital required in order to comply with the statutory minimum capital requirement. PICC Life's relatively high solvency margin ratio as of December 31, 2009 was primarily due to the capital injection of RMB6.1 billion by its shareholders to promote its business growth. The decline in solvency margin ratio as of December 31, 2010 as compared to December 31, 2009 was primarily due to the significant increase in the statutory minimum capital requirement caused by PICC Life's rapid business growth, which was partially offset by the RMB2.5 billion subordinated debt issuance in 2010.

As of December 31 2009, 2010, 2011 and June 30, 2012, PICC Health's solvency margin ratio was 211%, 115%, 107% and 101%, respectively. The decrease in the solvency margin ratio as of June 30, 2012 as compared to December 31, 2011 was primarily due to the growth of our insurance business. The decline in solvency margin ratio as of December 31, 2011 as compared to December 31, 2010 was primarily due to the rapid growth of the protection type insurance products business and the decrease in investment income from the volatile PRC capital markets as well as the losses in available-for-sale financial assets. PICC Health's relatively high solvency margin ratio as of December 31, 2009 was primarily due to the improved profitability as well as the RMB800 million subordinated debt issuance. The decrease in solvency margin ratio as of December 31, 2010 as compared to December 31, 2009 was primarily due to the growth of health insurance business and the impact from the volatile PRC capital markets.

INDEBTEDNESS

As of September 30, 2012, our indebtedness included an aggregate principal amount of RMB34,258 million of subordinated debts issued by us or our subsidiaries. These subordinated debts are of a 10-year term and the relevant issuer has the right to redeem the subordinated debts at the fifth anniversary, at par value. The initial interest rates for these subordinated debts vary from 3.99% to 6.05% during the first five years and if the subordinated debts are not called by the issuer at the fifth anniversary, starting from the sixth year till maturity, the interest rates will be stepped up on the initial interest rates, at an increment rate varying from 200 to 300 basis points. The proceeds raised from the issuance of these subordinated debts are generally used to increase our capital and enhance our solvency. For further information on our subordinated debts as of June 30, 2012, see Note 36 of Appendix I — Accountants' Report.

On November 22, 2012, our shareholders approved a plan to issue subordinated debt in an aggregate principal amount of no more than RMB16 billion to qualified investors who meet the relevant regulatory requirements (the "Proposed Issuance"). We expect the subordinated debt will have a term of eight years and will be redeemable at the end of the fifth year from the date of issuance. The proceeds raised from the Proposed Issuance is intended to be used to refinance our outstanding subordinated debt in an aggregate principal amount of approximately RMB10 billion, to replenish our supplementary capital, strengthen our solvency margin ratio, to optimize our capital structure and to undertake infrastructure development. The Proposed Issuance is subject to the regulatory approval.

Unless otherwise disclosed in this prospectus, as of September 30, 2012, we did not have any material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any material guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since September 30, 2012.

Unless otherwise disclosed in this prospectus, as of the Latest Practicable Date, we did not have any external debt financing plan other than those relating to our ordinary course of business.

Contractual Obligations

As of September 30, 2012, we did not have any material contractual obligations or commercial commitments, including long-term debt, rental commitments, operating lease commitments, purchase obligations or other capital commitments other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business and those disclosed in this prospectus.

The following table sets forth our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)			
Capital commitments				
Fixed asset commitment:				
Contracted but not provided for	1,846	1,636	392	255
Authorized but not contracted for	489	287	742	510
Equity investment commitment:				
Contracted but not completed for	—	—	—	17,573
Contracted but not provided for	—	—	240	240
Total	2,335	1,923	1,374	18,578
Operating lease obligations				
Within 1 year (including 1 year)	260	235	189	245
1 to 3 years (including 3 years)	262	242	164	289
Over 3 years	156	158	119	165
Total	678	635	472	699

On March 1, 2012, PICC AMC entered into a share subscription agreement with Industrial Bank, pursuant to which, PICC AMC agreed to purchase 1,380,434,400 common shares of Industrial Bank denominated in RMB at RMB12.73 per share, or an aggregate purchase price of RMB17,572,929,912, through a private placement by Industrial Bank. The entire purchase price for this subscription will be paid in cash in RMB. We intend to fund the subscription with currently available internal cash resources. If the subscription is consummated, the shares issued under it will account for approximately 10.87% of the total common shares of Industrial Bank after the subscription. We expect to consummate the subscription in the first quarter of 2013. The closing of the subscription is subject to restrictions and uncertainties, including without limitation, approvals from regulators. See the section entitled "Business — Asset Management — Subscription of Industrial Bank Shares" and Note 48 of "Appendix I — Accountants' Report."

As of September 30, 2012, our contractual obligations, other than contractual obligations under insurance and investment contracts we entered into in our ordinary course of business, amounted to RMB20,744 million.

Off-Balance Sheet Arrangements

As of June 30, 2012, we did not have any material off-balance sheet arrangements as defined under IFRS unless otherwise disclosed in this prospectus.

Contingent Liabilities

Due to the nature of the insurance business, we are involved in legal proceedings in the ordinary course of business, including litigation and arbitration. The legal proceedings primarily involve claims on our insurance policies but may also involve litigation and arbitration not related to our policies.

We make provision, from time to time, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings, considering the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when our management believes that the probability is remote or that any resulting liabilities will not have a material adverse effect on our financial position or the results of operations.

As of December 31, 2009, 2010, 2011 and June 30, 2012, we did not have any material contingent liabilities other than those disclosed in this prospectus, and our provision for probable or possible losses as a result of legal proceedings or other disputes and claims are based on the best estimates of our management.

As of September 30, 2012, we did not have any material contingent liabilities based on the best estimates of our management.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk is the risk of changes in fair value of financial instruments from fluctuations in foreign exchange rates, market interest rates and equity securities prices.

We measure, manage and monitor the market risk associated with our investment assets on a continuous basis. In particular, we mitigate our market risk through proper diversification of our investment portfolio and proper execution of investment decisions based on appropriate decision-making processes.

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise negotiated deposits and debt securities, changes in the level of interest rates can have a significant impact on our overall investment returns. We manage interest rate risk through adjustments to portfolio asset allocation, and, to the extent possible, by monitoring the average duration and maturity of our portfolio.

We are also exposed to the risk of equity securities market volatility as a result of our investments in equity securities. In particular, a market downturn may cause us to recognize both realized and unrealized investment losses, which would adversely affect our results of operations.

Substantially all of our operations and transactions are carried out in Renminbi. Our exposure to foreign exchange risk arises primarily with respect to United States and Hong Kong dollars. As of December 31, 2009, 2010, 2011 and June 30, 2012, we held foreign currency cash and cash equivalents of RMB5,638 million, RMB2,145 million, RMB4,371 million and RMB1,901 million, respectively, term deposits of RMB5,694 million, RMB7,559 million, RMB3,140 million and RMB4,974 million, respectively, insurance receivables of RMB3,894 million, RMB3,050 million, RMB4,702 million and RMB6,092 million, respectively, of which their carrying values were mainly exposed to fluctuations of foreign exchange rates.

On each balance sheet date during the Track Record Period, we held assets and liabilities denominated in foreign currencies, mostly attributable to the foreign currency-denominated assets and liabilities arising from the foreign exchange insurance business operated by PICC P&C, the foreign currency-denominated capital raised by PICC P&C in connection with its Hong Kong public offering and placement of shares, and the foreign currency-denominated capital of PICC Life and PICC Health held by their foreign shareholders. We record exchange losses and gains for the differences arising on settlement of foreign currency-denominated monetary items caused by the difference in the exchange rate used to translate them into our functional currency (RMB) as at the transaction date as compared to the balance sheet date. During the Track Record Period, the RMB continued to appreciate against the U.S. dollar, which affected us, as we held more foreign currency-denominated assets than foreign currency-denominated liabilities. We recorded net exchange losses of RMB12 million, RMB410 million, RMB424 million and a net exchange gain of RMB32 million, respectively, for the years ended December 31, 2009, 2010, 2011 and the six months ended June 30, 2012. We have adopted measures to reduce, to the extent possible, the amount of foreign currency-denominated assets we hold, in order to reduce losses incurred in connection with our foreign exchange risk exposure. Such measures include receiving RMB-denominated premiums for our foreign exchange insurance business, making foreign currency-denominated payments for insurance claims and benefits as well as applying for foreign exchange settlement.

Following the Global Offering, our exposure to risks associated with foreign currency fluctuations may increase as the net proceeds from the Global Offering are expected to be deposited in currencies other than Renminbi to a foreign currency account until we obtain necessary approvals from relevant PRC regulatory authorities to remit these proceeds into the PRC.

Risk Exposure Estimates

We conduct risk analysis to analyze the implications of changes in market conditions on our investment assets and measure the changes in interest income and the potential loss in the fair values of market-sensitive investment assets resulting from selected hypothetical changes in interest rates, equity price and foreign exchange rates at a particular point in time.

We use the value-at-risk, or VaR, methodology to measure the expected possible loss in respect of interest rate risk and equity price risk. VaR is the potential maximum loss in fair value of the trading portfolio under normal market conditions over a defined time horizon with a specified confidence level. Our VaR calculation is made based on the assumption of a normal distribution and seeks to measure the estimated impact on financial instruments with 10-day reasonable market fluctuations and with a 99% confidence level based on historical market data of fixed-income and equity investments from the 250 trading days in the past. Using the VaR technique and considering the assumptions above, the VaR of our fixed-income assets was RMB436 million, RMB1,519 million, RMB1,161 million and RMB772 million as of December 31, 2009, 2010, 2011 and June 30, 2012, respectively, and the VaR of our equity assets was RMB2,213 million, RMB4,620 million, RMB4,963 million and RMB4,967 million as of December 31, 2009, 2010, 2011 and June 30, 2012, respectively.

We estimate foreign exchange rate risk sensitivity by assuming a 5% depreciation or appreciation in all non-Renminbi currency exchange rates against the Renminbi. If non-Renminbi currencies depreciate against the Renminbi, the carrying value of our non-Renminbi-denominated term deposits, cash and cash equivalents and other assets will decrease. As of December 31, 2009, 2010, 2011 and June 30, 2012, if the RMB had strengthened or weakened by 5% against the US dollar and HK dollar, with all other variables being constant, pre-tax profit for the year would have decreased or increased by RMB647 million, RMB571 million, RMB449 million and RMB460 million, respectively, primarily due to foreign exchange losses or gains from the translation of US dollar-and HK dollar-denominated financial assets other than equity securities.

In addition to the above analysis, we adopt a stress test analysis in certain market circumstances, including, but not limited to, the possible losses in our investment portfolio in the event of a simultaneous 30% decline in the equity asset index and a 100BP rise in the benchmark interest rate.

While we have conducted the risk analysis based on simplified assumptions, we believe they provide a useful framework for understanding our risk management analysis and strategies. The foregoing risk analysis does not consider the impact of market risk in our insurance liabilities.

Limitations of Risk Exposure Estimates

While we strive to achieve a valid estimation of market risk exposure, we recognize that there are certain limitations in its use. Most of our assets are exposed to market risks resulting from unforeseeable and possibly sudden fluctuations of equity securities, interest rates and foreign exchange rates. Risk exposure analysis is a measurement of quantitative risks at a certain moment. It describes the potential investment losses under a series of assumptions and parameters. Although we make our best efforts to achieve a reasonable result through our analysis, there may be considerable discrepancies with actual future losses.

In VaR analysis, the VaR estimates may vary drastically based on the assumptions and probabilities used. The distribution of past changes in market risk factors may not produce accurate predictions of future market risk. In certain market circumstances, the losses might be underestimated. Moreover, VaR calculated for a 10-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within ten days.

Changes of prices in a diversified portfolio consisting of different assets have offsetting effects because different assets may revalue in different directions or in different magnitudes in response to marketplace changes. We have not taken this “diversification effect” into account in our risk estimates due to the generalized assumptions of VaR and sensitivity analysis. The actual changes in the fair value of our investment assets may be different than those shown here.

Furthermore, our risk exposure analysis is based on a certain point in time. As bonds mature or are sold and purchased, or as other investment assets change, the composition of our investment portfolio and the actual risks and sensitivity of our portfolio may change dynamically. The estimate at any particular point in time may not reflect such dynamic changes.

DIVIDEND POLICY

Our profit distribution plan is formulated by our Board in accordance with the PRC Company Law and our Articles of Association, and after it is approved by two-thirds or more of the Directors, it is submitted to a Shareholders’ general meeting for consideration where it must be passed by a number of votes representing more than half of the voting rights of the Shareholders in attendance. Any final dividend for a given fiscal year will be subject to approval at a Shareholders’ general meeting. Our Board will declare dividends, if any, in Renminbi with respect to the H Shares on a per Share basis and will pay such dividends in Hong Kong dollars. All of our Shareholders have equal rights to dividends and their distributions, and our dividends will be distributed on a pro-rata basis.

While formulating the profit distribution plan, our Board fully considers the following factors:

- statutory and regulatory requirements for insurance companies in the PRC, including the CIRC's statutory solvency requirements and any statutory and regulatory restrictions on the payment of dividends by us;
- our Shareholders' interests and desires;
- our financial position, including our results of operations and cash flows;
- our business development needs and plans for future development; and
- other factors that our Board deems relevant.

In addition, the CIRC can prohibit any insurance company that has a solvency margin ratio lower than 100% from paying dividends or making other forms of distributions. For an insurance company with a solvency margin ratio between 100% and 150%, the CIRC can also impose requirements or adopt measures that may affect that insurance company's ability to pay dividends or to make other forms of distributions. See "Supervision and Regulation — Solvency Margin Ratio."

In accordance with the applicable requirements of the PRC Company Law and our Articles of Association, we may only distribute dividends out of our profits after tax in the following order:

- recovery of losses incurred from previous years, if any;
- allocation to a statutory reserve fund of 10% of our profit, which is required until the amount in the statutory reserve fund has reached 50% of the company's registered capital;
- allocation to a discretional reserve fund; and
- payment of dividends to Shareholders.

The Company has not declared or paid any dividends in the past three years.

A special pre-IPO dividends distribution plan was approved by our Company at the third general meeting of 2012 held on May 14, 2012, during which we adopted a resolution that the existing and new Shareholders will be entitled to our accumulated profits prior to the Global Offering.

In accordance with our Articles of Association, our dividend policy will be as follows, unless otherwise adjusted in accordance with the relevant procedures set forth in the applicable laws, regulations and rules resulting from any significant change on the external business environment or our internal operations. The relevant adjustments to the profit distribution plan must be approved by our Board and passed at a Shareholders' general meeting.

- We may pay dividends in the form of cash, shares or a combination of cash and shares. We aim for stability and continuity in our dividend policy so as to award reasonable returns to our Shareholders;
- Our distribution of retained profits will be determined in accordance with PRC GAAP or IFRS or other applicable accounting standards, whichever results in lower retained profits. We are not allowed to distribute profits to our Shareholders if our solvency margin ratio does not meet regulatory requirements;
- Our Board will formulate a profit distribution plan based on a number of factors such as the solvency margin ratio of our Group and certain of our subsidiaries, our results of operation, financial condition and shareholders' returns. Considering these aforementioned factors and in accordance with legal and regulatory requirements, we expect that cash dividends distributed by us in a given year will be no less than 10% of

our distributable profits for that year. We may declare interim dividends based on our financial condition. Our Board may formulate any dividends distribution plan after considering a number of factors such as our stock price and the amount of our share capital;

- Our Board is responsible for submitting proposals in respect of profit distribution to the Shareholders' general meeting for approval. Upon the approval of a profit distribution plan at a Shareholders' general meeting, our Board will distribute such profits to our Shareholders within two months; and
- If cash dividends are not distributed out of our profits in a given year, our Board should issue periodic reports detailing the reasons it had for not distributing the cash dividend and explaining the use of the retained profits that were not distributed, after considering the opinion of our independent directors.

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

The Directors have confirmed that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry and considering the financial resources available to us, including the internally generated funds and the estimated net proceeds of the Global Offering, we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out below for illustrative purpose only, and are set out herein to provide prospective investors with further financial information about how the proposed listing of our H Shares might have affected our net tangible assets after the completion of the Global Offering. Because of its nature, this pro forma financial information may not give a true picture of our financial position.

The following statement shows the consolidated net tangible assets attributable to our equity holders as of June 30, 2012, calculated from the equity attributable to our equity holders as extracted from the Accountants' Report set forth in Appendix I to this prospectus and adjusted to exclude intangible assets.

	Audited Consolidated Net Assets Attributable to Our Equity Holders as of June 30, 2012[1]	Estimated Net Proceeds from the Global Offering[2]	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Our Equity Holders as of June 30, 2012	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Per Offer Share[3]	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB)	(HK$)
Based on the Offer Price of HK$3.42 per Offer Share.	39,735	18,529	54,221	1.31	1.61
Based on the Offer Price of HK$4.03 per Offer Share.	39,735	21,890	57,582	1.39	1.71

(1) The audited consolidated net tangible assets attributable to our equity holders as of June 30, 2012 were based on the consolidated net assets attributable to our equity holders of approximately RMB39,735 million, with adjustments for RMB4,043 million of intangible assets as of June 30, 2012. The consolidated net assets attributable to our equity holders as of June 30, 2012 were extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-allotment Option. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$3.42 and HK$4.03 per Offer Share, respectively, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Offer Share are determined on the basis that 41,389,259,583 Shares are issued and outstanding, assuming the Global Offering had been completed on June 30, 2012, but not taking into account any Shares that may be issued upon the exercise of the H Share Over-allotment Option.

BUSINESS INTERRUPTION

There was no interruption in our business that may have or have had a significant effect on our financial position in the 12 months prior to the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed, after performing all due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no material adverse change in our financial position or prospects since June 30, 2012.

In order to provide investors with an additional tool to understand our economic value and business results, we have disclosed information relating to the embedded value of PICC Life and PICC Health, respectively, as discussed below. As standards for the disclosure of embedded value continue to develop internationally and in the PRC, the form and content of our presentation of embedded value may change. We have also disclosed the value of one year's new business in respect of our new life and health insurance businesses. Due to the technical complexity involved with these calculations, and the fact that these estimates will vary materially as key assumptions are changed, investors should read the following discussion in its entirety and the report of Deloitte, an independent firm of consulting actuaries, set forth in Appendix III — "Actuarial Consultants' Report," use care in interpreting these values and seek advice of experts familiar with the interpretations of these values. See the sections entitled "Forward-looking Statements" and "Risk Factors — Risks Relating to The Global Offering — The embedded value and the value of one year's new business of our life and health insurance businesses are each calculated based on a number of assumptions and may vary significantly as those assumptions change."

Our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus are prepared in accordance with IFRS. These financial statements measure our results of operations for a specific time period. An alternative method of measuring the value and profitability of a life or health insurance company is the embedded value method. Embedded value is an estimate of the economic value of the life and health insurance businesses of an insurance company that is determined based on a particular set of assumptions and a valuation model-based forecast of future distributable profits, excluding any value attributable to any future new business. While, under IFRS, there is a lag time between the sale of policies and the recognition of profits, embedded value recognizes the contribution of future profits from existing policies as of the date of the embedded value calculation. Since life and health insurance policies usually extend over more than one fiscal year, embedded value is a technique that attempts to quantify the total financial impact of these policies, including the impact in future fiscal years, in order to provide an alternative assessment of potential shareholder value.

To assess the total economic value of our life and health insurance businesses, a value of future sales of new life and health insurance businesses, which reflects our ability to produce new business, should be considered in addition to the embedded value. The value of future new business is often calculated by applying a multiplying factor to the value of one year's new business. The value of one year's new business is a measure of the economic value added by life and health insurance companies during the course of the year as a result of writing new business. Assumptions regarding, among others, the future new business growth, profit margin in the future, risk discount rate, and the number of years of new business are considered to derive the multiplying factor.

Deloitte, an independent firm of consulting actuaries, has prepared an actuarial consultants' report on the estimates of the embedded value of PICC Life and PICC Health, respectively, as of December 31, 2011 and June 30, 2012, and the value of one year's new business of PICC Life and PICC Health, respectively, in respect of our new life and health insurance businesses written for the 12 months ended December 31, 2011 and June 30, 2012, on a range of assumptions. A copy of Deloitte's report is included in Appendix III to this prospectus. This report does not constitute an audit opinion of the financial information used in the report.

When preparing its actuarial consultants' report, Deloitte has relied on the data and information supplied by us, including unaudited and audited information as of or before June 30, 2012. Deloitte's report provides further information regarding its use of, and reliance on, the data and information supplied to it.

In Deloitte's report, the value of in-force business and the value of one year's new business in respect of our new life and health insurance businesses have been calculated using a valuation model under a range of assumptions. Given the particular uncertainties associated with the future investment environment and future business operations, you should carefully consider the range of values arising from the sensitivity analysis contained in Deloitte's report, which reflect the impact of different assumptions on these values. Moreover, the values presented in Deloitte's report do not necessarily include the full range of potential outcomes.

The estimates of value of in-force business and the value of one year's new business necessarily make numerous assumptions with respect to industry performance, business and economic conditions, investment returns, reserving standards, taxation, life expectancy and other matters, many of which are beyond our control. As a result, actual future experience may vary from that assumed in the calculation, and these variations may be material. See the section entitled "Risk Factors — Risks Relating to The Global Offering — The embedded value and the value of our one year's new business of our life and health insurance businesses are each calculated based on a number of assumptions and may vary significantly as those assumptions change." Calculated values will vary, possibly materially, as key assumptions are varied. Moreover, as actual market value is determined by investors based on a variety of information available to them, these calculated values should not be construed as a direct reflection of actual market value. Furthermore, in the current environment of the PRC market, material uncertainty exists with respect to asset valuations, which may have material impact on the embedded value.

FUTURE PLANS

See the section entitled "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$24,879 million, assuming an Offer Price of HK$3.73 per H Share (being the mid-point of the indicative Offer Price range), after deducting underwriting fees and commissions and estimated expenses paid and payable by us in connection thereto and assuming that the H Share Over-allotment Option is not exercised.

We intend to use these net proceeds for strengthening our capital base to support our business growth. Before we obtain necessary approvals from relevant PRC regulatory authorities, we are not permitted to convert the net proceeds from the Global Offering into Renminbi. The net proceeds from the Global Offering received by us in U.S. dollars and Hong Kong dollars will be accounted for in our financial statements in Renminbi at the exchange rate published by the PBOC in effect at the time the net proceeds are received.

If the Offer Price is set at HK$4.03 per H Share (being the high end of the indicative Offer Price range), and assuming that the H Share Over-allotment Option is not exercised, the net proceeds of the Global Offering will increase by approximately HK$2,015 million. If the Offer Price is set at HK$3.42 per H Share (being the low end of the indicative Offer Price range), and assuming that the H Share Over-allotment Option is not exercised, the net proceeds of the Global Offering will decrease by approximately HK$2,084 million. If the H Share Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by approximately HK$3,761 million, assuming an Offer Price of HK$3.73 per H Share (being the mid-point of the indicative Offer Price range).

In the event there is to be a material modification to the use of proceeds as described above, we will issue an announcement of the change.

HONG KONG UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Goldman Sachs (Asia) L.L.C.

China International Capital Corporation Hong Kong Securities Limited

Deutsche Bank AG, Hong Kong Branch

Credit Suisse (Hong Kong) Limited

ABCI Securities Company Limited

CCB International Capital Limited

Essence International Securities (Hong Kong) Limited

BOCI Asia Limited

ICBC International Capital Limited (in the capacity as a Joint Bookrunner) / ICBC International Securities Limited (in the capacity as a Joint Lead Manager)

J.P. Morgan Securities (Asia Pacific) Limited

Merrill Lynch International (in the capacity as a Joint Bookrunner) / Merrill Lynch Far East Limited (in the capacity as a Joint Lead Manager)

Daiwa Capital Markets Hong Kong Limited

The Hongkong and Shanghai Banking Corporation Limited

UBS AG, Hong Kong Branch

Haitong International Securities Company Limited

Morgan Stanley Asia Limited

Citigroup Global Markets Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 344,910,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Purchase Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Underwriters' Representatives, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Purchasers. If, for any reason, the Offer Price is not agreed between us and the Underwriters' Representatives, on behalf of the Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(a) there develops, occurs, exists or comes into force:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, Japan or the European Union (taken as a whole); or

(ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in or affecting Hong Kong, China, the United States, United Kingdom, Japan or the European Union (taken as a whole); or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1 and such related/mutated forms, economic sanction, in whatever form) directly or indirectly in or affecting Hong Kong, China, the United States, the United Kingdom, Japan or the European Union (taken as a whole); or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting Hong Kong, China, the United States, the United Kingdom, Japan or the European Union (taken as a whole); or

(v) (A) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in Hong Kong, China, the United States, the United Kingdom, Japan or the European Union (taken as a whole) declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services in or affecting Hong Kong, China, the United States, United Kingdom, Japan or the European Union (taken as a whole); or

(vi) any (A) material change or prospective material change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in taxation, in Hong Kong, China, the United States, the United Kingdom, Japan or the European Union (taken as a whole) adversely affecting an investment in the H Shares; or

(vii) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries,

which, in any of (i) to (vii) and in the sole opinion of the Underwriters' Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or is likely to or will be materially adverse to, or affects or is likely to affect or will affect materially and prejudicially, the business or financial or trading position or prospects of the Company and its subsidiaries as a whole; or

(B) has or is likely to or will have a material adverse effect on the success of the Global Offering and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(b) there has come to the notice of the Underwriters' Representatives or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement contained in this prospectus, the Application Forms, the formal notice or any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) which was when it was issued or has become untrue, incorrect, inaccurate or misleading in any material respect unless such untrue, incorrect or misleading statement is immaterial in the context of the Global Offering and has been properly rectified by the Company in a timely manner; or

(ii) any matter that has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) any warranty given by the Company in the Hong Kong Underwriting Agreement that is (or would when repeated be) untrue or misleading in any material respect; or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Company and its subsidiaries as a whole; or

(v) any material breach on the part of the Company of any of the provisions under the Hong Kong Underwriting Agreement; or

(vi) any material adverse change or prospective material adverse change in the business, results of operations, financial or trading position or prospects of the Company and its subsidiaries as a whole, then the Underwriters' Representatives may in their sole discretion (on behalf of all the Hong Kong Underwriters), upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the H Share Over-allotment Option or to the issue of A Shares by the Company pursuant to the A Share Offering (including the A Share Over-allotment Option), no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

We have also undertaken to each of the Joint Bookrunners, the Underwriters' Representatives and the Hong Kong Underwriters (and is expected to undertake to the International Purchasers) that, except pursuant to the Global Offering (including pursuant to the H Share Over-allotment Option) or to the issue of A Shares by the Company pursuant to the A Share Offering (including pursuant to the A Share Over-allotment Option), at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date, (the "First Six Month Period"), we will not, and will cause our subsidiaries and controlled affiliates not to, without the Underwriters' Representatives' prior written consent (on behalf of the Hong Kong Underwriters subject to the requirements set out in the Hong Kong Listing Rules):

(i) offer, accept subscription for, pledge, charge, allot, lend, mortgage, assign, issue, sell, contract to issue or sell, sell any option or contract to purchase, purchase any option or contract to allot, sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any of its share capital or any securities of the Company or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or any interest therein or deposit H Shares with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(iii) offer to or agree to do any of the foregoing,

whether any of the foregoing transactions described in (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise.

In the event of an issue or a disposal of any H Shares or any interest therein after the First Six Month Period, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the H Shares.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, the International Purchasers will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Purchasers the H Share Over-allotment Option, exercisable by the Underwriters' Representatives on behalf of the International Purchasers at any time from the date of the International Purchase Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 1,034,731,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over allocations (if any) in the International Offering. It is expected the International Purchase Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Purchase Agreement is not entered into, the Global Offering will not proceed.

Total Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Underwriters' Representatives and the relevant International Purchasers (but not the Hong Kong Underwriters).

Assuming an Offer Price of HK$3.73 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "Commissions and Fees") are estimated to be approximately HK$851 million (assuming the H Share Over-allotment Option is not exercised) in total.

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Stabilization

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

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

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

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

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

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

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

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

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

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

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

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on December 29, 2012. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

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

In connection with the Global Offering, the Underwriters' Representatives may over-allocate up to and not more than an aggregate of 1,034,731,000 additional H Shares and cover such over-allocations by exercising the H Share Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Underwriters' Representatives may borrow up to 1,034,731,000 H Shares from our Cornerstone Investors, equivalent to the maximum number of H Shares to be issued on a full exercise of the H Share Over-allotment Option.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 344,910,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 6,553,299,000 Offer Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A.

Goldman Sachs (Asia) L.L.C., Deutsche Bank AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited and The Hongkong and Shanghai Banking Corporation Limited are the Joint Global Coordinators. Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, Credit Suisse (Hong Kong) Limited, ABCI Securities Company Limited, CCB International Capital Limited, Essence International Securities (Hong Kong) Limited, BOCI Asia Limited, ICBC International Capital Limited, J.P. Morgan Securities (Asia Pacific) Limited (in relation to the Hong Kong Public Offering), J.P. Morgan Securities plc (in relation to the International Offering), Merrill Lynch International, Daiwa Capital Markets Hong Kong Limited, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch, Haitong International Securities Company Limited, Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering) and Citigroup Global Markets Limited (in relation to the International Offering) are the Joint Bookrunners for the Global Offering.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 16.67% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the H Share Over-allotment Option. If the H Share Over-allotment Option is exercised in full, the Offer Shares will represent approximately 18.70% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the H Share Over-allotment Option as set out in the paragraph entitled "H Share Over-allotment Option" below.

The Industrial and Commercial Bank of China Limited ("ICBC") as Qualified Domestic Institutional Investor will set up a Fund ("QDII Fund") which will be offered by ICBC to its high net worth investors in the PRC in accordance with applicable PRC laws, regulations and regulatory documents. Those investors may include employees of the Group but procedures will be in place to ensure that those investors will not include any persons who are connected persons of the Group. It is expected that the economic interest and voting rights of less than 10% of the International Offering Placing tranche will be effectively passed through to the QDII Fund as the sole investment of the QDII Fund except for certain cash in deposit held to fund redemptions . The above arrangement will be achieved by an allocation of Offer Shares to an affiliate of ICBC (the "ICBC Affiliate") in a structured pass-through transaction (together with the establishment of the QDII Fund, the "QDII Structured Transaction"). The QDII Fund has a maturity of 2 years which is set based on the expected holding horizon of the investors of the QDII Fund and estimations of the operating cost of the QDII Fund, and will be redeemed in full upon maturity. After an initial lock-up of six months, monthly redemptions of the QDII Fund will be permitted prior to maturity. No preferential treatment will be accorded to the ICBC Affiliate in the allocation or the pricing of Offer Shares in the International Offering. Our PRC legal counsel, King & Wood Mallesons Lawyers, has advised that the offering of the QDII Fund to high net worth investors (including employees of the Group) by ICBC according to the offering memorandum of the QDII Fund and as permitted by PRC statutory procedures do not violate PRC laws, regulations and regulatory documents. We have applied for and the Hong Kong Stock Exchange has granted its consent under paragraph 5(1) of Appendix 6 of the Listing Rules to allow Offer Shares to be placed to the ICBC Affiliate.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section entitled "Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 344,910,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.8% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the H Share Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. Although the allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 172,455,000 Offer Shares for pool A and 172,455,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 172,455,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-applications, the Underwriters' Representatives, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 517,366,000 H Shares, representing approximately 7.5% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 689,822,000 H Shares, representing approximately 10% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 1,379,642,000 H Shares, representing 20% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Underwriters' Representatives deem appropriate. In addition, the Underwriters' Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Underwriters' Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Underwriters' Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.03 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section entitled "Pricing of the Global Offering" below, is less than the maximum price of HK$4.03 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 6,553,299,000 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Underwriters' Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Underwriters' Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

H Share Over-allotment Option

In connection with the Global Offering, we are expected to grant an H Share Over-allotment Option to the International Purchasers exercisable by the Underwriters' Representatives on behalf of the International Purchasers.

Pursuant to the H Share Over-allotment Option, the Underwriters' Representatives have the right, exercisable at any time from the date of the International Purchase Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 1,034,731,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the H Share Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 18.70% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the H Share Over-allotment Option. In the event that the H Share Over-allotment Option is exercised, a press announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around November 30, 2012, and in any event on or before December 6, 2012, by agreement between the Underwriters' Representatives (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$4.03 per H Share and is expected to be not less than HK$3.42 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Underwriters' Representatives, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese), the Oriental Daily (in Chinese) and the Hong Kong Economic Times (in Chinese) notices and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.picc.com.cn** of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Underwriters' Representatives, on behalf of the Underwriters, and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global

Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Underwriters' Representatives, will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Underwriters' Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Underwriters' Representatives.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the H Share Over-allotment Option is not exercised) are estimated to be approximately HK$22,795 million, assuming an Offer Price per H Share of HK$3.42, or approximately HK$26,895 million, assuming an Offer Price per H Share of HK$4.03 (or if the H Share Over-allotment Option is exercised in full, approximately HK$26,244 million, assuming an Offer Price per H Share of HK$3.42, or approximately HK$30,958 million, assuming an Offer Price per H Share of HK$4.03).

The Offer Price for H Shares under the Global Offering is expected to be announced on December 6, 2012.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on December 6, 2012 in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese), the Oriental Daily (in Chinese) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.picc.com.cn**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Purchase Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Purchase Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting."

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 7, 2012, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on December 7, 2012. Our H Shares will be traded in board lots of 1,000 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the H Share Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Purchase Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Underwriters' Representatives (on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English), the Hong Kong Economic Journal (in Chinese), the Oriental Daily (in Chinese) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on December 6, 2012 but will only become valid certificates of title at 8:00 a.m. on December 7, 2012 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

I. CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the White Form eIPO Service Provider, www.eipo.com.hk, referred herein as the "**White Form eIPO service**"; or (iii) by giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO service** or by giving **electronic application instructions** to HKSCC.

II. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States; and
- are not a legal or natural person (except qualified domestic institutional investors) in the PRC.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO service**, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO service** if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, who must state his or her representative capacity.

If your application is made through a duly authorized attorney, we and the Underwriters' Representatives (and their respective agents and nominees) as our agents may accept it at our discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

The number of joint applicants may not exceed four.

We, the Underwriters' Representatives or the designated White Form eIPO Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, or the chief executives, directors or supervisors of our Company or any of our subsidiaries, or their respective associates (as defined in the Hong Kong Listing Rules) or any other connected persons (as defined in the Hong Kong Listing Rules) of our Company or our subsidiaries, or a person who will become a connected person of our Company immediately upon completion of the Global Offering.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both.

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which Application Form to use

(a) Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name.

(b) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

2. Where to collect the WHITE and YELLOW Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, November 26, 2012 till 12:00 noon on Thursday, November 29, 2012 from:

any of the following addresses of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.
68th Floor
Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
25th Floor
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

ABCI Securities Company Limited
Room 701, 7/F
One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
34/F, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

Essence International Securities (Hong Kong) Limited
39/F, One Exchange Square
Central
Hong Kong

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

Merrill Lynch Far East Limited
15/F, Citibank Tower
3 Garden Road
Hong Kong

Daiwa Capital Markets Hong Kong Limited
One Pacific Place
88 Queensway
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 15
1 Queen's Road Central
Hong Kong

UBS AG, Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited
16-18 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Hong Kong

Citigroup Global Markets Asia Limited
50th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

or any of the following branches of:

Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
Kowloon:	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
New Territories:	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II
	Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long

Bank of Communications Co., Ltd. Hong Kong Branch:

	Branch Name	Address
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road
Kowloon:	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories:	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road

The Hongkong and Shanghai Banking Corporation Limited:

	Branch Name	Address
Hong Kong Island:	Hong Kong Office	Level 3, 1 Queen's Road Central
	North Point Branch	G/F, Winner House, 306-316 King's Road, North Point
	Hopewell Centre Branch	Shops 2A, 2/F, Hopewell Centre, 183 Queen's Road East, Wan Chai
Kowloon:	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong
	Mong Kok Branch	Basement & U/G, 673 Nathan Road, Mong Kok
New Territories:	Shatin Plaza Branch	Shop 49, Level 1, Shatin Plaza, 21-27 Sha Tin Centre Street, Sha Tin
	Tai Po Branch	54-62 Kwong Fuk Road, Tai Po

Industrial and Commercial Bank of China (Asia) Limited:

	Branch Name	Address
Hong Kong Island:	Hennessy Road Branch	Shop 2A, G/F & Basement, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay
Kowloon:	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui
	Hung Hom Branch	Shop 2A, G/F, Hung Hom Shopping Mall, 2-34E Tak Man Street, Hung Hom
	Mongkok Branch	G/F., Belgian Bank Building, 721-725 Nathan Road, Mongkok
New Territories:	Tsuen Wan Castle Peak Road Branch	G/F., 423-427 Castle Peak Road, Tsuen Wan

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, November 26, 2012 till 12:00 noon on Thursday, November 29, 2012 from:

(i) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(ii) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to Complete the WHITE and YELLOW Application Forms

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

In order for the **YELLOW** Application Forms to be valid:

You, as an applicant, must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and the Underwriters' Representatives (and their respective agents and nominees) as our agents may accept it at our discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

We, and the Underwriters' Representatives, in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

You should note that by completing and submitting the **WHITE** or **YELLOW** Application Form, among other things:

(i) you agree with our Company and each of our Shareholders, and our Company agrees with each of our Shareholders, to observe and comply with the PRC Company Law, the Hong Kong Companies Ordinance, the Special Regulations and the Articles of Association;

(ii) you confirm that you have read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(iii) you agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);

(iv) you undertake, confirm and declare that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally), and will not apply for or take up, or indicate an interest in, any Offer Shares under the International Offering nor otherwise participate in the International Offering;

(v) you agree to disclose to our Company, our H Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents any personal data and information which they require about you and the person(s) for whose benefit you have made the application;

(vi) you agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this Prospectus;

(vii) (if the application is made for your own benefit) you confirm and declare that this is the only application which will be made and the only application intended by you to be made for your benefit whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via the **White Form eIPO service** (www.eipo.com.hk), to benefit you or the person whose benefit you are applying;

(viii) (if you are an agent or nominee for another person) you undertake, confirm and declare that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;

(ix) (if you are an agent or nominee for another person) you undertake, confirm and declare that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO service** (www.eipo.com.hk), and that you are duly authorized to submit the application as that other person's agent;

(x) you agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xi) you warrant the truth and accuracy of the information contained in your application;

(xii) you agree with our Company, for ourselves and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by our acceptance in whole or in part of your application to have agreed, for ourselves and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

(xiii) you agree with our Company (for ourselves and for the benefit of each of our Shareholders) that H Shares in our Company are freely transferable by their holders;

(xiv) you authorize our Company to enter into a contract on your behalf with each of our Directors, Supervisors, managers and officers whereby each such person undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Articles of Association;

(xv) you represent, warrant and undertake that (a) you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, paying any application money for, or being allotted or taking up, any Hong Kong Offer Shares and that you are not within the United States, and (b) that you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended);

(xvi) you understand that these declarations and representations will be relied upon by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners and the Joint Lead Managers in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- undertake and agree to accept the H Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

IV. APPLYING THROUGH WHITE FORM eIPO

General

(i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in "II. WHO CAN APPLY FOR HONG KONG OFFER SHARES" and on the same website. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.

(ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our Company.

(iii) If you give electronic application instructions through the designated website at www.eipo.com.hk, you are deemed to have authorized the White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO service**.

(iv) In addition to the terms and conditions set out in this prospectus, the White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO service**. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(v) By submitting an application to the White Form eIPO Service Provider through the **White Form eIPO service**, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our H Share Registrar.

(vi) You may submit an application through the **White Form eIPO service** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

(vii) You should make payment for your application made by **White Form eIPO service** in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not complete payment of the application monies in full (including any related fees) at or before 12:00 noon on Thursday, November 29, 2012, or such later time as described under the paragraph entitled "Effect of bad weather on the opening of the application lists" below, the White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at** www.eipo.com.hk.

(viii) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(ix) **Warning**: The application for Hong Kong Offer Shares through the **White Form eIPO service** is only a facility provided by the White Form eIPO Service Provider to public investors. **Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the White Form eIPO Service Provider will contribute HK$2.00 for each "The People's Insurance

Company (Group) of China Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO service**, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **White Form eIPO service** may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO service** that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO service** is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the White Form eIPO service

By completing and submitting an application through the **White Form eIPO service**, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- instruct and authorise our Company and the Underwriters' Representatives as agent for our Company (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name(s) as the case may be as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**;
- confirm that you have read this Prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and any of their respective directors, senior officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information or representations not contained in this prospectus or any supplement thereto;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this Prospectus;
- (if the application is made for your own benefit) undertake, confirm and declare that this is the only application which will be made and the only application intended by you to be made for your benefit whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider via the **White Form eIPO service** (**www.eipo.com.hk**), to benefit you or the person whose benefit you are applying;
- (if you are an agent or nominee for another person) undertake, confirm and declare that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;
- (if you are an agent or nominee for another person) undertake, confirm and declare that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO service** (**www.eipo.com.hk**), that you are duly authorized to submit the application as that other person's agent;
- undertake, confirm and declare that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally), and will not apply for, take up or indicate an interest in, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company, our H Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- agree with our Company, for ourselves and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by our acceptance in whole or in part of your application to have agreed, for ourselves and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):
  - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;
  - (b) that any award made in such arbitration shall be final and conclusive; and
  - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with our Company (for ourselves and for the benefit of each of our Shareholders), and our Company agrees with each of our Shareholders, to observe and comply with the Hong Kong Companies Ordinance, PRC Company Law, the Special Regulations and the Articles of Association;
- agree with our Company (for ourselves and for the benefit of each of our Shareholders) that H Shares in our Company are freely transferable by their holders;
- authorize our Company to enter into a contract on your behalf with each of our Directors, Supervisors, managers and officers whereby each such person undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Articles of Association;
- represent, warrant and undertake that (a) you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, paying any application money for, or being allotted or taking up, any Hong Kong Offer Shares and that you are not within the United States, and (b) that you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended);
- understand that these declarations and representations will be relied upon by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners and the Joint Lead Managers in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk** and agree to be bound by them;
- undertake and agree to accept the H Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus and the **White Form eIPO** designated website at **www.eipo.com.hk**.

Our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and any other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents, advisers are entitled to rely on any warranty, representation or declaration made by you in such application. In the event of the application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO service** to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the White Form eIPO Service Provider, the White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or **through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time)**.

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our H Share Registrar.

Giving electronic application instructions to HKSCC to apply for Hong Kong Offer Shares on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit and has not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally), and will not apply for or take up, or indicate an interest in, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person, that that person is duly authorized to give those instructions as that other person's agent and that person has not, for the benefit of that other person, applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally), and will not, for the benefit of that other person, apply for or take up, or indicate an interest in, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- understands that the above declarations will be relied upon by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Underwriters and the Joint Lead Managers in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on our register of members of our Company as the holder of the Hong Kong Offer Shares to be allotted to that person in respect of that person's **electronic application instructions** and to send H Share certificate(s) and/or refund monies (where applicable) in accordance with the arrangements separately agreed between us and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;

- agrees that our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Underwriters and the Joint Lead Managers, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering are not liable for any information or representations not contained in this prospectus or any supplement thereto;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees to disclose to our Company, our H Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and/or their respective advisers and agents any personal data and information which they may require about you or the person(s) for whose benefit you have made this application;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable on or before Wednesday, December 26, 2012, such agreement to take effect as a collateral contract with us and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Wednesday, December 26, 2012, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Wednesday, December 26, 2012, if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- agrees with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Special Regulations, the Hong Kong Companies Ordinance and the Articles of Association;
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- agrees with our Company, for ourselves and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by our acceptance in whole or in part of this application to have agreed, for ourselves and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):
  - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association;
  - (b) that any award made in such arbitration shall be final and conclusive; and
  - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agrees with our Company (for ourselves and for the benefit of each of our Shareholders) that H Shares in our Company are freely transferable by their holders; and
- authorizes our Company to enter into a contract on its behalf with each of our Directors, Supervisors, managers and officers whereby each such person undertakes to observe and comply with his or her obligations to Shareholders stipulated in the Articles of Association.

Effect of Giving Electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance).

Personal Data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us, our H Share Registrar, the receiving bankers, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Underwriters, the Joint Bookrunners, the Joint Lead Managers and their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions**; or (iii) (if eligible) submit an application through the **White Form eIPO service** before 12:00 noon on Thursday, November 29, 2012.

VI. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares if and only if you are a nominee, in which case you may give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** and **YELLOW** Application Form in your own name on behalf of different beneficial owners.

In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO service** by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO service** and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the White Form eIPO Service Provider through **White Form eIPO service**; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or the White Form eIPO Service Provider through **White Form eIPO service** and that you are duly authorized to sign the **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC or the White Form eIPO Service Provider as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications or suspected multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying though CCASS Clearing Participant or CCASS Custodian Participant) or to the White Form eIPO Service Provider via the **White Form eIPO service** (**www.eipo.com.hk**); or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through CCASS Clearing Participant or CCASS Custodian Participant) or to the White Form eIPO Service Provider via the **White Form eIPO service** (**www.eipo.com.hk**); or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through CCASS Clearing Participant or CCASS Custodian Participant) or to the White Form eIPO Service Provider via the **White Form eIPO service** (**www.eipo.com.hk**) for more than 172,455,000 H Shares, being approximately 50% of the H Shares initially being offered for public subscription under the Hong Kong Public Offering, as more particularly described in the section entitled "Structure of the Global Offering — The Hong Kong Public Offering"; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

Save as referred to above, all of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK$4.03 per H Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 H Shares you will pay HK$4,070.62. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of H Shares up to 172,455,000 H Shares.

You must pay the Maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Forms or this prospectus (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange (or the Hong Kong Stock Exchange, as the case may be), the SFC transaction levy and Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

VIII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, we will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All such interest accrued on such monies prior to the date of dispatch of e-Refund payment instructions/ refund cheques will be retained for our benefit.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK$4.03 per H Share, appropriate refund payments, including the brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% attributable to the surplus application monies, will be made to successful applicants, without interest. Details of the procedure for refund are set out below in the paragraph entitled "Dispatch/Collection of Share Certificates and Refund Monies."

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Underwriters' Representatives, cheques for applications for certain small denominations of Hong Kong Offer Shares on Application Forms (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Thursday, December 6, 2012 in accordance with the various arrangements as described in this section.

IX. TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, November 29, 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph entitled "Effect of bad weather on the opening of the application lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited listed under the section entitled "Where to collect the **WHITE** and **YELLOW** Application Forms" above at the following times:

Monday, November 26, 2012	—	9:00 a.m. to 4:30 p.m.
Tuesday, November 27, 2012	—	9:00 a.m. to 4:30 p.m.
Wednesday, November 28, 2012	—	9:00 a.m. to 4:30 p.m.
Thursday, November 29, 2012	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 29, 2012.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

White Form eIPO

You may submit your application to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, November 26, 2012 until 11:30 a.m. on Thursday, November 29, 2012 or such later time as described under the paragraph entitled "Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 29, 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph entitled "Effect of bad weather on the opening of the application lists" below.

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

Electronic application instructions to HKSCC

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, November 26, 2012	—	9:00 a.m. to 8:30 p.m.[(1)]
Tuesday, November 27, 2012	—	8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, November 28, 2012	—	8:00 a.m. to 8:30 p.m.[(1)]
Thursday, November 29, 2012	—	8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 am. on Monday, November 26, 2012 until 12:00 noon on Thursday, November 29, 2012 (24 hours daily, except on the last application day). The latest time for inputting your electronic application instructions to HKSCC via CCASS will be 12:00 noon on Thursday, November 29, 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph entitled "Effect of bad weather on the opening of the application lists" below.

X. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 29, 2012. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

XI. PUBLICATION OF RESULTS

We expect to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 6, 2012 in the South China Morning Post (in English) and the Hong Kong Economic Times, the Hong Kong Economic Journal and the Oriental Daily (in Chinese), on the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.picc.com.cn**).

The Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Thursday, December 6, 2012 to 12:00 midnight on Wednesday, December 12, 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations for the Hong Kong Public Offering can be found in our announcement and will be posted on our Company's website at **www.picc.com.cn** and on the website of the Hong Kong Stock Exchange at **www.hkex.com.hk** on Thursday, December 6, 2012;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862-8669** between 9:00 am. and 10:00 p.m. from Thursday, December 6, 2012 to Sunday, December 9, 2012; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, December 6, 2012 to Saturday, December 8, 2012 at all the receiving bank branches and sub-branches at the addresses set out in the section entitled "Where to collect the WHITE and YELLOW Application Forms."

XII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the relevant Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or through the designated website of the White Form eIPO Service Provider), and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

- **If your application is revoked:**

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC or the White Form eIPO Service Provider through **White Form eIPO service**, you agree that your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf cannot be revoked on or before Wednesday, December 26, 2012. The agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form, submit your application through the White Form eIPO Sevice Provider or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. The collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before December 26, 2012 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf may only be revoked on or before Wednesday, December 26, 2012 if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance (as applied by section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted.

Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the White Form eIPO Service Provider on your behalf has been accepted, it cannot be revoked or withdrawn. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the publication of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- **Full discretion of our Company, the Underwriters' Representatives or the White Form eIPO Service Provider (where applicable) or our or their respective agents or nominees to reject or accept your application:**

Our company, the Underwriters' Representatives and, the White Form eIPO Service Provider (where applicable) and our and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application.

No reason has to be given for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

  - within three weeks from the closing of the application lists; or
  - within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

  - you make multiple applications or are suspected of making multiple applications;
  - you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and/or Offer Shares in the International Offering. By filling in any of the **WHITE** or **YELLOW** Application Forms or applying by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO Service**, you agree not to apply for Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;
  - your **electronic application instructions** through the **White Form eIPO service** are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
  - your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
  - one or both of the Hong Kong Underwriting Agreement and the International Purchase Agreement do not become unconditional;
  - one or both of the Hong Kong Underwriting Agreement and the International Purchase Agreement are terminated in accordance with their respective terms;
  - our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters' Representatives, the Joint Bookrunners, the Underwriters or the Joint Lead Managers believe that by accepting your application, any of them would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed, received or signed or your address is located; or
  - your application is for more than 172,455,000 H Shares, being the maximum number of the Hong Kong Offer Shares initially offered for public subscription in pool B.

XIII. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price of HK$4.03 per H Share (excluding brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section entitled "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" or if any application is revoked or any allotment pursuant thereto has become void, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one H Share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) for applications on **WHITE** Application Forms or by giving **electronic application instructions** through **White Form eIPO service**:

(i) H Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or

(ii) H Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful; and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the offer price per Share initially paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per H Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms; and H Share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **electronic application instructions** through **White Form eIPO service** are expected to be posted on or before Thursday, December 6, 2012. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

H Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, December 7, 2012 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

(a) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have indicated your intention in your **WHITE** Application Form respectively to collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person may do so from our Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and H Share certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 6, or such other date as notified by us in the newspapers as the date of collection/dispatch of e-Refund payment instructions/refund cheques/ H Share certificates. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. You must produce evidence of identity (which must be acceptable to Computershare Hong Kong Investor Services Limited) to collect your refund cheque (where applicable and/or each H Share certificate). If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from such corporation stamped with your corporation's chop. Such authorized representatives must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person within the time specified for its collection, it will be dispatched to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 or more Hong Kong Offer Shares but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) in person, then your refund cheque(s) (where applicable) and/or H Share certificate(s) (where applicable) will be sent to the address on your Application Form on or before Thursday, December 6, 2012, by ordinary post and at your own risk.

(b) **If you apply using a YELLOW Application Form:**

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Thursday, December 6, 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- **our** Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in accordance with the details set out in "XI. Publication of Results." You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 6, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO service** by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your H Share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 6, 2012, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Thursday, December 6, 2012 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on or before Thursday, December 6, 2012.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Offer Price being different from the initial price paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on or before Thursday, December 6, 2012, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out above in "IV. Applying Through **White Form eIPO** — Additional information."

(c) **If you apply by giving electronic application instructions to HKSCC:**

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Thursday, December 6, 2012, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/ passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Public Offering in accordance with the details set out in "XI. Publication of Results." You should check the results published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 6, 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 6, 2012. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 6, 2012. No interest will be paid thereon.

XIV. COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares are expected to commence on Friday, December 7, 2012.

The H Shares will be traded in board lots of 1,000 H Shares each. The stock code of the H Shares is 1339.

XV. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

A Share Offering

We are in the process of preparing for an A Share Offering and intend to pursue such offering as soon as practicable after the Global Offering. However, we have not made any application to any recognized stock exchange in the PRC for approval for the listing of any A Shares. The precise timing of the A Share Offering would depend on a number of factors, including the need to increase our capital and market conditions. We would require a number of additional regulatory approvals and consents to allow us to proceed with the A Share Offering, including the CSRC approval. We are working with our A Share financial advisors on the A Share Offering plan. However, we have not obtained any commitment from any underwriter to underwrite or to purchase the A Shares to be offered. We currently expect our A Share Offering to be made on the following conditions:

(a) the proposed A Share Offering will comprise not more than 4,598,806,000 A Shares, representing approximately 10% of the enlarged registered capital of our Company (assuming that none of the over-allotment options in the Global Offering and the A Share Offering is exercised), or not more than 5,288,626,000 A Shares, representing approximately 11.08% of the enlarged registered capital of our Company (assuming full exercise of the H Share Over-allotment Option and the A Share Over-allotment Option), all of which will be newly issued shares, and will be within the limits approved by the relevant regulatory authorities;

(b) the offer price for the proposed A Share Offering will be determined based on market conditions at the time when the A Share Offering takes place and in accordance with domestic customary pricing consultation mechanism, taking into consideration the H Share Offer Price; and

(c) the A Shares will be listed on a recognized stock exchange in the PRC.

We intend to use the net proceeds from the A Share Offering (after deduction of fees and expenses in relation to the A Share Offering) for strengthening our capital base to support our business growth.

We will inform the Hong Kong Stock Exchange and our shareholders as soon as the details of the proposed A Share Offering are finalized.

At the time of our conversion into a joint stock limited company in September 2009, we had plans to undertake domestic and overseas share offering. The A Share Offering was also specifically approved by the Shareholders on May 14, 2012. We intend to issue A Shares pursuant to our Articles of Association and Rule 13.36(2) of the Listing Rules as amended by Rule 19A.38 applicable to PRC incorporated issuers without the approval of our shareholders in a general meeting and the approval of holders of our H Shares and of our Domestic Shares in their respective class meetings.

In the event that we are unable to issue A Shares pursuant to Rule 13.36(2) of the Listing Rules, we would be required to obtain the approval of our shareholders in a general meeting and the approvals of our H shareholders and of our Domestic Shares in their respective class meetings in accordance with our Articles of Association and Rule 13.36(1) of the Listing Rules as amended by Rule 19A.38 applicable to PRC incorporated issuers.

We have submitted and the Hong Kong Stock Exchange has confirmed that if the A Share Offering takes place within six months after the completion of the Global Offering, it will not be subject to the restrictions under Rule 10.08 of the Listing Rules, as the implementation of the A Share Offering was agreed between the Shareholders prior to the commencement of dealing of the H Shares on the Hong Kong Stock Exchange and the details of the A Share Offering are disclosed in this prospectus.

You should note that the Global Offering is not conditional on the completion of the A Share Offering. Because of the factors and uncertainty described above, we may not be able to complete the A Share Offering and the size and other details in respect of the A Share Offering set out above may change, and we do not expect this to have any material adverse effect on our capital base.

The A Shares that we intend to offer in the A Share Offering will be identical in all material respects to the H Shares except that (i) the A Shares will be listed and traded on a recognized stock exchange in the PRC; (ii) the A Shares may only be held by PRC investors and/or other investors as permitted by PRC law (such as qualified foreign institutional investors and foreign strategic investors) and (iii) dividends on the A Shares will be payable in Renminbi. The two classes of Shares will not be fungible.

The following table illustrates the dilution effect of the proposed A Share Offering on our shareholding structure and earnings per share:

		Upon completion of the Global Offering		Upon completion of the Global Offering and the A Share Offering(1)	
	As of December 31, 2011	Assuming no exercise of the H Share Over-allotment Option	Assuming full exercise of the H Share Over-allotment Option	Assuming no exercise of the A Share Over-allotment Option	Assuming full exercise of the A Share Over-allotment Option
Total number of shares in issue	34,491,050,583	41,389,259,583	42,423,990,583	47,022,796,583	47,712,616,583
Earnings per share (EPS)(2) (in RMB)	0.16	0.13	0.12	0.11	0.11

Notes:

(1) The Global Offering assumes full exercise of the H Share Over-allotment Option.

(2) The EPS as of December 31, 2011 was calculated on a weighted average basis, while the other EPS figures in the above table were calculated on a fully diluted basis.

Upon listing of our A Shares on a recognized stock exchange in the PRC, we will be required to publish quarterly results of operations prepared in accordance with PRC GAAP. We will simultaneously disclose such quarterly results prepared under PRC GAAP in Hong Kong in accordance with Rule 13.09(2) of the Hong Kong Listing Rules.

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26 November 2012

The Directors
THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED

China International Capital Corporation Hong Kong Securities Limited
HSBC Corporate Finance (Hong Kong) Limited
Credit Suisse (Hong Kong) Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2012 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2009, 2010 and 2011 and 30 June 2012, together with the notes thereto (the "Financial Information"), and the comparative consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2011 (the "Interim Comparative Information"), prepared on the basis of preparation set out in note 2.1 below, for inclusion in the prospectus of the Company dated 26 November 2012 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company's predecessor, The People's Insurance Company of China, was established in Beijing, the People's Republic of China (the "PRC") on 20 October 1949. The Company was established as a limited liability company on 22 August 1996 in the PRC and reregistered as a joint stock company on 28 September 2009.

As at the end of each of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 1 below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants.

We have also performed a review of the Interim Comparative Information in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2.1 below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2009, 2010 and 2011 and 30 June 2012 and of the consolidated results and cash flows of the Group for the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

Consolidated income statements

	Notes	Year ended 31 December 2009	2010	2011	Six months ended 30 June 2011	2012
		(in RMB million)				
					(Unaudited)	
Gross written premiums	7	168,552	229,440	249,047	138,201	149,224
Less: Premiums ceded to reinsurers	7	(16,695)	(18,155)	(39,200)	(19,288)	(16,168)
Net written premiums	7	151,857	211,285	209,847	118,913	133,056
Change in unearned premium reserves		(10,302)	(14,204)	(3,499)	(7,888)	(13,803)
Net earned premiums		141,555	197,081	206,348	111,025	119,253
Reinsurance commission income		3,490	5,579	13,304	6,472	5,608
Investment income	8	9,899	14,205	13,799	7,601	10,258
Other income	9	2,621	2,991	2,840	1,418	1,036
Total income		157,565	219,856	236,291	126,516	136,155
Claims and policyholders' benefits	10	110,935	155,606	160,287	86,844	90,783
Life insurance death and other benefits paid		965	3,984	19,557	13,343	6,818
Claims incurred		65,988	84,726	90,082	44,237	46,673
Changes in long-term life insurance contract liabilities		43,856	65,919	48,254	27,951	35,750
Policyholder dividends		126	977	2,394	1,313	1,542
Handling charges and commissions		14,494	17,268	18,109	9,498	10,701
Finance costs	11	2,330	3,288	4,665	2,036	2,629
Exchange (gains)/losses, net		12	410	424	258	(32)
Other operating and administrative expenses		28,107	36,497	43,424	20,562	22,758
Total benefits, claims and expenses		155,878	213,069	226,909	119,198	126,839
Share of profits and losses of associates		528	741	828	430	263
Profit before tax	12	2,215	7,528	10,210	7,748	9,579
Income tax expense	15	(464)	(1,681)	(2,313)	(1,738)	(2,435)
Profit for the year/period		1,751	5,847	7,897	6,010	7,144
Attributable to:						
- Equity holders of the parent		1,108	3,987	5,185	4,039	4,923
- Non-controlling interests		643	1,860	2,712	1,971	2,221
		1,751	5,847	7,897	6,010	7,144
Earnings per share						
- Basic and diluted (in RMB)	16	0.04	0.13	0.16	0.13	0.14

Consolidated statements of comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2009	2010	2011	2011	2012
		(in RMB million)				
					(Unaudited)	
Profit for the year/period		1,751	5,847	7,897	6,010	7,144
Other comprehensive income	17					
Fair value gains/(losses) on available-for-sale investments		644	(5,121)	(10,736)	(4,797)	5,024
Net gains/(losses) on cash flow hedges		10	(138)	286	96	(39)
Net gains on revaluation of properties and prepaid land premiums upon transfer to investment properties		195	960	899	539	116
Share of other comprehensive income of associates		77	(5)	(91)	(50)	158
Actuarial gains/(losses) on pension benefit obligation		599	(47)	(118)	(17)	(214)
Exchange differences on translating foreign operations		(4)	(21)	(27)	(14)	3
Others		(8)	4	—	—	—
Income tax relating to components of other comprehensive income		(213)	963	580	927	(463)
Other comprehensive income for the year/period, net of tax		1,300	(3,405)	(9,207)	(3,316)	4,585
Total comprehensive income for the year/period		3,051	2,442	(1,310)	2,694	11,729
Attributable to:						
- Equity holders of the parent		2,208	1,228	(1,810)	1,504	8,389
- Non-controlling interests		843	1,214	500	1,190	3,340
		3,051	2,442	(1,310)	2,694	11,729

Consolidated statements of financial position

	Notes	Year ended 31 December 2009	2010	2011	30 June 2012
		(in RMB million)			
Assets					
Cash and cash equivalents	18	36,116	40,498	55,333	69,887
Derivative financial assets	19	105	46	184	137
Debt securities	20	130,167	206,953	213,996	208,273
Equity securities	21	35,429	51,184	71,050	85,267
Insurance receivables	22	17,466	10,320	23,437	34,653
Income tax receivable		—	—	—	240
Reinsurance assets	23, 37	14,687	15,844	25,223	27,068
Term deposits	24	14,253	44,262	94,716	118,291
Restricted statutory deposits		3,912	4,589	7,635	7,922
Investments in associates	26	6,486	8,043	2,951	3,063
Investment properties	27	2,673	4,390	7,529	8,040
Property and equipment	28	13,753	18,366	19,060	19,317
Intangible assets	29	5,828	5,559	3,933	4,043
Deferred tax assets	30	498	2,271	2,826	1,931
Other assets	31	24,970	30,554	42,670	61,611
Assets of a disposal group classified as held for sale	32	—	—	14,609	—
Total assets		306,343	442,879	585,152	649,743
Liabilities					
Securities sold under agreements to repurchase	34	11,360	29,713	54,080	66,850
Derivative financial liabilities	19	—	127	—	—
Income tax payable		72	863	520	52
Due to banks and other financial institutions	35	2,580	3,961	284	321
Subordinated debts	36	20,755	29,474	34,670	34,761
Insurance contract liabilities	37	157,143	254,095	326,281	381,743
Investment contract liabilities for policyholders	38	31,663	41,253	49,156	48,013
Policyholder dividends payable		177	1,083	3,125	4,340
Pension benefit obligation	39	3,187	3,086	3,056	3,195
Deferred tax liabilities	30	1,263	1,592	36	38
Other liabilities	40	43,862	40,919	57,187	53,620
Liabilities directly associated with assets classified as held for sale	32	—	—	8,822	—
Total liabilities		272,062	406,166	537,217	592,933
Equity					
Share capital	41	30,600	30,600	34,491	34,491
Reserves	42	(8,593)	(7,365)	(3,147)	5,244
Equity attributable to equity holders of the parent		22,007	23,235	31,344	39,735
Non-controlling interests		12,274	13,478	16,591	17,075
Total equity		34,281	36,713	47,935	56,810
Total equity and liabilities		306,343	442,879	585,152	649,743

Consolidated statements of changes in equity

	Notes	Attributable to equity holders of the parent										Non-controlling interests	Total equity
				Reserves									
		Paid-in capital	Share capital	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits/ (accumulated losses)		
		(note 41)			(note 42 (a))					(note 42 (b))			
		(in RMB million)											
Balance at 1 January 2009		15,500	—	—	307	221	63	252	—	1,028	(419)	10,239	27,191
Profit for the year		—	—	—	—	—	—	—	—	—	1,108	643	1,751
Other comprehensive income	17	—	—	—	398	—	31	—	—	72	599	200	1,300
Total comprehensive income		—	—	—	398	—	31	—	—	72	1,707	843	3,051
Appropriations to general risk reserve		—	—	—	—	139	—	—	—	—	(139)	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(27)	(27)
Capital contributions by non-controlling interests		—	—	—	—	—	—	—	—	—	—	1,219	1,219
Receivable recognised on reorganisation	42	—	—	—	—	—	—	—	—	2,847	—	—	2,847
Transfer to share capital		(15,500)	15,500	—	—	—	—	—	—	—	—	—	—
Capital restructuring	41, 42	—	15,100	—	—	—	—	—	—	(18,330)	3,230	—	—
Balance at 31 December 2009		—	30,600	—	705	360	94	252	—	(14,383)	4,379	12,274	34,281
Profit for the year		—	—	—	—	—	—	—	—	—	3,987	1,860	5,847
Other comprehensive income	17	—	—	—	(3,104)	—	(3)	—	—	400	(52)	(646)	(3,405)
Total comprehensive income		—	—	—	(3,104)	—	(3)	—	—	400	3,935	1,214	2,442
Appropriations to general risk reserve		—	—	—	—	369	—	—	—	—	(369)	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(10)	(10)
Balance at 31 December 2010		—	30,600	—	(2,399)	729	91	252	—	(13,983)	7,945	13,478	36,713

		Attributable to equity holders of the parent											
				Reserves									
	Notes	Paid-in capital	Share capital	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits/ (accumulated losses)	Non-controlling interests	Total equity
		(note 41)			(note 42 (a))					(note 42 (b))			
							(in RMB million)						
Profit for the year		—	—	—	—	—	—	—	—	—	5,185	2,712	7,897
Other comprehensive income	17	—	—	—	(7,474)	—	(44)	—	—	641	(118)	(2,212)	(9,207)
Total comprehensive income		—	—	—	(7,474)	—	(44)	—	—	641	5,067	500	(1,310)
Appropriations to general risk reserve		—	—	—	—	558	—	—	—	—	(558)	—	—
Appropriations to surplus reserve fund		—	—	—	—	—	—	—	136	—	(136)	—	—
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(792)	(792)
Issue of shares		—	3,891	6,104	—	—	—	—	—	—	—	—	9,995
Capital contributions by non-controlling interests		—	—	—	—	—	—	—	—	—	—	3,777	3,777
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	(76)	—	(370)	(446)
Others		—	—	—	—	—	—	—	—	—	—	(2)	(2)
Balance at 31 December 2011		—	34,491	6,104	(9,873)	1,287	47	252	136	(13,418)	12,318	16,591	47,935

	Notes	Paid-in capital	Share capital	Share premium account	Available-for-sale investment revaluation reserve	General risk reserve	Changes in associates' equity	Revaluation surplus from acquisitions	Surplus reserve fund	Other reserves	Retained profits/ (accumulated losses)	Non-controlling interests	Total equity
		Attributable to equity holders of the parent											
				Reserves									
		(note 41)			(note 42 (a))					(note 42 (b))			
							(in RMB million)						
Six months ended 30 June 2011 (Unaudited)													
Balance at 1 January 2011		—	30,600	—	(2,399)	729	91	252	—	(13,983)	7,945	13,478	36,713
Profit for the period		—	—	—	—	—	—	—	—	—	4,039	1,971	6,010
Other comprehensive income	17	—	—	—	(2,775)	—	(24)	—	—	281	(17)	(781)	(3,316)
Total comprehensive income		—	—	—	(2,775)	—	(24)	—	—	281	4,022	1,190	2,694
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(11)	(11)
Capital contributions by non-controlling interests		—	—	—	—	—	—	—	—	—	—	1,266	1,266
Issue of shares		—	3,891	6,104	—	—	—	—	—	—	—	—	9,995
Balance at 30 June 2011		—	34,491	6,104	(5,174)	729	67	252	—	(13,702)	11,967	15,923	50,657
Six months ended 30 June 2012													
Balance at 1 January 2012		—	34,491	6,104	(9,873)	1,287	47	252	136	(13,418)	12,318	16,591	47,935
Profit for the period		—	—	—	—	—	—	—	—	—	4,923	2,221	7,144
Other comprehensive income	17	—	—	—	3,535	—	103	—	—	42	(214)	1,119	4,585
Total comprehensive income		—	—	—	3,535	—	103	—	—	42	4,709	3,340	11,729
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	—	(8)	(8)
Disposal of subsidiaries		—	—	—	—	(19)	—	(252)	—	—	271	(2,846)	(2,846)
Others		—	—	—	—	—	—	—	—	2	—	(2)	—
Balance at 30 June 2012		—	34,491	6,104	(6,338)	1,268	150	—	136	(13,374)	17,298	17,075	56,810

Consolidated statements of cash flows

	Notes	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Six months ended 30 June 2011	Six months ended 30 June 2012
		(in RMB million)				
					(Unaudited)	
Cash flows from operating activities						
Profit before tax		2,215	7,528	10,210	7,748	9,579
Adjustments for:						
Investment income	8	(9,899)	(14,205)	(13,799)	(7,601)	(10,258)
Exchange losses, net		12	410	424	258	(32)
Share of profits and losses of associates		(528)	(741)	(828)	(430)	(263)
Interest income on entrusted loans		(29)	(18)	(26)	—	(52)
Depreciation of property and equipment	28	981	1,062	1,485	713	735
Amortisation of intangible assets	29	152	145	192	72	84
Disposal gains from property and equipment and intangible assets	9	(153)	(219)	(97)	(49)	(72)
Finance costs except for interest credited to policyholders	11	1,284	2,030	2,905	1,255	1,587
Impairment losses		853	323	298	532	345
Investment expenses		131	120	88	85	109
Decrease/(increase) in insurance receivables, net		2,802	7,106	(13,424)	(10,806)	(11,594)
Decrease/(increase) in other assets and prepayments, net		(1,367)	(932)	(2,939)	800	(4,416)
Increase/(decrease) in payables to reinsurers		(1,819)	(6,278)	17,319	10,220	(2,473)
Increase/(decrease) in other liabilities and accruals		3,322	13,723	13,353	7,203	(2,719)
Increase in insurance contract liabilities, net		60,341	95,795	62,807	44,563	53,617
Cash generated from operations		58,298	105,849	77,968	54,563	34,177
PRC income tax paid		(1,235)	(1,459)	(3,211)	(2,382)	(2,666)
Net cash flows from operating activities		57,063	104,390	74,757	52,181	31,511

		Year ended 31 December			Six months ended 30 June	
	Notes	2009	2010	2011	2011	2012
				(in RMB million)		
					(Unaudited)	
Cash flows from investing activities						
Interest received		3,826	6,168	12,409	3,969	7,361
Dividend received from equity securities		926	1,375	2,357	1,362	1,268
Increase in policy loans		(261)	(1,113)	(3,387)	(1,851)	(962)
Disposal of subsidiaries	5	(11)	60	(38)	197	2,176
Capital expenditures		(1,787)	(6,707)	(5,087)	(3,214)	(941)
Disposals of investment properties, property and equipment and intangible assets		277	356	462	182	124
Investments in associates		(117)	(965)	(64)	(60)	—
Disposal of associates		3	33	—	—	—
Payments for purchase of debt and equity securities		(171,187)	(225,005)	(260,071)	(81,177)	(51,294)
Payments for investment expenses		(131)	(120)	(88)	(85)	(109)
Proceeds from disposals of debt and equity securities		113,198	131,838	218,477	59,457	49,490
Investments in unlisted debts		(5,063)	(775)	(13,169)	(6,995)	(13,057)
Collection of loans and advances		560	58	94	52	1,303
Placement of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		(15,440)	(46,139)	(68,329)	(42,341)	(25,455)
Maturity of deposits with banks and other financial institutions with original maturity of more than three months and structured deposits		13,299	15,864	16,944	6,060	1,894
Net cash flows used in investing activities		(61,908)	(125,072)	(99,490)	(64,444)	(28,202)

	Notes	Year ended 31 December 2009	2010	2011	Six months ended 30 June 2011	2012
		(in RMB million)			(Unaudited)	
Cash flows from financing activities						
Proceeds from issue of shares		—	—	9,995	9,995	—
Increase in securities sold under agreements to repurchase		1,389	18,353	24,367	26,929	12,770
Issue of subordinated debts	36	7,673	8,480	4,983	4,983	—
Capital contributions from non-controlling interests		1,219	—	3,777	1,266	—
Proceeds from borrowings		675	79	427	165	37
Repayment of debts and borrowings		(137)	(25)	(195)	(141)	(70)
Interest paid		(985)	(1,769)	(2,413)	(1,392)	(1,660)
Dividends paid to non-controlling shareholders		(27)	(10)	(792)	(11)	(8)
Acquisition of non-controlling interests		—	—	(350)	—	—
Net cash flows from financing activities		9,807	25,108	39,799	41,794	11,069
Net increase in cash and cash equivalents		4,962	4,426	15,066	29,531	14,378
Cash and cash equivalents at beginning of the year/period		31,154	36,116	40,498	40,498	55,507
Effects of exchange rate changes on cash and cash equivalents		—	(44)	(57)	(8)	2
Cash and cash equivalents at end of the year/period		36,116	40,498	55,507	70,021	69,887

		Year ended 31 December			Six months ended 30 June	
	Notes	2009	2010	2011	2011	2012
				(in RMB million)		
					(Unaudited)	
Analysis of balances of cash and cash equivalents						
Cash on hand	18	33	7	1	10	7
Securities purchased under resale agreements with original maturity of lesson more than three months . . .	18	24	1,049	2,652	1,674	397
Demand deposits and deposits with banks and other financial institutions with original maturity of no more than three months . . .	18	36,059	39,442	52,680	68,337	69,483
Cash and cash equivalents attributable to a disposal group classified as held for sale	32	—	—	174	—	—
Cash and cash equivalents at end of the year/period.		36,116	40,498	55,507	70,021	69,887

Statements of financial position

	Notes	31 December 2009	31 December 2010	31 December 2011	30 June 2012
		(in RMB million)			
Assets					
Cash and cash equivalents	18	978	346	196	1,495
Debt securities	20	922	364	538	—
Equity securities	21	554	476	421	621
Term deposits	98	98	97	212	114
Investments in subsidiaries	25	48,341	48,374	60,955	60,961
Investments in associates	26	1,258	2,637	2,891	3,003
Investment properties	27	—	—	—	970
Property and equipment	28	352	605	759	214
Intangible assets	29	174	170	174	84
Other assets	31	4,936	3,790	2,066	1,777
Total assets		57,613	56,859	68,212	69,239
Liabilities					
Subordinated debts	36	9,708	9,708	9,708	9,708
Pension benefit obligation	39	3,187	3,086	3,056	3,195
Other liabilities	40	1,003	1,045	1,226	2,134
Total liabilities		13,898	13,839	13,990	15,037
Equity					
Share capital	41	30,600	30,600	34,491	34,491
Reserves	42	13,115	12,420	19,731	19,711
Total equity		43,715	43,020	54,222	54,202
Total equity and liabilities		57,613	56,859	68,212	69,239

1. CORPORATE INFORMATION AND GROUP STRUCTURE

The Company's predecessor, the People's Insurance Company of China, is a state-owned enterprise established on 20 October 1949 by the government of the PRC. The Company was established on 22 August 1996 in the PRC and its registered office is located at No. 69, Dongheyan Street, Xuanwu District, Beijing 100052, the PRC.

On 24 September 2009, the Company launched its first member's meeting to convert the Company from a limited liability company to a joint stock company. On 28 September 2009, the Company properly registered with the relevant company registry authorities in the PRC as a joint stock company. Upon its conversion, the Company issued 30,600 million shares of a par value of RMB1 each to its sole shareholder, the Ministry of Finance (the "MOF") in the PRC, based on the asset appraisal result in respect of its net asset value of RMB42,750 million in the separate financial statements. The result of the revaluation was not reflected in the consolidated financial statements.

In the General Meeting on 14 June 2011, it was resolved that the National Council for Social Security Fund, PRC (the "SSF") subscribed shares of the Company at a consideration of RMB10 billion, representing 3,891 million shares at RMB2.57 per share with the rest amount being recognised in reserves after deduction of related transaction costs. The amount of RMB10 billion was received in full by the Company from the SSF as at 17 June 2011. After the capital injection, the share capital of the Company was changed to RMB34,491 million (note 41).

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries mainly provide integrated financial products and services and are engaged in life insurance, property and casualty ("P&C") insurance, health insurance, asset management and other businesses.

The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in the paragraph headed "Our shareholding and group structure" in the section headed "History and corporate structure" to the Prospectus.

As at the end of each of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, except for PICC Property and Casualty Company Limited, which is listed on the Main Board of the Hong Kong Stock Exchange. The particulars of the principal subsidiaries as at 30 June 2012 are set out below:

Name	Place of incorporation/ registration	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
PICC Property and Casualty Company Limited ("PICC P&C") (a) (i)	Beijing	RMB12,255,980,000	68.98%	—	P&C insurance, China
PICC Asset Management Company Limited ("PICC AMC") (b) (i)	Shanghai	RMB800,000,000	81.00%	—	Management of insurance investments, China
PICC Health Insurance Company Limited ("PICC Health") (c) (i)	Beijing	RMB3,970,388,716	87.66%	2.52%	Health insurance, China
PICC Life Insurance Company Limited ("PICC Life") (d) (i)	Beijing	RMB20,133,405,131	71.08%	8.92%	Life insurance, China
PICC Investment Holding Company Limited ("PICC Investment Holding") (i)	Beijing	RMB50,000,000	100.00%	—	Investment holding, China

Name	Place of incorporation/ registration	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities/ place of operation
			Direct	Indirect	
The People's Insurance Company of China (Hong Kong) Limited ("PICC HK") (ii)	Hong Kong	HKD200,000,000	75.00%	—	P&C insurance, Hong Kong
Zhongsheng International Insurance Brokers Company Limited ("Zhongsheng International") (e) (iii)	Beijing	RMB71,305,800	82.54%	—	Insurance and reinsurance brokerage, China
PICC Services (Europe) Limited (iv)	London	GBP500,000	100.00%	—	Claim handling agency, London
Beijing No.88 West Chang'an Avenue Development Company Limited ("No.88 Development Company") (f) (v)	Beijing	RMB500,596,647	1.00%	99.00%	Estate services and property management, China

Only principal subsidiaries that have material impact on the Financial Information are listed above, as in the opinion of the directors, the other subsidiaries did not materially affect the Group's net financial position and operating results, and were therefore not separately disclosed.

(i) The statutory financial statements of these entities for the years ended 31 December 2009, 2010 and 2011 prepared under accounting principles generally accepted in the PRC ("PRC GAAP") were audited by Ernst & Young Hua Ming.

(ii) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Ernst & Young, Hong Kong.

(iii) The statutory financial statements of this entity for the years ended 31 December 2009 and 2010 prepared under PRC GAAP were audited by Zhong Li Certified Public Accountants, and those for the year ended 31 December 2011 were audited by China Audit International Certified Public Accountants LTD..

(iv) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under United Kingdom Generally Accepted Accounting Practice were audited by Wilson & Co Chartered Certified Accountants and Registered Auditors.

(v) The statutory financial statements of this entity for the years ended 31 December 2009, 2010 and 2011 prepared under PRC GAAP were audited by KPMG Hua Zhen, Zhong Shui De Qing Certified Public Accountants and Ernst & Young Hua Ming, respectively.

The principal changes to the structure of the Group during the Relevant Periods and up to the date of this report are as follows:

(a) Pursuant to the approval from the China Insurance Regulatory Commission (the "CIRC"), PICC P&C was established on 28 February 2003, upon which the Company held a 100% direct equity interest in PICC P&C and transferred all its commercial non-life insurance business and related assets and liabilities to it. On 7 July 2003, PICC P&C issued 8,000 million ordinary shares at a par value of RMB1 per share to the Company as consideration for the business transfer. PICC P&C was listed on the Hong Kong Stock Exchange on 6 November 2003. The Company held a 68.98% direct equity interest in it after PICC P&C was listed. In December 2011, PICC P&C completed the rights issue of 1,114 million shares and raised additional capital of RMB4,994 million, and its paid-in capital was raised to RMB12,256 million. The Company made a contribution of RMB3,451 million on a proportionate basis in that rights issue. The registered capital of PICC P&C has been changed to RMB12,256 million in March 2012.

(b) PICC AMC was established with registered capital of RMB800 million, in which the Company contributed RMB328 million with a 41% direct equity interest, PICC P&C contributed RMB160 million with a 20% direct equity interest, PICC Health and PICC Life each contributed RMB80 million with a 10% direct equity interest, and MEAG MUNICH ERGO AssetManagement GmbH contributed RMB152 million with a 19% direct equity interest. In 2009, the above subsidiaries transferred their 40% equity interests in PICC AMC to the Company at a consideration of RMB1.07 per share. As a result of the above transfers, the Company held an 81% direct equity interest in PICC AMC.

(c) Pursuant to the approval from the CIRC, PICC Health was established on 31 March 2005 with registered capital of RMB1,000 million. The Company held a 51% direct equity interest in PICC Health upon its establishment. The registered capital of PICC Health was increased to RMB3,970 million through the Company's additional contributions of RMB3,077 million in aggregate on 31 December 2008, 19 February 2009, 29 June 2011 and 19 December 2011. As a result of the above capital injections, the Company's direct equity interest in PICC Health increased to 87.66%. On 3 December 2011, Huawen Holdings signed an agreement to transfer its 2.52% equity interest to PICC Investment Holding. PICC Investment Holding became one of the shareholders of PICC Health after the shareholder certification was issued by PICC Health on 5 January 2012. This transaction has no impact on the equity interest held by the Company.

(d) PICC Life was established with registered capital of RMB1,000 million where the Company held a 51% direct equity interest. On 1 June 2007, PICC Life restructured with the registered capital increased to RMB2,708 million and the Company, PICC P&C, and PICC AMC held 51%, 28% and 1% equity interests in PICC Life, respectively. The registered capital of PICC Life was further increased by RMB2,708 million and RMB3,385 million through the Company's additional capital contributions on 25 June 2009 and 30 December 2009, respectively. As a result, the Company, PICC P&C and PICC AMC held 71.08%, 8.61% and 0.31% equity interests in PICC Life, respectively. On 23 June 2011 and 22 December 2011, PICC Life completed the third and fourth additional capital contributions, and the Company, PICC P&C and PICC AMC injected RMB8,054 million, RMB976 million and RMB35 million respectively in PICC Life on a proportionate basis. After the increase in capital, the paid-in capital of PICC Life arrived at RMB20,133 million. The latest two capital injections had been approved by the CIRC up till 31 December 2011 and the changes of registered capital were completed on 4 July 2011 and 11 January 2012, respectively.

(e) The Company entered into a capital injection agreement with Zhongsheng International in February 2012 to transfer the 52.50% equity interests in Prime Insurance Brokers Company Limited and the 55.01% equity interests in China Insurance Brokers Company Limited as a capital injection to Zhongsheng International. The registered capital of Zhongsheng International was increased to RMB71 million after the capital injection without proportionate contribution from non-controlling shareholders. As a result, the Company's investment in Zhongsheng International was increased by RMB39 million and the Company's equity interest in it was increased from 75.10% to 82.54%. The change of registered capital was completed on 13 June 2012.

(f) The Company and certain of its subsidiaries entered into an agreement on 30 December 2010 to acquire 100% of No.88 Development Company at the amount of RMB3,744 million. Considering that the sole purpose for the establishment of No.88 Development Company was to hold a property, which did not constitute a business on the acquisition date, No.88 Development Company was accounted for in the consolidated financial statements as an acquisition of a portfolio of assets and liabilities instead of business combination. For subsequent measurement, No.88 Development Company is included in the consolidation scope as a subsidiary.

2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2009, 2010, 2011 and 2012, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention except for investment properties and certain financial assets and liabilities, which have been measured at fair value, and insurance contract liabilities, which have been measured based on actuarial methods. Disposal groups classified as held for sale are stated at the lower of their carrying amounts and fair value less costs to sell as further explained in note 32. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements - Presentation Items of Other Comprehensive Income*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation —Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Amendments to IFRS 10, IFRS11 and IFRS12: *Consolidated Financial Statements, Joint Arrangements* and *Disclosure of Interests in Other Entities*: Transition Guidance[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Apart from the above, the IASB has issued Annual Improvements 2009—2011 Cycle which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 are effective for annual periods beginning on or after 1 January 2013.

Further information about those changes that are expected to significantly affect the Group is as follows:

IFRS 7 Amendments require an entity to disclose information about rights of set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set off in accordance with IAS 32.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2015.

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IFRSs 10, 11, 12, 13, Amendments to IFRS1, Amendments to IAS 19, Amendments to IAS 32, IAS 27 Revised, IAS 28 Revised and IFRIC Interpretation 20 were issued in 2011. Annual Improvements 2009—2011 Cycle, Amendments to IFRS 10, IFRS 11 and IFRS 12 and Amendments to IFRS 10, IFRS 12 and IAS 27 were issued in 2012. The Group is still in the process of making an assessment of the impact of these new standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Group as at the end of each year/period.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if this results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction with the differences between the fair value of consideration paid or received and changes in non-controlling interests adjusted to the capital reserve. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 has not been restated.

(2) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities. The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

(3) **Associates**

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

Investments in its associates are accounted for using the equity method. Goodwill is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associates. Where there has been changes recognised directly in the equity of the associates, share of any changes is recognised and disclosed, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the investor and the associates are eliminated to the extent of the interest in the associates.

The financial statements of the associates are prepared for the same periods as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the investor.

Upon application of the equity method, it shall be determined whether it is necessary to recognise an additional impairment loss on the investments in its associates. At the end of each of the Relevant Periods, it is determined whether there is any objective evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the associates and its carrying values and is recognised in the income statement.

Upon loss of significant influence over the associates, any remaining investment is measured and recognised at the fair value. Any differences between the carrying amount of the associates upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss.

(4) **Business combinations and goodwill**

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair value of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required for business combination. However, this does not preclude the Group from reclassifying insurance contracts to accord with its own policy only if classification needs to be made on the basis of the contractual terms and other factors at the inception or modification date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(5) **Cash and cash equivalents**

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(6) **Foreign currency translation**

The Group's presentation currency is RMB, which is also the functional currency of the Company and its domestic subsidiaries.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. All differences arising on settlement or translation of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of each of the Relevant Periods and their income statements are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

(7) **Financial assets**

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The classification depends on the purpose for which the investments were acquired or originated. The available-for-sale and held-to-maturity categories are used when the relevant liabilities (including shareholders' funds) are relatively passively managed and/or carried at amortised cost. Financial assets are classified as at fair value through profit or loss when, for example, the Group acquires such assets to cover certain insurance and investment contract liabilities measured at fair value.

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investment and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in the income statement in investment income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in investment expense. Interest and dividends earned whilst holding the available-for-sale financial instruments are reported as interest income and dividend income, respectively and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below.

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

The Group evaluates to determine whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost, using the effective interest rate method, less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortisation is included and recognised in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other operating and administrative expenses for receivables.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost using the effective interest method, less any allowance for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Derecognition of financial assets

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

(a) the rights to receive cash flows from the asset have expired; or

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

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

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

(8) Impairment of financial assets

The Group assesses at the end of each Relevant Periods whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Available-for-sale financial investments

As at the end of each of the Relevant Periods, the Group assesses whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. The impairment analysis and amounts recorded are based the functional currency of the group entity holding the investment.

For equity securities, a significant or prolonged decline in the fair value of an equity instrument is objective evidence of impairment. In conducting an impairment analysis, the Group considers quantitative and qualitative evidence. More specifically, the Group collectively considers the magnitude of the decline in fair value relative to the cost, volatility, and the duration of the decline in evaluating whether a decline in fair value is significant. The Group considers the period and consistency of the decline in evaluating whether a decline in fair value is prolonged. In general, the larger the magnitude of the decline in fair value relative to cost, the lower the volatility, the longer the duration of the decline or the more consistent the magnitude of decline, the more likely objective evidence of impairment of an equity instrument exists.

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

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

Impairments do not establish a new cost basis and, accordingly, to the extent an impairment loss has been previously recorded due to the significant or prolonged criteria described above, any subsequent losses, including any portion attributable to foreign currency changes, are also recognised in profit or loss until the asset is derecognised.

If after an impairment loss has been recognised on an available-for-sale debt instrument, and the fair value of the debt instrument increases in a subsequent period whereby the increase can be objectively related to an event occurring after the impairment losses were recognised, the impairment loss is reversed which is recognised in profit or loss. Impairment losses recognised for equity instruments classified as available for sale are not reversed through profit or loss.

Financial assets carried at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the income statement. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account. For financial assets with floating interest rate, the present value of estimated future cash flows shall be calculated with the effective interest rate stipulated by the contract.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

After the Group recognises an impairment loss of financial assets carried at amortised cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment was reversed.

Financial assets carried at cost

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

If financial assets carried at cost are impaired, the impairment loss will be recognised in profit or loss and measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. For equity investments which are measured at the cost method and do not have either active market quotation or reliably measurable fair value, their impairments also follow the aforementioned principle.

(9) **Financial liabilities**

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

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

Financial liabilities including securities sold under agreements to repurchase, due to banks and other financial institutions, subordinated debts, investment contract liabilities for policyholders, miscellaneous payables and accruals are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

(10) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standards or interpretations, as specifically disclosed in the accounting policies of the Group.

(11) **Fair value of financial instruments**

The fair value of financial instruments that are traded in active financial markets is determined by reference to quoted market prices for assets and offer prices for liabilities, at the close of business day at the end of each of the Relevant Periods. If quoted market prices are not available, reference can also be made to broker or dealer price quotations.

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

(12) **Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or other obligations. The Group initially measures such contracts at fair value. This amount is recognised ratably over the period of the contract to fees and commission income. Subsequently, the liabilities are measured at the higher of the initial fair value less cumulative amortisation and the fair value of the provision related to the Group's obligations under the contract.

Apart from the above financial guarantee contracts issued by the Group which are accounted for under IAS 39, the Group has previously regarded certain contracts it issued with financial guarantee element as insurance contracts and has used the accounting methods applicable to insurance contracts, and accordingly has elected to apply IFRS 4 to account for such contracts.

(13) **Derivative financial instruments and hedge accounting**

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting and are classified as cash flow hedges are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedging reserve, while any ineffective portion is recognised immediately in the income statement in other expenses.

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects profit and loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

(14) **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Relevant Periods.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as an asset revaluation reserve. On disposal of the investment property, the asset revaluation reserve included in equity is transferred to retained profits as a movement in reserves.

(15) **Property and equipment and depreciation**

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	2.38% to 19.4%
Office equipment, furniture and fixtures	3.7% to 32.33%
Motor vehicles	6.47% to 24.25%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

(16) **Construction in progress**

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of assets when completed and ready for use.

(17) **Intangible assets (other than goodwill)**

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The useful lives of the respective intangible assets are as follows:

Category	Amortisation period
Service concession arrangements (highway's operating rights)	30 years
Prepaid land premiums	30-70 years
Software and others	3-10 years

Prepaid land premiums

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

Service concession arrangements

Service concession arrangements represent the operating rights of a highway that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, i.e., the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Amortisation of service concession arrangements is calculated to write off their costs on a unit-of-usage basis whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

(18) **Impairment of non-financial assets**

The Group assesses at the end of each of the Relevant Periods whether there is an indication that a non-financial asset other than deferred tax assets, investment properties and a disposal group classified as held for sale may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the assets belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Any impairment loss is charged to the income statement in the period in which it arises in those expense categories with the function of the impaired assets.

For non-financial assets other than goodwill, an assessment is made at the end of each of the Relevant Periods as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Intangible assets with indefinite useful lives are tested for impairment at the end of each of the Relevant Periods, either individually or at the cash-generating unit level, as appropriate.

(19) **Insurance guarantee fund**

Since 1 January 2009, pursuant to "Administrative Regulations on the Insurance Guarantee Fund" (Baojianhuiling [2008] No.2), the Group calculates the insurance guarantee fund as follows:

- 0.8% of the premium income for non-investment-type property insurance, 0.08% of the consideration received for investment-type property insurance with guaranteed return, and 0.05% of the consideration received for investment-type property insurance without guaranteed return;
- 0.15% of the consideration received for life insurance with guaranteed return, and 0.05% of the consideration received for life insurance without guaranteed return;
- 0.8% of the premium income for short-term health insurance, and 0.15% of the premium income for long-term health insurance; and
- 0.8% of the premium income for non-investment-type accident insurance, 0.08% of the consideration received for investment-type accident insurance with guaranteed return, and 0.05% of the consideration received for investment-type accident insurance without guaranteed return.

No additional provision is required when the accumulated insurance guarantee fund balances of a life insurance company reach 1% of its respective total assets. For a non-life insurance company, no additional provision is required when the accumulated balance reaches 6% of its total assets.

When calculating insurance guarantee fund, premium income refers to the amount stipulated in the contract before any unbundling or reclassification to financial liabilities.

(20) **Insurance receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be receivable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(21) **Insurance contracts**

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

Some insurance contracts contain both an insurance component and a deposit component. The Group chooses to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

(22) **Significant insurance risk testing**

For other insurance contracts issued by the Group, tests are performed to determine if the contracts contain significant insurance risk, and contracts of similar nature are grouped together for this purpose. When performing the significant insurance risk testing, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

(23) **Insurance contract liabilities**

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

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Non-life and short-term life insurance policies are grouped into certain measurement units by lines of business. For long-term life insurance policies, the measurement unit is each individual insurance contact.

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

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfil the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
  - (a) Guaranteed benefits under the insurance contracts, including claims, mortality benefits, disability benefits, morbidity benefits, survival benefits and maturity benefits;
  - (b) Non-guaranteed benefits under the insurance contracts arising from constructive obligations, including policyholder dividends;
  - (c) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of each of the Relevant Periods.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the income statement over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any "day-one" gain is not recognised in the income statement, but included in the insurance contract liabilities as a residual margin. At inception of an insurance contract, any "day-one" loss is recognised in the income statement.

For non-life insurance contracts, the Group amortises the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss. For life insurance contracts, the Group amortises the residual margin on the basis of the effective sums insured or the release of risk margin during the whole insurance coverage period.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short duration contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money is determined with reference to information currently available as at the end of each of the Relevant Periods and is not locked.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to reprice the premium.

Unearned premium reserves

Unearned premium reserves are provided for unexpired insurance obligations of non-life and short term life insurance contracts.

Unearned premium reserves are measured using the unearned premium approach. At inception of the insurance contracts, unearned premium reserves are measured based on written premiums, with deductions made for commissions, business tax, insurance guarantee fund, regulatory charges and other direct and indirect acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 or 1/24 basis according to the insurance coverage period.

The Group uses a variety of methods, including the capital cost method, and considers market data to assess risk margin of the unearned premium reserves.

Claim reserves

Claim reserves are insurance contract liabilities provided for insurance claims of the non-life insurance contracts which have occurred but are not yet settled. Claim reserves include incurred and reported reserves, incurred but not reported ("IBNR") reserves and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using the case-by-case estimate method and average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, average claim per case method, expected loss ratio method, Bornhuetter-Ferguson method and so on, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on a reasonable estimate of ultimate necessary claim expenses in the future by using the case-by-case estimate method and ratio allocation method.

The Group uses a variety of methods, including the capital cost method, and considers market data to assess risk margin of the claim reserves.

Long-term life insurance contract liabilities

Long-term life insurance contract liabilities are insurance contract liabilities provided for long-term life and health insurance contracts.

Long-term life insurance contract liabilities mainly consist of best estimate value of the liability, risk margin and residual margin. Best estimate values are measured based on reasonable estimates in payments when the Group fulfills relevant obligations under the insurance contracts, which represent the difference between expected future cash outflows and inflows under such contracts.

The Group determines risk margins of the long-term life insurance contract liabilities using the cost of capital method.

Any day-1 gain at policy inception is not recognised, instead it is incorporated into insurance contract reserve as residual margin, and is amortised during the whole policy term.

The key assumptions used in the measurement of long-term life insurance contract liabilities include accident rates, lapse and surrender rates, expense assumptions, policy dividends and discount rates. In deriving these assumptions, the Group uses information currently available as at the end of each of the Relevant Periods.

Liability adequacy test

At the end of each of the Relevant Periods, liability adequacy tests are performed on the unearned premium reserves, claim reserves and long-term life insurance contract liabilities. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceeds their carrying amounts on date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

(24) **Investment contracts**

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk.

- Premium receipts are recognised not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognised in the income statement. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortised cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognised as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognised as other income during the period of service provided.

(25) **Universal life contracts**

The universal life contracts of the Group contain both insurance and deposit components, where the insurance components are accounted for as insurance contacts. The deposit components are unbundled and accounted for as follows:

- Premium receipts are recognised not as premium income, but rather as liabilities, presented in investment contract liabilities for policyholder. These liabilities are initially measured at fair value and subsequently measured at amortised cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognised as transaction costs in the initial amount of the liabilities.

- Fees from surrenders and other service charges are recognised in other income.

(26) **Provisions**

Except contingent considerations deriving from or contingent liabilities assumed in business combinations, contingent liabilities are recognised as provisions if the following conditions are met:

- An entity has a present obligation as a result of a past event;

- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of each of the Relevant Periods with the consideration of risks, uncertainties and the present value. Provisions shall be reviewed at the end of each of the Relevant Periods and adjusted to reflect the current best estimate.

(27) **Assets purchased under agreements to resell and assets sold under repurchase agreements**

Assets sold under repurchase agreements continue to be recognised but a liability is established for the consideration received. The Group may be required to provide additional collateral based on the fair value of the underlying assets and such collateral assets continue to be carried on the statement of financial position at the end of each of the Relevant Periods.

The Group enters into purchases of assets under agreements to resell substantially identical assets. These agreements are classified as loans and receivables. Assets purchased under agreements to resell are recorded at the cost of the amounts advanced. The amounts advanced under these agreements are reflected as assets in the statement of financial position. The Group may not take physical possession of assets purchased under agreements to resell. In the event of default by the counterparty to repay the loan, the Group has the right to the underlying assets.

(28) **Employee benefits**

Employee benefits, including salaries and bonuses, social security contributions and other short term employee benefits are accrued in the Relevant Periods in which services have been rendered by the employees of the Group.

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the municipal and provincial governments. The entities are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

If an enterprise cancels the labor relations with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept layoff, the following conditions are met concurrently, the enterprise shall recognize the expected liabilities incurred due to the compensation for the cancellation of labor relation with the employee, and shall simultaneously record them into the profit or loss for the current period. The conditions are that the enterprise has constituted formal plan of labor relations cancellation or compensation proposal of layoff which are about to be implemented, and the enterprise was unable to unilaterally withdraw the plan of labor relations cancellation or the proposal of layoff.

Early retirement and retirement benefits

During the reorganization in 2003, the Group undertook the expenses related to retirement scheme and early retirement scheme which include endowment and medical costs of the retirees except for social securities ("retirement scheme") and welfares, employee education fund, union fees, social securities and housing fund of the early retired staff for the period from the early retirement date to the actual retirement date for early retirement by 30 April 2003 ("early retirement scheme") and retirement by 31 July 2003, respectively. The contribution of early retirement scheme and retirement scheme are made by the Group on a monthly basis taking into account the period employee serves the Group and the determined scheme policies. The Group's early retirement scheme and retirement scheme shall apply to the same method as termination scheme mentioned above. When the related conditions met, the early retirement employees' salaries and social securities expense for the period between the early retirement date and the actual retirement date are recorded as liabilities and charged into the income statement. For the retirement scheme, the Group recognizes the relevant estimated liabilities as well as charges to the income statement once the Group undertakes the obligations.

Where retirement scheme and early retirement scheme fall due more than 12 months after the balance sheet date, they shall be discounted using the appropriate discount rate and mortality rate, and carried at discounted amount as liabilities. The discount rate is determined using the yield rate of government bonds with similar terms at the balance sheet date.

Actuarial gains or losses include the experience adjustment (the impact of difference between previous actuarial assumption and actual results) and the impact of changes on actuarial assumption. The actuarial gains or losses are recognized in equity when incurred.

Interest expense is charged to the income statement as other operating and administrative expenses according to the result of discount rate which is determined at the commencement of retirement scheme within an accounting period and early retirement scheme multiplying with average present value over the entire terms.

(29) **Policyholder dividends**

Policyholder dividends represent dividends paid by the Group to policyholders in accordance with the terms of direct insurance contracts. The dividends are calculated and provided based on the dividend allocation method and the results of actuarial valuation.

(30) **Operating leases**

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

(31) **Satellite insurance fund**

Pursuant to the "The Administrative Regulation on the Satellite Insurance Fund" (Cai Shang Zi [1997] No. 472), the Group was obligated to undertake the satellite launch insurance business which is not for commercial consideration. China

Aviation Insurance Consortium insures the satellite launch business, and the Company is the lead manager of the Consortium. All the members of the Consortium share relative rights and obligations. The fund is composed of the satellite launch insurance premium income less business tax and surcharges, add reinsurance recoveries from reinsurers and interest income, less administrative expenses and premiums ceded. According to the above-mentioned regulation, the satellite insurance fund is a long-term liability of the Group, which must be deposited in a special account or used only for the purchase of government bonds. Investment income derived from the fund, including deposit interest income or net interest income of government bonds after tax, must be transferred into the fund. When the accumulated satellite insurance fund of the Consortium reaches RMB2.5 billion, any profit on top of that amount will then be recorded in the income statement. The Group is entitled to its percentage of the fund when the Consortium is dissolved.

(32) **Revenue recognition**

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

Gross premiums

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

Premiums from life insurance contracts with installment or single payments are recognised as revenue when due. Premiums from direct non-life insurance contracts are recognised as revenue based on the amount of total premium stated in the contracts. Reinsurance premiums are recognised as revenue in accordance with the terms stated in the reinsurance contracts.

Reinsurance premiums

Gross reinsurance premiums on life contracts are recognised as an expense when payable or on the date on which the policy is effective.

Gross P&C reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the end of each of the Relevant Periods. Unearned reinsurance premiums, after the deduction of relevant reinsurance commissions, are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods. When the investment contracts are measured at amortised cost, these fees are deferred and recognised over the term of the policy by an adjustment to the effective yield.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Realised gains and losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses also include the ineffective portion of hedge transactions. Gains and losses on the sale of investments are calculated as the difference between the net sales proceeds and the original or amortised cost and are recorded on occurrence of the sales transaction.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue due to its operating nature.

(33) **Reinsurance**

The Group cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured policies and are in accordance with the related the reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. For insurance contracts where applicable, premiums and claims on assumed reinsurance are recognised as revenue and expenses in the same manner as they would be if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable to reinsurers are estimated in a manner consistent with the related reinsurance contracts.

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

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

(34) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(35) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

(36) **Related parties**

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

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(37) Income tax

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

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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

(38) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Property and equipment and intangible assets classified as held for sale are not depreciated or amortised.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

(1) Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(2) Classification and measurement of financial assets

The management needs to make judgements on the classifications of financial assets as different classifications will affect the accounting treatment for the financial assets, and the financial position and operating results of the Group. The management of the Group judged whether fair value can be measured reliably for available-for-sale equity financial assets without prices in an active market, and measures them at cost if they cannot be measured reliably.

(3) Unbundling, classification and significant insurance risk testing of insurance contracts

The Group has made significant judgement on whether an insurance contract bears insurance risk and other risks, and whether the risks are distinct and can be measured separately. The results of the judgement will affect the unbundling of the contract.

At the same time, the Group has made judgement on whether the insurance contract transfers insurance risk, and whether the transfer of insurance risk has commercial substance and is significant. The results of the judgement will affect the classification of the contract.

When performing significant insurance risk testing, contracts under the same product of similar risk nature are grouped together and after considering the distribution and risk characteristics of the contracts, each contract from an adequate sample representing the group is tested. All contracts in the group will be recognised as insurance contracts if more than 50% of the contracts in the sample transfer significant insurance risk.

The unbundling and classification of insurance contracts affect revenue recognition, measurement of liabilities and presentation of the financial statements of the Group.

(4) Measurement unit of insurance contract liabilities

The Group has made significant judgement on whether a group of insurance contracts of the same measurement unit has insurance risk of the same nature during the measurement of insurance contract liabilities as the results of the judgement will affect the measurement results of the insurance contract liabilities.

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

The Group has made judgement on whether there has been a significant or prolonged decline in the fair value of an equity instrument below its cost to determine whether impairment should be recognised in the income statement. Please refer to note 3 (8) for the factors the Group considers when making such judgement.

(6) Business combinations

For the transaction that the Group obtained the equity interests in one or more companies, the Group needs to judge whether the deal is a business combination.

Being a business combination needs to meet at least two conditions: (1) obtaining control of the acquired company; (2) the acquired company constitutes a business of the Group. A business comprises the production and operating activities within the enterprise or some combination of assets and liabilities which have the ability to input, process and output and the cost and revenue can be independently calculated. Whether the assets or combination of assets and liabilities constitute a business need to be comprehensively judged based on the internal relations of the acquired assets and liabilities and the process. If the acquiree does not constitute a business, the transaction or event is not a business combination.

If the Group obtains a group of assets or net assets which does not constitute a business, the Group should allocate the acquisition costs based on the relative fair values of the acquired identifiable assets and liabilities on the acquisition date, rather than account for it as a business combination.

(7) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(8) Impairment loss on a right to acquire an equity interest in a securities company

For the right to acquire an equity interest in a securities company, judgement is required to determine when impairment is required.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(1) Impairment of loans and receivables

When there is objective evidence that there is impairment in loans and receivables, the Group assesses the degree of risk and collectability of each item. The Group needs to recognise an impairment loss in the income statement if the present value of expected future cash flows is less than the carrying amount of loans and receivables. The Group mainly considers the financial situation and credit rating of the debtors and changes in the capital market.

Other than impairment for individual receivables, the Group also collectively assessed impairment for receivables. Such collective assessment is carried out for a group of insurance business activities with similar credit characteristics. The degree of impairment depends on the timing and amount of future cash flows.

(2) Impairment of unquoted equity investments measured at cost

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

The measurement of provision for impairment loss of long-term equity investments involves the judgement for reasonableness of the estimation of the future cash flows and determination of discount rate. The Group has considered the financial performance, macroeconomic situation and industry development of relevant investment.

The carrying values of unquoted equity investments measured at cost as at 31 December 2009, 2010 and 2011 and 30 June 2012 are RMB2,758 million, RMB2,147 million, RMB11,053 million and RMB14,076 million, respectively.

(3) Impairment of reinsurance assets

The Group performs an impairment review on its reinsurance assets when an indication of impairment occurs. In considering whether a reinsurance asset is impaired, the Group considers whether (i) there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Group may not be able to receive all amounts due to it under the terms of the contract; and (ii) the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

(4) **Impairment of non-current assets other than financial assets**

The Group made judgement on whether there is an indication that non-current assets other than financial assets may be impaired as at the end of each of the Relevant Periods. When any such indication exists, the Group performs impairment testing for the asset or a group of assets and makes estimate of the recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The Group determines the recoverable amount according to the higher of the fair value less costs to sell and the present value of estimated future cash flows. Fair value less costs to sell is determined with reference to the prices in sales agreements or observable market prices of similar assets in fair transactions. When using the present value of estimated future cash flows, management must use the estimated future cash flows of the asset or a group of assets, and select the appropriate discount rate to determine the present value of the future cash flows.

(5) **Fair value of financial assets and derivative financial instruments determined using valuation techniques**

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

When using valuation techniques to determine the fair value of financial instruments, the Group tries to use the market parameters considered by market participants when pricing the financial instruments, including the risk-free rate, credit risk, exchange risk, product price, share price or index, volatility rate, prepayment risk and so on. However, in the absence of market parameters, management made estimations of the counterparty's credit risk, volatility rate and so on.

The financial instruments held by the Group where an active market is absent are mainly interbank bonds, where the Group uses the estimated value published by China Central Depository & Clearing Co., Ltd. to determine the fair value of the interbank bonds, where the yield curve of China's treasury bond is the key parameter for the valuation of China's treasury bond.

The use of different valuation techniques or parameters may result in relatively significant differences in the estimation of fair value.

(6) **Valuation of insurance contract liabilities**

Insurance contract liabilities are dependent on estimates and assumptions based on current information as at the end of each of the Relevant Periods. The Group also selects the appropriate risk margins based on the unpredictability and degree of influence of expected future cash flows.

The assumptions made in measuring unearned premium reserves are as follows:

- For insurance contracts under which future insurance benefits are not affected by investment income of the underlying investment portfolio, the discount rates are determined based on the 750-day moving average of the yield curve of China's treasury bond published by China Central Depository & Clearing Co., Ltd., with consideration of tax effect and illiquidity premiums. In consideration of the difference between the yield curve of the interbank policy finance bonds and the yield curve of the interbank treasury bonds, the Group used premiums of 50-80 basis points, 50-70 basis points, 50-80 basis points and 50-88 basis points as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. The discount rates including premiums used as at 31 December 2009, 2010 and 2011 and 30 June 2012 are 2.33%-5.41%, 2.61%-5.83%, 2.65%-6.25% and 2.93%-6.32%, respectively.

  For insurance contracts where future insurance benefits will be affected by investment income of the underlying investment portfolio, the discount rates are determined based on expected future investment returns of the investment portfolio backing the liabilities. The discount rates used by the Group as at 31 December 2009, 2010 and 2011 and 30 June 2012 are 5.5%, 5%, 5%-5.5% and 5%-5.5%, respectively.

There is unpredictability in the assumptions for discount rates and yields, which are affected by factors such as economic conditions, capital markets, investment channels and strategies.

- Mortality, morbidity, disability rates are based on the Group's historical experience, market experience and development trends. Mortality rates are determined based on the Group's historical data, estimations of current and future expectations and the understanding of China's insurance market, and presented using the standard Chinese mortality tables. Morbidity rates are determined based on factors such as the pricing assumptions of the Group's products, historical data, estimations of current and future expectations, and so on. There is unpredictability in mortality and morbidity rates, which are affected by factors such as changing lifestyles, society and medical improvements.
- Surrender rates depend on policy year, product type and sales channel. There is unpredictability in surrender rates, which are affected by factors such as future economic conditions and market competition.
- Expenses depend on costs analysis and future development trends. For future expenses sensitive to inflation, the Group also considers the effect of inflation. The expense assumptions include assumptions of acquisition costs and maintenance costs. The Group only considers expenses directly related to policy acquisition and maintenance.
- Policyholder dividend depends on factors such as expected investment yields, dividend policy and policyholders' reasonable expectations. There is unpredictability in policyholder dividend due to the factors above. Policyholder dividend assumption of the individual participating insurance business of the Group is measured based on 70% of the distributable surplus according to the contracts.
- The Group re-determined the risk margin assumptions for unearned premium reserves based on the available information at the end of each of the Relevant Periods. In assessing non-life insurance unearned premium reserves, the risk margin of agricultural insurance was determined at 3%, 3%, 39.5% and 39.5% as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. Other lines of insurance are referenced to the industry guideline of 3%.

Claim reserve depends mainly on claim development factors and an expected loss ratio to predict the future cost of claims. Claim development factors and the expected loss ratio for various measurement units are based on past claims development experience and loss ratios, taking into consideration changes in company policies such as the underwriting policy, expenses and claims handling, and changing trends in external environment such as economic conditions, regulations and legislation.The Group re-determined the risk margin assumptions for claim reserves based on the available information at the end of each of the Relevant Periods.

The Group re-determined the risk margin assumptions for claim reserves based on the available information at the end of each of the Relevant Periods. In assessing non-life insurance claim reserves, the risk margin of agricultural insurance was determined at 2.5% at the end of 2009 and 2010, and re-determined at 39% at the end of 2011 and as at 30 June 2012. Other lines of insurance are made reference to the industry guideline of 2.5%.

The management is of the opinion that as at the end of each of the Relevant Periods, claim reserve is sufficient to cover all incurred events to date but cannot guarantee there is no under provision or overprovision of the reserve, which is an estimate of the ultimate losses.

The changes in the related actuarial assumptions resulted in an increase of RMB114 million and RMB228 million, respectively, in insurance contract reserves as at 31 December 2009 and 2010, and a decrease of RMB352 million and RMB47 million, respectively, in insurance contract reserves as at 31 December 2011 and 30 June 2012.

During the Relevant Periods, except for changes in assumptions mentioned above, there are no other significant changes in the assumptions.

(7) **Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses and temporary deductible differences to the extent that it is probable that taxable profit will be available against which the used tax losses and temporary deductible differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits as well as the applicable tax rates together with future tax planning strategies. Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the assets are realised or the liabilities are settled, and based on tax rate (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

There are some uncertain due to the estimation of future taxable profit involves numbers of estimations for future transactions, including whether the actuarial assumptions and practical experience are uniform, the performance of future investment market, as well as the accounting policies modification's influence on tax payment.

(8) Fair value of investment properties

The fair value of investment properties is based on regular appraisals by independent professional valuers. The fair values represent the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The valuations are based on either: (i) current prices in an active market for similar properties, or if unavailable; (ii) recent prices of similar properties taking into consideration factors such as transaction conditions, transaction date and location; or (iii) a discounted cash flow analysis of each property. The discounted cash flow analyses are based on capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

For each of the Relevant Periods, investment properties are valued by independent professional valuers. The valuation of investment properties involves various assumptions and techniques. The use of different assumptions and techniques could produce significantly different valuations.

(9) Early retirement and retirement benefits

The Group had recognized the early retirement and retirement benefits as a liability. The initial recognition of early retirement and retirement benefits is measured at the best estimate of the expenditure required to settle early-retired employees. When the Company determines the best estimate, it takes into account headcount changes of early-retired employees, effect on future expenditure arising from inflation of prices and other factors. When selecting proper discount rate, the Company takes into account the average period of future payment for early retirement and retirement benefits and other factors. The difference between the actuarial assumptions and actual results will have impact on the relevant accounting estimation. Although the management considered that the above assumptions are reasonable, any changes in assumption may affect the amount of provision for early retirement and retirement benefits. The assumptions that the Company used in measuring the early retirement and retirement benefits are disclosed in note 39.

5. DISPOSAL OF SUBSIDIARIES

This note provides details of the disposal of subsidiaries that the Group has made during the Relevant Periods. Principal subsidiaries are listed in note 1 to the Financial Information.

(1) Nanning Gas Pipeline Limited Company ("Nanning Gas")

A subsidiary of Huawen Holdings and Shanghai Xinhuawen Investment Limited Company ("Shanghai Xinhuawen") entered into a share transfer agreement with one of the original shareholders of Nanning Gas, in 2001 to purchase 80% equity interests in Nanning Gas. The concerned parties were in dispute over the transaction which was subsequently escalated to the local court in December 2006. In December 2007, the court held that the share transfer agreement and a related supplemental agreement were invalid and Shanghai Xinhuawen should return the 80% equity interests in Nanning Gas to that original shareholder. Shanghai Xinhuawen appealed and the court ruled in favour of that original shareholder on 20 July 2009. As a result, Shanghai Xinhuawen ceased to consolidate Nanning Gas on 20 July 2009.

	20 July 2009	**31 December 2008**
	Carrying amount	**Carrying amount**
	(in RMB million)	
Current assets	388	292
Non-current assets	375	331
Total assets	763	623
Current liabilities	364	268
Non-current liabilities	434	383
Total liabilities	798	651
Net assets	(35)	(28)
Equity attributable to equity holders of the parent	(35)	(28)
Consideration (Note)	60	
Gain on disposal of a subsidiary	95	

An analysis of the net cash outflows in respect of the disposal of the subsidiary is as follows:

	2009
Cash consideration (Note)	—
Cash and cash equivalents disposed of	(11)
Net cash outflows in respect of the disposal of a subsidiary	(11)

Note: The consideration amount was based on the share transfer agreement and agreed by the concerned parties. The cash consideration in respect of the disposal of this subsidiary was received in 2010.

(2) **Shenzhen Guangyinhai Land Development Company Ltd. ("Shenzhen Guangyinhai")**

In November 2010, Shanghai Xinhuawen placed its 100% equity interest in Shenzhen Guangyinhai on the Shanghai United Assets and Equity Exchange and entered into a share transfer agreement with an independent third party for a consideration of RMB225 million on 30 December 2010. This transaction was completed in June 2011. The Group ceased to consolidate Shenzhen Guangyinhai on 24 June 2011. The summary details of the financial statements of Shenzhen Guangyinhai are as follows:

	24 June 2011	31 December 2010
	Carrying amount	Carrying amount
	(in RMB million)	
Current assets	28	23
Non-current assets	234	239
Total assets	262	262
Current liabilities	287	72
Non-current liabilities	—	215
Total liabilities	287	287
Net assets	(25)	(25)
Cash consideration	225	
Gain on disposal of a subsidiary	250	

An analysis of the net cash inflows in respect of the disposal of this subsidiary is as follows:

	2011
Cash consideration	225
Cash and cash equivalents disposed of	(28)
Net cash inflows in respect of the disposal of a subsidiary	197

On 23 January 2006, Shenzhen Guangyinhai borrowed a loan of RMB400 million from China Minsheng Banking Corp., Ltd. with the maturity date of 22 January 2016. The book value of the loan was RMB215 million as at 31 December 2009 and 2010, respectively. 100% equity interest in Shenzhen Guangyinhai owned by the Group, an investment property held by Shenzhen Guangyinhai (net book value of RMB247 million as at 31 December 2009 and RMB236 million as at 31 December 2010) and the rental income therefrom was put in pledge for the said bank borrowing. Shenzhen Guangyinhai was disposed of in 2011, and as a result the Group ceased to consolidate the said loan and related pledged assets.

(3) Shenzhen Securities Times Newspaper Office Limited Company ("Securities Times") and Shenzhen Xinhuawen Financial Media Limited Company ("Financial Media")

On 3 December 2011, Shanghai Xinhuawen and Huawen Holdings entered into a share transfer agreement with People's Daily Newspaper Office ("People's Daily") to transfer 100% equity interests in Securities Times for a consideration of RMB300 million. The consideration amount was based on the share transfer agreement. This transaction was completed in December 2011. The Group ceased to consolidate Securities Times on 3 December 2011.

Financial Media was a subsidiary of the Group, while its 25% equity interest was held directly by Shanghai Xinhuawen and 75% equity interest was held by Securities Times. After the disposal of Securities Times, the equity interest in Financial Media held by the Group was decreased to 25%. The Group ceased to consolidate Financial Media and recognised the remaining 25% equity interest in Financial Media as an interest in an associate.

The summary details of the financial statements of Securities Times and Financial Media are as follows:

	3 December 2011	31 December 2010
	Carrying amount	Carrying amount
	(in RMB million)	
Current assets	735	1,020
Non-current assets	211	174
Total assets	946	1,194
Current liabilities	96	103
Non-current liabilities	480	480
Total liabilities	576	583
Net assets	370	611
Equity attributable to equity holders of the parent	369	
Fair value of remaining equity interest (Note)	52	
Cash consideration	300	
Loss on disposal of subsidiaries	(17)	

An analysis of the net cash outflows in respect of the disposal of these subsidiaries is as follows:

	2011
Cash consideration	300
Cash and cash equivalents disposed of	(535)
Net cash outflows in respect of the disposal of subsidiaries	(235)

Note: The fair value of remaining equity interest is the fair value of 25% equity interest of Financial Media held by Shanghai Xinhuawen at the disposal date.

(4) **Guanglian (Nanning) Investment Holding Co., Ltd ("Guanglian") and Huanwen Holdings**

On 25 April 2012, PICC Investment Holding entered into share transfer agreements with Beijing International Trust Co., Ltd. ("Beijing International Trust") to transfer a 55% equity interest in Huawen Holdings and a 54.21% equity interest in Guanglian held by PICC Investment Holding for considerations of RMB1,267 million and RMB867 million, respectively. The consideration amount was based on the listed price on Beijing Financial Assets Exchange. On 31 May 2012, PICC Investment Holding entered into a share transfer agreement with Beijing International Trust to transfer the remaining 25% equity interest in Huawen Holdings for a consideration of RMB358 million. As a result, PICC Investment Holding ceased to consolidate Huawen Holdings and Guanglian (including subsidiaries indirectly held through Guanglian and Huawen Holdings such as Shanghai Xinhuawen, Zhongtai Trust Co., Ltd. ("Zhongtai Trust") and Tiantai Asset Management Company Limited ("Tiantai") as disclosed in note 31 (b) (1)).

	Disposal date	31 December 2011
	Carrying amount	Carrying amount
	(in RMB million)	
Current assets	6,276	6,186
Non-current assets	8,402	8,523
Total assets	14,678	14,709
Current liabilities	6,122	6,385
Non-current liabilities	3,124	3,175
Total liabilities	9,246	9,560
Net assets	5,432	5,149
Equity attributable to equity holders of the parent	2,421	2,242
Consideration	2,492	
Transfer from other comprehensive income	130	
Gain on disposal of subsidiaries	201	

An analysis of the net cash inflows in respect of the disposal of these subsidiaries is as follows:

	2012
Cash consideration	2,492
Cash and cash equivalents disposed of	(316)
Net cash inflows in respect of the disposal of subsidiaries	2,176

6. **OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has the following reportable operating segments:

- The non-life insurance segment offers a wide variety of insurance products to both private and corporate customers including automobile insurance, non-automobile insurance and accident and health insurance.
- The life insurance segment offers a wide range of participating, endowments, annuity and universal life insurance products.
- The health insurance segment offers a wide range of health and care insurance products.
- The asset management segment comprises asset management services.
- The headquarters segment provides management and support for the Group's business through its strategy, risk management, treasury, finance, legal, and human resources functions.
- The "others" segment comprises other operating and insurance agents business of the Group.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Geographical information is not presented as most of the Group's customers, operations and assets and liabilities are located in Mainland China.

During the Relevant Periods, no direct written premiums from transactions with a single external customer amounted to 10% or more of the Group's total direct written premiums.

Segment income statement for the year ended 31 December 2009

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
Net earned premiums	93,382	46,381	1,799	—	—	—	(7)	141,555
Reinsurance commission income	3,480	—	10	—	—	—	—	3,490
Investment income	4,813	3,604	1,280	500	165	18	(481)	9,899
Other income	787	893	199	1,097	255	81	(691)	2,621
Total income	102,462	50,878	3,288	1,597	420	99	(1,179)	157,565
- External income	102,012	50,866	3,268	887	443	89	—	157,565
- Intersegment income	450	12	20	710	(23)	10	(1,179)	—
Claims and policyholders' benefits	64,557	44,485	1,912	—	—	—	(19)	110,935
Handling charges and commissions	12,130	2,178	189	—	—	—	(3)	14,494
Finance costs	377	1,033	115	324	676	—	(195)	2,330
Exchange (gains)/losses, net	5	1	(1)	8	(1)	—	—	12
Other operating and administrative expenses	22,999	3,019	1,095	1,174	288	84	(552)	28,107
Total benefits, claims and expenses	100,068	50,716	3,310	1,506	963	84	(769)	155,878
Share of profits and losses of associates	26	—	—	296	232	—	(26)	528
Profit/(loss) before tax	2,420	162	(22)	387	(311)	15	(436)	2,215
Income tax credit/(expense)	(437)	(63)	54	(130)	35	(2)	79	(464)
Profit/(loss) for the year	1,983	99	32	257	(276)	13	(357)	1,751

Segment income statement for the year ended 31 December 2010

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
Net earned premiums	123,547	71,895	1,641	—	—	—	(2)	197,081
Reinsurance commission income	5,375	—	204	—	—	—	—	5,579
Investment income	4,979	7,571	1,375	479	53	20	(272)	14,205
Other income	951	842	432	1,124	2	196	(556)	2,991
Total income	134,852	80,308	3,652	1,603	55	216	(830)	219,856
- External income	134,759	80,126	3,634	1,066	76	195	—	219,856
- Intersegment income	93	182	18	537	(21)	21	(830)	—
Claims and policyholders' benefits	83,127	70,769	1,710	—	—	—	—	155,606
Handling charges and commissions	14,048	3,161	131	—	—	—	(72)	17,268
Finance costs	812	1,279	345	295	669	—	(112)	3,288
Exchange losses, net	370	32	3	1	4	—	—	410
Other operating and administrative expenses	29,920	4,160	1,342	1,174	283	203	(585)	36,497
Total benefits, claims and expenses	128,277	79,401	3,531	1,470	956	203	(769)	213,069
Share of profits and losses of associates	81	—	—	420	321	—	(81)	741
Profit/(loss) before tax	6,656	907	121	553	(580)	13	(142)	7,528
Income tax expense	(1,314)	(170)	(67)	(96)	(16)	(8)	(10)	(1,681)
Profit/(loss) for the year	5,342	737	54	457	(596)	5	(152)	5,847

Segment income statement for the year ended 31 December 2011

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
Net earned premiums	133,559	70,110	2,682	—	—	—	(3)	206,348
Reinsurance commission income	12,797	35	472	—	—	—	—	13,304
Investment income	3,969	8,844	672	542	1,889	166	(2,283)	13,799
Other income	820	714	324	1,215	37	275	(545)	2,840
Total income	151,145	79,703	4,150	1,757	1,926	441	(2,831)	236,291
- External income	150,690	79,696	4,146	1,402	95	262	—	236,291
- Intersegment income	455	7	4	355	1,831	179	(2,831)	—
Claims and policyholders' benefits	87,844	70,037	2,406	—	—	—	—	160,287
Handling charges and commissions	14,679	3,405	188	—	—	—	(163)	18,109
Finance costs	1,319	1,789	585	269	667	8	28	4,665
Exchange losses, net	327	84	5	2	6	—	—	424
Other operating and administrative expenses	36,753	3,935	1,448	1,007	361	256	(336)	43,424
Total benefits, claims and expenses	140,922	79,250	4,632	1,278	1,034	264	(471)	226,909
Share of profits and losses of associates	108	64	—	350	477	—	(171)	828
Profit/(loss) before tax	10,331	517	(482)	829	1,369	177	(2,531)	10,210
Income tax credit/(expense)	(2,266)	34	—	(149)	(5)	(49)	122	(2,313)
Profit/(loss) for the year	8,065	551	(482)	680	1,364	128	(2,409)	7,897

Segment income statement for the six months ended 30 June 2011

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million) (Unaudited)				
Net earned premiums	66,418	43,499	1,108	—	—	—	—	111,025
Reinsurance commission income	6,253	14	205	—	—	—	—	6,472
Investment income	2,623	4,148	416	532	60	(1)	(177)	7,601
Other income	275	434	214	525	—	197	(227)	1,418
Total income	75,569	48,095	1,943	1,057	60	196	(404)	126,516
- External income	75,499	48,061	1,943	843	18	152	—	126,516
- Intersegment income	70	34	—	214	42	44	(404)	—
Claims and policyholders' benefits	43,145	42,630	1,069	—	—	—	—	86,844
Handling charges and commissions	7,504	1,946	89	—	—	—	(41)	9,498
Finance costs	514	814	274	134	326	5	(31)	2,036
Exchange (gains)/losses, net	234	24	—	1	3	(4)	—	258
Other operating and administrative expenses	17,431	1,811	697	367	122	274	(140)	20,562
Total benefits, claims and expenses	68,828	47,225	2,129	502	451	275	(212)	119,198
Share of profits and losses of associates	61	—	—	224	215	—	(70)	430
Profit/(loss) before tax	6,802	870	(186)	779	(176)	(79)	(262)	7,748
Income tax expense	(1,475)	(155)	—	(143)	(2)	(1)	38	(1,738)
Profit/(loss) for the period	5,327	715	(186)	636	(178)	(80)	(224)	6,010

Segment income statement for the six months ended 30 June 2012

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
Net earned premiums	73,835	42,510	2,913	—	—	—	(5)	119,253
Reinsurance commission income	5,337	5	266	—	—	—	—	5,608
Investment income	3,680	5,972	222	492	386	50	(544)	10,258
Other income	314	284	79	511	—	83	(235)	1,036
Total income	83,166	48,771	3,480	1,003	386	133	(784)	136,155
- External income	83,028	48,769	3,461	798	17	82	—	136,155
- Intersegment income	138	2	19	205	369	51	(784)	—
Claims and policyholders' benefits	45,363	42,812	2,608	—	—	—	—	90,783
Handling charges and commissions	8,718	1,897	155	—	—	—	(69)	10,701
Finance costs	827	1,032	350	86	326	8	—	2,629
Exchange losses, net	(20)	(12)	—	—	—	—	—	(32)
Other operating and administrative expenses	19,885	1,957	664	285	117	94	(244)	22,758
Total benefits, claims and expenses	74,773	47,686	3,777	371	443	102	(313)	126,839
Share of profits and losses of associates	62	7	—	36	227	—	(69)	263
Profit/(loss) before tax	8,455	1,092	(297)	668	170	31	(540)	9,579
Income tax expense	(1,879)	(180)	—	(415)	4	(5)	40	(2,435)
Profit/(loss) for the period	6,576	912	(297)	253	174	26	(500)	7,144

Segment assets and liabilities as at the end of each of the Relevant Periods

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
31 December 2009								
Segment assets	167,231	92,965	22,071	19,808	57,613	229	(53,574)	306,343
Segment liabilities	144,300	85,221	20,292	11,805	13,898	51	(3,505)	272,062
Other segment information:								
Capital expenditure	1,190	427	36	136	172	14	(188)	1,787
Depreciation and amortisation expenses	975	31	39	75	9	4	—	1,133
Impairment losses	668	—	—	185	—	—	—	853
31 December 2010								
Segment assets	203,831	186,869	26,576	19,792	56,859	480	(51,528)	442,879
Segment liabilities	177,017	180,083	25,383	11,017	13,840	298	(1,472)	406,166
Other segment information:								
Capital expenditure	1,145	1,452	27	29	261	3,793	—	6,707
Depreciation and amortisation expenses	1,062	41	44	28	42	3	(13)	1,207
Impairment losses	518	220	13	276	—	—	(113)	914
31 December 2011								
Segment assets	266,610	273,094	23,976	18,940	68,212	4,410	(70,090)	585,152
Segment liabilities	231,279	260,653	23,161	10,495	13,990	794	(3,155)	537,217
Other segment information:								
Capital expenditure	2,650	2,152	44	121	118	2	—	5,087
Depreciation and amortisation expenses	1,268	64	46	73	17	3	206	1,677
Impairment losses	2,344	196	84	138	—	14	113	2,889
30 June 2011 (Unaudited)								
Other segment information:								
Capital expenditure	616	2,437	16	88	55	2	—	3,214
Depreciation and amortisation expenses	590	27	23	36	8	133	(32)	785
Impairment losses	865	170	49	3	—	—	—	1,087

	Non-life insurance	Life insurance	Health insurance	Asset management	Head-quarters	Others	Eliminations	Total
				(in RMB million)				
30 June 2012								
Segment assets	290,587	320,795	28,753	6,988	69,239	4,474	(71,093)	649,743
Segment liabilities	246,636	304,871	27,746	1,194	15,037	866	(3,417)	592,933
Other segment information:								
Capital expenditure	585	265	16	22	38	15	—	941
Depreciation and amortisation expenses	757	39	24	9	20	2	(32)	819
Impairment losses	768	412	162	(4)	—	(14)	—	1,324

7. GROSS AND NET WRITTEN PREMIUMS

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
(a) Gross written premiums					
Long-term life insurance premiums	46,171	71,158	69,496	42,882	43,449
Short-term life insurance premiums	2,461	3,833	5,462	3,803	4,520
Non-life insurance premiums	119,920	154,449	174,089	91,516	101,255
Total	168,552	229,440	249,047	138,201	149,224
(b) Premiums ceded to reinsurers					
Long-term life insurance premiums ceded to reinsurers	14	20	111	33	82
Short-term life insurance premiums ceded to reinsurers	197	1,187	1,870	1,268	1,616
Non-life insurance premiums ceded to reinsurers	16,484	16,948	37,219	17,987	14,470
Total	16,695	18,155	39,200	19,288	16,168
(c) Net written premiums	151,857	211,285	209,847	118,913	133,056

8. INVESTMENT INCOME

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Net investment income (a)	5,904	9,654	16,367	7,375	10,382
Realised gains/(losses) (b)	3,576	5,302	(9)	762	(88)
Fair value gains/(losses) (c)	419	(160)	32	19	943
Impairment losses (d)	—	(591)	(2,591)	(555)	(979)
Total	9,899	14,205	13,799	7,601	10,258

(a) **Net investment Income**

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Operating lease income from investment properties	156	227	252	119	121
Interest income					
Current and term deposits	1,305	1,416	4,228	1,616	3,266
Debt securities					
- Held-to-maturity	178	1,630	3,736	1,544	2,425
- Available-for-sale	3,345	4,566	4,712	2,457	2,147
- Carried at fair value through profit or loss	103	103	100	50	53
Derivative financial assets	18	85	60	25	47
Loans and receivables	244	616	1,304	440	1,139
Subtotal	5,193	8,416	14,140	6,132	9,077
Dividend income					
Equity securities					
- Available-for-sale	368	902	1,913	1,092	1,068
- Carried at fair value through profit or loss	187	109	62	32	116
Subtotal	555	1,011	1,975	1,124	1,184
Total	5,904	9,654	16,367	7,375	10,382

An analysis of the dividend income from listed and unlisted equity securities is as follows:

Dividend income					
Listed equity securities	111	280	462	331	369
Unlisted equity securities	444	731	1,513	793	815
Total	555	1,011	1,975	1,124	1,184

(b) **Realised gains/(losses)**

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Debt securities					
- Available-for-sale	280	776	(88)	5	(6)
- Carried at fair value through profit or loss	7	46	63	76	2
Equity securities					
- Available-for-sale	3,131	4,327	40	528	(241)
- Carried at fair value through profit or loss	279	147	(257)	(97)	(44)
- Gains on disposal of subsidiaries	95	—	233	250	201
- Gains/(losses) on disposal of associates	(216)	6	—	—	—
Total	3,576	5,302	(9)	762	(88)

(c) **Fair value gains/(losses)**

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Debt securities					
- Carried at fair value through profit or loss	(142)	(17)	29	(5)	6
Equity securities					
- Carried at fair value through profit or loss	366	(166)	(664)	(91)	327
Derivative financial instruments					
- Carried at fair value through profit or loss	6	(50)	(21)	(12)	(8)
Investment properties	186	73	688	127	618
Designated financial assets at fair value through profit or loss	3	—	—	—	—
Total	419	(160)	32	19	943

(d) **Impairment losses**

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Debt securities					
- Available-for-sale (note 17)	—	—	(5)	—	—
Equity securities					
- Available-for-sale (note 17)	—	(591)	(2,439)	(555)	(979)
- Investments in associates	—	—	(147)	—	—
Total	—	(591)	(2,591)	(555)	(979)

9. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Government grants (a)	297	64	101	17	15
Management fee charged to policyholders	860	1,000	868	545	312
Disposal gains from property and equipment and intangible assets	153	219	97	49	72
Others	1,311	1,708	1,774	807	637
Total	2,621	2,991	2,840	1,418	1,036

(a) In prior years, the Group received tax refunds from the government for losses and obligations assumed by the Group in 2003 when its P&C insurance operation was spun-off for listing. This reimbursement scheme, which was designed to refund the corporate income taxes paid by the Company and its principal subsidiaries for the period from 2004 to 2010 and refund the future dividend if there still existed capital deficit after expiration of the above policy. Those tax refund attributable to the first half of 2008 amounted to RMB238 million and was received and recognised as an income in 2009.

A receivable of RMB2,847 million was recognised upon the restructuring and reorganisation of the Company for reimbursements of the pension benefit obligation of the Company, as described in note 39 to the Financial Information. The tax refund received in relation to corporate income taxes since the second half of 2008 was used to offset against the above receivable instead of being recognised as an income.

10. CLAIMS AND POLICYHOLDERS' BENEFITS

	Year ended 31 December 2009		
	Gross	Ceded	Net
		(in RMB million)	
Life insurance death and other benefits paid	970	5	965
Claims incurred	81,028	15,040	65,988
- Short-term life insurance	1,610	164	1,446
- Non-life insurance	79,418	14,876	64,542
Changes in long-term life insurance contract liabilities	43,859	3	43,856
Policyholder dividends	126	—	126
Total	125,983	15,048	110,935

	Year ended 31 December 2010		
	Gross	Ceded	Net
		(in RMB million)	
Life insurance death and other benefits paid	3,992	8	3,984
Claims incurred	93,867	9,141	84,726
- Short-term life insurance	2,500	909	1,591
- Non-life insurance	91,367	8,232	83,135
Changes in long-term life insurance contract liabilities	65,923	4	65,919
Policyholder dividends	977	—	977
Total	164,759	9,153	155,606

	Year ended 31 December 2011		
	Gross	Ceded	Net
		(in RMB million)	
Life insurance death and other benefits paid	19,569	12	19,557
Claims incurred	105,735	15,653	90,082
- Short-term life insurance	3,751	1,512	2,239
- Non-life insurance	101,984	14,141	87,843
Changes in long-term life insurance contract liabilities	48,270	16	48,254
Policyholder dividends	2,394	—	2,394
Total	175,968	15,681	160,287

	Six months ended 30 June 2011 (Unaudited)		
	Gross	Ceded	Net
	(in RMB million)		
Life insurance death and other benefits paid	13,343	—	13,343
Claims incurred	49,881	5,644	44,237
- Short-term life insurance	1,703	611	1,092
- Non-life insurance	48,178	5,033	43,145
Changes in long-term life insurance contract liabilities	27,955	4	27,951
Policyholder dividends	1,313	—	1,313
Total	92,492	5,648	86,844

	Six months ended 30 June 2012		
	Gross	Ceded	Net
	(in RMB million)		
Life insurance death and other benefits paid	6,823	5	6,818
Claims incurred	56,962	10,289	46,673
- Short-term life insurance	2,154	844	1,310
- Non-life insurance	54,808	9,445	45,363
Changes in long-term life insurance contract liabilities	35,764	14	35,750
Policyholder dividends	1,542	—	1,542
Total	101,091	10,308	90,783

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Interest expenses					
Securities sold under agreements to repurchase	160	217	662	251	430
Subordinated debts	859	1,507	1,817	841	972
Interest credited to policyholders	1,046	1,258	1,760	781	1,042
Pension benefit obligation unwound	119	120	119	52	51
Others	146	186	307	111	134
Total	2,330	3,288	4,665	2,036	2,629

12. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting) the following items:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Employee costs (a)	8,943	13,036	17,582	8,132	9,306
Depreciation of property and equipment	981	1,062	1,485	713	735
Impairment loss on insurance receivable (note 22)	669	200	307	530	376
Impairment loss on other assets	150	31	(9)	2	(31)
Minimum lease payments under operating leases in respect of land and buildings	404	455	555	274	291
Amortisation of intangible assets	152	145	192	72	84
Auditors' remuneration	24	24	24	8	6

(a) **Employee costs**

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Employee costs (excluding Directors' and supervisors' remuneration (note 13))					
- Salaries, allowances and performance related bonuses	7,240	11,011	14,954	6,980	7,852
- Social insurance and housing fund	1,696	2,015	2,617	1,149	1,451
	8,936	13,026	17,571	8,129	9,303

13. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB '000)		
				(Unaudited)	
Fees	50	200	267	100	200
Other emoluments:					
- Salaries, allowances and performance related bonuses	5,982	8,211	8,714	2,036	1,873
- Social insurance and housing fund	1,130	1,497	1,767	786	806
	7,162	9,908	10,748	2,922	2,879

Certain directors and supervisors are entitled to bonuses which are determined by a number of factors including the operating results of the Group.

The total compensation package for the Company's key management for the six months ended 30 June 2012 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The compensation of 2009, 2010 and 2011 has been approved by relevant authorities.

(a) **Independent non-executive Directors**

The fees paid to independent non-executive Directors during the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
			(in RMB '000)		
				(Unaudited)	
Mr. Xiang Huaicheng	—	—	—	—	—
Mr. Lau Hon Chuen	N/A	N/A	N/A	N/A	—
Mr. Du Jian	N/A	N/A	N/A	N/A	—
Mr. Cai Weiguo	—	—	67	—	100
Mr. Xu Dingbo	50	200	200	100	100
	50	200	267	100	200

(b) **Chairman of the Board, Directors and supervisors**

	Year ended 31 December 2009		
	Salaries, allowances and performance related bonuses	**Social insurance and housing fund**	**Total remuneration**
		(in RMB '000)	
Chairman of the Board:			
Mr. Wu Yan	1,240	250	1,490
Executive Directors:			
Mr. Ding Yunzhou	1,103	203	1,306
Mr. Wang Yincheng	1,115	192	1,307
Mr. Li Liangwen	1,115	233	1,348
Non-executive Directors:			
Mr. Cao Guangsheng	—	—	—
Mr. Liu Yeqiao	—	—	—
Mr. Qi Shaojun	—	—	—
Ms. Hu Donghui	—	—	—
Supervisors:			
Mr. Zhou Shurui	1,115	203	1,318
Mr. Xu Yongxian	59	10	69
Ms. Yao Bo	235	39	274
	5,982	1,130	7,112

	Year ended 31 December 2010		
	Salaries, allowances and performance related bonuses	Social insurance and housing fund	Total remuneration
		(in RMB '000)	
Chairman of the Board:			
Mr. Wu Yan	1,466	266	1,732
Executive Directors:			
Mr. Ding Yunzhou	1,305	216	1,521
Mr. Wang Yincheng	1,319	230	1,549
Mr. Li Liangwen	1,319	304	1,623
Non-executive Directors:			
Mr. Cao Guangsheng	—	—	—
Mr. Liu Yeqiao	—	—	—
Mr. Qi Shaojun	—	—	—
Ms. Hu Donghui	—	—	—
Supervisors:			
Mr. Zhou Shurui	1,319	225	1,544
Mr. Xu Yongxian	706	126	832
Ms. Yao Bo	777	130	907
	8,211	1,497	9,708

	Year ended 31 December 2011		
	Salaries, allowances and performance related bonuses	Social insurance and housing fund	Total remuneration
		(in RMB '000)	
Chairman of the Board:			
Mr. Wu Yan	1,598	308	1,906
Executive Directors:			
Mr. Ding Yunzhou	1,422	254	1,676
Mr. Wang Yincheng	1,438	288	1,726
Mr. Li Liangwen	1,438	357	1,795
Non-executive Directors:			
Mr. Cao Guangsheng	—	—	—
Mr. Liu Yeqiao	—	—	—
Mr. Qi Shaojun	—	—	—
Ms. Hu Donghui	—	—	—
Supervisors:			
Mr. Zhou Shurui	1,438	272	1,710
Mr. Xu Yongxian	995	148	1,143
Ms. Yao Bo	385	140	525
	8,714	1,767	10,481

	Six months ended 30 June 2011 (Unaudited)		
	Salaries, allowances and performance related bonuses	Social insurance and housing fund	Total remuneration
		(in RMB '000)	
Chairman of the Board:			
Mr. Wu Yan	352	135	487
Executive Directors:			
Mr. Ding Yunzhou	299	110	409
Mr. Wang Yincheng	350	124	474
Mr. Li Liangwen	351	161	512
Non-executive Directors:			
Mr. Cao Guangsheng	—	—	—
Mr. Liu Yeqiao	—	—	—
Mr. Qi Shaojun	—	—	—
Ms. Hu Donghui	—	—	—
Supervisors:			
Mr. Zhou Shurui	298	119	417
Mr. Xu Yongxian	193	67	260
Ms. Yao Bo	193	70	263
	2,036	786	2,822

	Six months ended 30 June 2012		
	Salaries, allowances and performance related bonuses	Social insurance and housing fund	Total remuneration
		(in RMB '000)	
Chairman of the Board:			
Mr. Wu Yan	352	155	507
Executive Directors:			
Mr. Ding Yunzhou	318	126	444
Mr. Wang Yincheng	350	143	493
Mr. Li Liangwen	350	177	527
Non-executive Directors:			
Mr. Cao Guangsheng	—	—	—
Mr. Liu Yeqiao	—	—	—
Mr. Qi Shaojun	—	—	—
Ms. Zhang Hanlin	—	—	—
Supervisors:			
Mr. Lin Fan	117	52	169
Mr. Xu Yongxian	193	74	267
Ms. Yao Bo	193	79	272
	1,873	806	2,679

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Company include four, three, five, three and three directors for the three years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2011 and 2012, which are disclosed in note 13. Details of the remuneration of the remaining highest paid individuals for the three years ended 31 December 2009, 2010 and 2011, and the six months ended 30 June 2011 and 2012 are set out below:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB '000)		
				(Unaudited)	
Salaries, allowances, and performance related bonuses	1,116	2,740	—	701	701
Social insurance and housing fund	252	482	—	230	304
	1,368	3,222	—	931	1,005

The number of non-director/supervisors, highest paid individuals whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
				(Unaudited)	
RMB1 to RMB500,000	—	—	—	2	1
RMB500,001 to RMB1,000,000	—	—	—	—	1
RMB1,000,001 to RMB1,500,000	1	—	—	—	—
RMB1,500,001 to RMB2,000,000	—	2	—	—	—
	1	2	—	2	2

15. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Current income tax:					
Charge for the year/period	275	2,210	2,953	2,292	2,083
Under/(over) provision in prior years	(12)	(48)	33	4	(2)
Deferred income tax (note 30)	201	(481)	(673)	(558)	354
Total	464	1,681	2,313	1,738	2,435

In accordance with the relevant PRC income tax rules and regulations, the Company and the Group's subsidiaries registered in the PRC are subject to corporate income tax ("CIT") at the statutory rate of 25% on their respective taxable income. Income taxes on taxable income elsewhere were 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.

PICC HK, incorporated in Hong Kong, was subject to a profit tax rate of 16.5% during the Relevant Periods. Shanghai Xinhuawen and Securities Times (registered in Shanghai Pudong and Shenzhen, respectively), were subject to income tax rates of 20%, 22%, 24% and 25% in 2009, 2010, 2011 and 2012, respectively.

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

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Profit before tax	2,215	7,528	10,210	7,748	9,579
Tax at the statutory tax rate	554	1,882	2,553	1,937	2,395
Adjustments in respect of current tax of previous periods	(12)	(48)	33	4	(2)
Profits attributable to associates	(132)	(185)	(207)	(108)	(66)
Income not subject to tax	(384)	(543)	(808)	(448)	(427)
Tax adjustment for temporary taxable difference related to investment in subsidiaries	—	—	—	—	244
Expenses not deductible for tax	358	226	298	133	145
Utilisation of tax losses	(9)	(6)	(25)	(43)	(108)
Effects on opening deferred tax of changes in tax rate	(9)	(7)	(4)	(10)	—
Unrecognised deductible temporary differences	107	363	482	275	257
Effects of different tax rates applied to subsidiaries	(9)	(1)	(9)	(2)	(3)
Tax charge at the Company's effective rate	464	1,681	2,313	1,738	2,435
Effective tax rate	20.9%	22.3%	22.7%	22.4%	25.4%

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity holders of the Company for the Relevant Periods and the weighted average number of ordinary shares in issue during the Relevant Periods. As described in note 1, the Company was converted into a joint stock company in 2009 and completed the registration on 28 September 2009. In order to provide comparative financial information, the calculation of the basic earnings per share for the Relevant Periods is based on the assumption that the 30,600 million ordinary shares in issue upon the re-registration of the Company had been in issue throughout the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Net profit attributable to ordinary equity holders of the parent for the year/period	1,108	3,987	5,185	4,039	4,923
Weighted average number of ordinary shares (in million shares)	30,600	30,600	32,711	30,924	34,491
Basic earnings per share (in RMB)	0.04	0.13	0.16	0.13	0.14
Diluted earnings per share (in RMB)	0.04	0.13	0.16	0.13	0.14

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

17. OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2009	2010	2011	2011	2012
	(in RMB million)				
				(Unaudited)	
Available-for-sale investments:					
Gains/(losses) arising during the year/period	3,871	(646)	(13,336)	(4,839)	3,777
Less: Reclassification adjustments for gains included in the income statement					
- Losses/(gains) on disposal	(3,227)	(5,066)	156	(513)	268
- Impairment losses (note 8(d))	—	591	2,444	555	979
Income tax effect relating to available-for-sale investments (note)	(161)	1,169	876	1,086	(444)
	483	(3,952)	(9,860)	(3,711)	4,580
Cash flow hedging revaluation	10	(138)	286	96	(39)
Income tax effect relating to cash flow hedging revaluation	(3)	34	(71)	(24)	10
	7	(104)	215	72	(29)
Net gains on revaluation of properties and prepaid land premiums upon transfer to investment properties (note 27)	195	960	899	539	116
Income tax effect relating to revaluation of properties and prepaid land premiums upon transfer to investment properties	(49)	(240)	(225)	(135)	(29)
	146	720	674	404	87
Share of changes in associates' equity	77	(5)	(91)	(50)	158
Actuarial gains/(losses) on pension benefit obligations (note 39(a))	599	(47)	(118)	(17)	(214)
Foreign currency translation reserve	(4)	(21)	(27)	(14)	3
Others	(8)	4	—	—	—
Total	1,300	(3,405)	(9,207)	(3,316)	4,585
Attributable to:					
Equity holders of the parent	1,100	(2,759)	(6,995)	(2,535)	3,466
Non-controlling interests	200	(646)	(2,212)	(781)	1,119
Total	1,300	(3,405)	(9,207)	(3,316)	4,585

Note: Income tax effect relating to available-for-sale investments for the six months ended 2012 including the amount relating to available-for-sale investments that had been transferred to a disposal group classified as held for sale from 1 January 2012 to the disposal date, which was not included in note 30.

18. CASH AND CASH EQUIVALENTS

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Cash on hand	33	7	1	7
Securities purchased under resale agreements with original maturity of no more than three months	24	1,049	2,652	397
Demand deposits and deposits with banks and other financial institutions with original maturity of no more than three months	36,059	39,442	52,680	69,483
Total	36,116	40,498	55,333	69,887
Classification of cash and cash equivalents:				
Loans and receivables	36,116	40,498	55,333	69,887

Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Demand deposits	978	346	196	1,495
Classification of cash and cash equivalents:				
Loans and receivables	978	346	196	1,495

The carrying amounts disclosed above reasonably approximate their fair value at the end of each of the Relevant Periods.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2009		
	Nominal amount	Derivative financial assets	Derivative financial liabilities
		(in RMB million)	
Interest rate swaps			
- Hedging instruments	850	16	—
- Non-hedging instruments	1,430	89	—
Total	2,280	105	—

	As at 31 December 2010		
	Nominal amount	Derivative financial assets	Derivative financial liabilities
		(in RMB million)	
Interest rate swaps			
- Hedging instruments	5,370	6	127
- Non-hedging instruments	1,230	40	—
Total	6,600	46	127

	As at 31 December 2011		
	Nominal amount	Derivative financial assets	Derivative financial liabilities
		(in RMB million)	
Interest rate swaps			
- Hedging instruments	6,480	165	—
- Non-hedging instruments	1,180	19	—
Total	7,660	184	—

	As at 30 June 2012		
	Nominal amount	Derivative financial assets	Derivative financial liabilities
		(in RMB million)	
Interest rate swaps			
- Hedging instruments	6,030	125	—
- Non-hedging instruments	1,180	12	—
Total	7,210	137	—

The carrying amounts of interest rate swaps are the same as their fair value.

The Group is exposed to the variability of cash flows on financial assets which bear interest at a variable rate, and therefore uses interest rate swaps to manage its risks by receiving interest at a fixed rate from counterparties and paying interest at a variable rate.

The terms of the cash flow hedging and the terms of hedged item are highly matched. Cash flow hedging relationships are assessed to be effective and the amounts recognised in other comprehensive income are disclosed in note 17. Hedging instruments gains/losses transferred from other comprehensive income are not significant during the Relevant Periods, and there are no significant gains or losses of ineffective cash flow hedges which should be recognised in profit or loss.

20. DEBT SECURITIES

	As at 31 December			As at 30 June
Group	2009	2010	2011	2012
		(in RMB million)		
Government bonds	22,944	27,451	20,631	21,154
Corporate bonds	41,936	72,757	70,049	70,465
Bonds issued by financial institutions	65,287	106,745	123,316	116,654
Total debt securities	130,167	206,953	213,996	208,273
Classification of debt securities:				
Fair value through profit or loss				
- Held for trading, at fair value	2,147	3,475	2,081	2,339
Available-for-sale, at fair value	110,539	138,533	108,492	101,639
Held-to-maturity, at amortised cost	17,481	64,945	102,721	104,295
Loans and receivables, at amortised cost	—	—	702	—
Total debt securities	130,167	206,953	213,996	208,273
Listed	17,839	23,933	22,120	22,502
Unlisted	112,328	183,020	191,876	185,771
Total debt securities	130,167	206,953	213,996	208,273

Company	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
Corporate bonds	20	364	—	—
Bonds issued by financial institutions	902	—	538	—
Total debt securities	922	364	538	—
Classification of debt securities:				
Fair value through profit or loss - Held for trading, at fair value	251	120	—	—
Available-for-sale, at fair value	671	244	—	—
Loans and receivables, at amortised cost	—	—	538	—
Total debt securities	922	364	538	—
Listed	347	120	—	—
Unlisted	575	244	538	—
Total debt securities	922	364	538	—

21. EQUITY SECURITIES

Group	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
Investments, at fair value:				
Mutual funds	15,309	20,988	26,083	36,475
Shares	17,362	28,049	33,914	34,716
Investments, at cost:				
Shares	2,758	2,147	1,053	1,054
Trust scheme	—	—	10,000	13,022
Total equity securities	35,429	51,184	71,050	85,267
Classification of equity securities:				
Fair value through profit or loss				
- Held for trading	4,746	3,753	5,477	6,934
Available-for-sale				
- at fair value	27,925	45,284	54,520	64,257
- at cost less impairment	2,758	2,147	11,053	14,076
Total equity securities	35,429	51,184	71,050	85,267
Listed	19,048	31,380	37,551	37,985
Unlisted	16,381	19,804	33,499	47,282
Total equity securities	35,429	51,184	71,050	85,267

Company	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
Investments, at fair value:				
Mutual funds	—	29	—	216
Shares	286	179	153	137
Investments, at cost:				
Shares	268	268	268	268
Total equity securities	554	476	421	621
Classification of equity securities:				
Fair value through profit or loss				
- Held-for-trading	6	—	—	216
Available-for-sale				
- at fair value	280	208	153	137
- at cost less impairment	268	268	268	268
Total equity securities	554	476	421	621
Listed	286	208	153	353
Unlisted	268	268	268	268
Total equity securities	554	476	421	621

The fair value are based on quoted prices in active markets or bid prices quoted by mutual fund management companies.

Unlisted equity investments and trust scheme with carrying amounts of RMB2,758 million, RMB2,147 million, RMB11,053 million and RMB14,076 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, were carried at cost less impairment. Unlisted equity investments were stated at cost less impairment because their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

On April 1, 2012, the Company signed an agreement with China Credit Trust to transfer certain assets to a trust scheme held in the custody of China Credit Trust, which includes the equity interests in Bank of Hangzhou. The Company signed a repurchase commitment letter to undertake the risks relating to the transferred assets. The Company did not derecognise the said assets in its financial statement. The said equity interests were restricted for sale as at June 30, 2012.

22. INSURANCE RECEIVABLES

Group	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
Insurance receivables	19,603	12,497	25,890	37,448
Less: Impairment provision on insurance receivables	(2,137)	(2,177)	(2,453)	(2,795)
Total	17,466	10,320	23,437	34,653

The movements of provision for impairment of insurance receivables are as follows:

Group	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
At 1 January	1,499	2,137	2,177	2,453
Impairment losses recognised (note 12)	669	200	307	376
Amount written off as uncollectible	(31)	(160)	(31)	(34)
	2,137	2,177	2,453	2,795

An aged analysis of insurance receivables as at the end of each of the Relevant Periods, based on the payment due date and net of provision, is as follows:

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Within 3 months	11,746	9,077	20,289	26,558
3 to 6 months	1,380	720	2,309	5,987
6 to 12 months	4,259	730	1,160	2,334
1 to 2 years	1,416	421	436	763
Over 2 years	802	1,549	1,696	1,806
Total	19,603	12,497	25,890	37,448
Less: Impairment provision	(2,137)	(2,177)	(2,453)	(2,795)
Total insurance receivables	17,466	10,320	23,437	34,653

23. REINSURANCE ASSETS

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Reinsurers' share of unearned premium reserves	4,699	6,170	12,283	10,850
Reinsurers' share of claim reserves	9,982	9,664	12,914	16,178
Reinsurers' share of long-term life insurance reserves	6	10	26	40
Total	14,687	15,844	25,223	27,068

24. TERM DEPOSITS

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
More than 3 months to 1 year	4,381	6,504	708	5,055
1 to 2 years	3,600	201	1,278	100
2 to 3 years	700	1,795	1,042	958
More than 3 years	5,572	35,762	91,688	112,178
Total	14,253	44,262	94,716	118,291

The carrying amounts of the term deposits approximate their fair values. The term deposits are deposited with credit worthy banks with no recent history of default. Management considered the credit risks in respect of cash and bank deposits with financial institutions to be relatively minimal as each counterparty has a high credit rating or is a large PRC state-owned bank with no history of default.

25. INVESTMENTS IN SUBSIDIARIES

Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Unlisted investments, at cost	23,306	23,339	32,469	32,475
Shares listed in Hong Kong, at cost	25,035	25,035	28,486	28,486
Total	48,341	48,374	60,955	60,961
Market value of shares listed in Hong Kong	47,373	73,641	71,963	59,751

26. INVESTMENTS IN ASSOCIATES

(a) The Group's and the Company's investments in the principal associates as at the end of each of the Relevant Periods are as follows:

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Unlisted investments, carrying amount	3,907	5,444	2,951	3,063
Shares listed in the PRC, carrying amount	2,584	2,604	—	—
Less: Provision for impairment on an associate	(5)	(5)	—	—
Total	6,486	8,043	2,951	3,063
Market value of listed shares				
Huawen Media Corporation Limited ("Huawen Media")	1,939	1,571	—	—
Shanghai Xinhuangpu Real Estate Co., Ltd. ("Xinhuangpu Real Estate")	1,305	682	—	—
Total	3,244	2,253	—	—

Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Unlisted investments, carrying amount	1,258	2,637	2,891	3,003

The investments in Huawen Media and Xinhuangpu Real Estate were transferred to a disposal group classified as held for sale as at 31 December 2011 which had been disposed of up till 31 May 2012. Further details are disclosed in note 32.

(b) Particulars of the principal associates are as follows:

Associates	Place of registration	Principal activities	Percentage of ownership interest attributable to the Group: As at 31 December 2009	2010	2011	As at 30 June 2012
Dacheng Fund Management Company Limited ("Dacheng Fund")	Shenzhen	Fund management	48.00%	48.00%	48.00%	—
China Credit Trust Company Limited ("China Credit Trust")	Beijing	Trust business	32.35%	32.92%	32.92%	32.92%
Huawen Media	Haikou	Media, consultation and information integration	20.31%	19.65%	19.65%	—
Xinhuangpu Real Estate	Shanghai	Real estate development	13.48%	13.48%	13.48%	—

No associates above are audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The Group's shareholdings in Dacheng Fund, Huawen Media and Xinhuangpu Real Estate are held through a wholly-owned subsidiary of the Company. The investments in Dacheng Fund, Huawen Media and Xinhuangpu Real Estate were transferred to a disposal group classified as held for sale as at 31 December 2011 which had been disposed of up till 31 May 2012.

(c) Dividends received from associates during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
Associates	2009	2010	2011	2011	2012
			(in RMB million)		
				(Unaudited)	
Dacheng Fund	183	138	135	—	—
China Credit Trust	58	78	202	202	121
Huawen Media	6	11	5	—	—
Xinhuangpu Real Estate	10	—	13	—	—
Other associates	—	—	7	—	—
Total	257	227	362	202	121

(d) Financial information of the Group's principal associates:

Associates	Assets	Liabilities	Revenue	Net profit
	As at 31 December 2009		Year ended 31 December 2009	
	(in RMB million)			
China Credit Trust	5,095	1,229	797	704
Huawen Media	4,152	1,135	2,531	305
Xinhuangpu Real Estate	6,430	3,491	531	164
Dacheng Fund	1,632	406	1,190	448
	As at 31 December 2010		Year ended 31 December 2010	
	(in RMB million)			
China Credit Trust	9,329	1,283	1,198	1,010
Huawen Media	4,554	1,315	3,478	432
Xinhuangpu Real Estate	6,793	3,568	527	222
Dacheng Fund	1,812	381	1,322	510
	As at 31 December 2011		Year ended 31 December 2011	
	(in RMB million)			
China Credit Trust	10,285	1,473	2,115	1,445
	As at 30 June 2012		Six months ended 30 June 2012	
	(in RMB million)			
China Credit Trust	10,238	1,087	786	687

27. INVESTMENT PROPERTIES

Group	Year ended 31 December 2009	2010	2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	2,144	2,673	4,390	7,529
Acquisition	—	—	5	29
Transfer from property and equipment (note 28)	85	636	2,311	53
Transfer from intangible assets (note 29)	88	79	78	12
Gains on revaluation of properties upon transfer from property and equipment (note 17)	96	836	737	97
Gains on revaluation of properties upon transfer from intangible assets (note 17)	99	124	162	19
Increase in fair value of investment properties during the year	186	73	694	618
Transfer to property and equipment (note 28)	—	—	(371)	(242)
Transfer to intangible assets (note 29)	—	—	(188)	(55)
Disposal	(25)	(31)	(34)	(20)
Disposal of subsidiaries	—	—	(255)	—
End of year/period	2,673	4,390	7,529	8,040

Company	Six months ended 30 June 2012
	(in RMB million)
Beginning of period	—
Transfer from property and equipment (note 28)	566
Transfer from intangible assets (note 29)	87
Increase in fair value of investment properties	317
End of period	970

The Group was still in the process of applying for title certificates for investment properties with carrying values of RMB400 million, RMB404 million, RMB2,608 million and RMB3,070 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. The Directors are of the opinion that the Group has ownership of those properties.

An investment property with carrying values of RMB247 million and RMB236 million as at 31 December 2009 and 2010, respectively, was put in pledge for bank borrowings. Further details are disclosed in note 5 (2). There were no pledged investment properties as at 31 December 2011 and 30 June 2012.

The Group's investment properties were revalued as at 31 December 2009, 2010 and 2011 and 30 June 2012 by independent professional valuers. The investment properties held by PICC P&C and PICC Life were revalued by DTZ DEBENHAM TIE LEUNG Limited and Beijing Zhong Heng Zheng Yuan Appraisals Company, Limited, respectively. The investment properties held by PICC Investment Holding and the Company were revalued by China Enterprise Appraisals Co., Ltd.. Valuations were based on either: (i) the direct comparison approach assuming sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market; or (ii) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group's investment properties mainly pertain to properties located in Mainland China and are mainly held under medium-term lease.

28. PROPERTY AND EQUIPMENT

Group	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
			(in RMB million)		
Cost					
As at 1 January 2009	13,178	3,518	1,865	2,268	20,829
Additions	139	438	249	624	1,450
Transfer of construction in progress	273	—	—	(273)	—
Transfer to intangible assets (note 29)	—	—	—	(19)	(19)
Transfer to investment properties (note 27)	(128)	—	—	—	(128)
Disposal of subsidiaries	(274)	(17)	(4)	(74)	(369)
Disposals	(134)	(207)	(232)	—	(573)
As at 31 December 2009	13,054	3,732	1,878	2,526	21,190
Additions	4,140	580	390	1,281	6,391
Transfer of construction in progress	1,995	—	—	(1,995)	—
Transfer to investment properties (note 27)	(692)	—	—	—	(692)
Disposals	(174)	(389)	(192)	—	(755)
As at 31 December 2010	18,323	3,923	2,076	1,812	26,134
Additions	213	1,832	268	2,285	4,598
Transfer of construction in progress	2,997	68	—	(3,065)	—
Transfer from investment properties (note 27)	371	—	—	—	371
Transfer to investment properties (note 27)	(2,409)	—	—	—	(2,409)
Disposal of subsidiaries	(12)	(13)	(8)	—	(33)
Disposals	(189)	(617)	(584)	(5)	(1,395)
Transfer to assets of a disposal group classified as held for sale (note 32)	(56)	(124)	(26)	—	(206)
As at 31 December 2011	19,238	5,069	1,726	1,027	27,060
Additions	32	251	22	517	822
Transfer of construction in progress	83	1	—	(84)	—
Transfer from investment properties (note 27)	242	—	—	—	242
Transfer to investment properties (note 27)	(80)	—	—	—	(80)
Disposals	(70)	(108)	(105)	—	(283)
As at 30 June 2012	19,445	5,213	1,643	1,460	27,761
Accumulated depreciation					
As at 1 January 2009	2,742	2,041	1,154	—	5,937
Depreciation	385	417	179	—	981
Transfer to investment properties (note 27)	(43)	—	—	—	(43)
Disposal of subsidiaries	(26)	(6)	(1)	—	(33)
Disposals	(42)	(197)	(224)	—	(463)
As at 31 December 2009	3,016	2,255	1,108	—	6,379
Depreciation	393	458	211	—	1,062

Group	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
			(in RMB million)		
Transfer to investment properties (note 27)	(56)	—	—	—	(56)
Disposals	(71)	(376)	(181)	—	(628)
As at 31 December 2010	3,282	2,337	1,138	—	6,757
Depreciation	728	502	255	—	1,485
Transfer to investment properties (note 27)	(70)	—	—	—	(70)
Disposal of subsidiaries	(1)	(5)	(4)	—	(10)
Disposals	(20)	(475)	(531)	—	(1,026)
Transfer to assets of a disposal group classified as held for sale (note 32)	(15)	(25)	(17)	—	(57)
As at 31 December 2011	3,904	2,334	841	—	7,079
Depreciation	201	405	129	—	735
Transfer to investment properties (note 27)	(27)	—	—	—	(27)
Disposals	(33)	(108)	(99)	—	(240)
As at 30 June 2012	4,045	2,631	871	—	7,547
Impairment losses					
As at 1 January 2009	1,103	2	2	36	1,143
Disposals	(85)	—	—	—	(85)
As at 31 December 2009	1,018	2	2	36	1,058
Additions	—	—	—	2	2
Disposals	(46)	(2)	(1)	—	(49)
As at 31 December 2010	972	—	1	38	1,011
Transfer to investment property (note 27)	(28)	—	—	—	(28)
Disposals	(59)	—	—	(2)	(61)
Transfer to assets of a disposal group classified as held for sale (note 32)	—	—	(1)	—	(1)
As at 31 December 2011	885	—	—	36	921
Disposals	(24)	—	—	—	(24)
As at 30 June 2012	861	—	—	36	897
Net carrying amount					
As at 31 December 2009	9,020	1,475	768	2,490	13,753
As at 31 December 2010	14,069	1,586	937	1,774	18,366
As at 31 December 2011	14,449	2,735	885	991	19,060
As at 30 June 2012	14,539	2,582	772	1,424	19,317

The Group was still in the process of applying for title certificates for its buildings with carrying value of RMB443 million, RMB662 million, RMB1,180 million and RMB1,125 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. The Directors are of the opinion that the Group has ownership of the buildings.

The carrying amounts of fully depreciated property and equipment that are still in use were RMB3,348 million, RMB3,741 million, RMB3,270 million and RMB3,172 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

The Group had no material property and equipment, which were idle or at disposal, as at 31 December 2009, 2010 and 2011 and 30 June 2012.

The buildings of carrying amounts of RMB3,614 million and RMB3,560 million has been pledged to the bank for loans as at 31 December 2011 and 30 June 2012, respectively (note 33). There were no buildings pledged for loans from banks as at 31 December 2009 and 2010.

The Group had property and equipment held for sale as at 31 December 2011. For details, please refer to note 32.

Company	Buildings	Office equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
			(in RMB million)		
Cost					
As at 1 January 2009	61	28	12	4	105
Additions	—	2	3	228	233
Surplus on statutory revaluation	47	1	2	—	50
Disposals	—	—	(1)	—	(1)
As at 31 December 2009	108	31	16	232	387
Additions	—	13	4	245	262
As at 31 December 2010	108	44	20	477	649
Additions	—	93	1	72	166
Disposals	—	(1)	—	—	(1)
As at 31 December 2011	108	136	21	549	814
Additions	—	20	2	17	39
Disposals	—	—	(1)	—	(1)
Transfer to investment property (note 27)	—	—	—	(566)	(566)
As at 30 June 2012	108	156	22	—	286
Accumulated depreciation					
As at 1 January 2009	11	14	7	—	32
Depreciation	3	2	—	—	5
Deficit on revaluation	(1)	—	—	—	(1)
Disposals	—	—	(1)	—	(1)
As at 31 December 2009	13	16	6	—	35
Depreciation	4	4	1	—	9
As at 31 December 2010	17	20	7	—	44
Additions	4	7	1	—	12
Disposals	—	(1)	—	—	(1)
As at 31 December 2011	21	26	8	—	55
Additions	1	15	1	—	17
As at 30 June 2012	22	41	9	—	72
Net carrying amount					
As at 31 December 2009	95	15	10	232	352
As at 31 December 2010	91	24	13	477	605
As at 31 December 2011	87	110	13	549	759
As at 30 June 2012	86	115	13	—	214

The Company had no idle property and equipment as at the end of each of the Relevant Periods.

The carrying amounts of fully depreciated property and equipment that are still in use were RMB2 million, RMB5 million, RMB7 million and RMB8 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

The Company had no significant property and equipment to be disposed of as at the end of each of the Relevant Periods.

There was no building pledged to secure bank loans for the Company as at the end of each of the Relevant Periods.

During the restructuring and re-registration of the Company in 2009, property and equipment were revaluated based on their value as at 30 June 2008, and the Company recognised a surplus on statutory revaluation of RMB114 million. Part of the property and equipment was sold before re-registration of the Company and a disposal gain had been recognised based on the book value before revaluation. The revaluation amount of RMB64 million which had been recorded in investment income was transferred out of the retained profits. Hence, the surplus on statutory revaluation during 2009 amounted to RMB50 million.

29. INTANGIBLE ASSETS

Group	Service concession arrangements	Prepaid land premiums	Software and others	Total
		(in RMB million)		
Cost				
As at 1 January 2009	1,988	4,653	245	6,886
Additions	—	19	95	114
Transfer from construction in progress (note 28)	19	—	—	19
Transfer to investment properties (note 27)	—	(109)	—	(109)
Disposal of subsidiaries	—	(7)	—	(7)
Disposals	—	(76)	(2)	(78)
As at 31 December 2009	2,007	4,480	338	6,825
Additions	—	25	66	91
Transfer to investment properties (note 27)	—	(106)	—	(106)
Disposals	—	(46)	(7)	(53)
As at 31 December 2010	2,007	4,353	397	6,757
Additions	—	169	134	303
Transfer to investment properties (note 27)	—	(127)	—	(127)
Transfer from investment properties (note 27)	—	188	—	188
Disposals	—	(35)	(29)	(64)
Transfer to assets of a disposal group classified as held for sale (note 32)	(2,007)	—	(4)	(2,011)
As at 31 December 2011	—	4,548	498	5,046
Additions	—	101	53	154
Transfer to investment properties (note 27)	—	(14)	—	(14)
Transfer from investment properties (note 27)	—	55	—	55
Disposals	—	—	(4)	(4)
As at 30 June 2012	—	4,690	547	5,237
Accumulated amortisation				
As at 1 January 2009	26	626	132	784
Amortisation	16	110	26	152
Transfer to investment properties (note 27)	—	(21)	—	(21)
Disposal of subsidiaries	—	(1)	—	(1)
As at 31 December 2009	42	714	158	914
Amortisation	10	104	31	145
Transfer to investment properties (note 27)	—	(27)	—	(27)
Disposals	—	(5)	(2)	(7)
As at 31 December 2010	52	786	187	1,025
Amortisation	16	136	40	192
Transfer to investment properties (note 27)	—	(49)	—	(49)
Disposals	—	(17)	(10)	(27)
Transfer to assets of a disposal group classified as held for sale (note 32)	(68)	—	(1)	(69)
As at 31 December 2011	—	856	216	1,072
Amortisation	—	56	28	84
Transfer to investment properties (note 27)	—	(2)	—	(2)
Disposals	—	—	(1)	(1)
As at 30 June 2012	—	910	243	1,153

Group	Service concession arrangements	Prepaid land premiums	Software and others	Total
		(in RMB million)		
Impairment losses				
As at 1 January 2009	—	57	—	57
Provision	34	—	—	34
Disposals	—	(8)	—	(8)
As at 31 December 2009	34	49	—	83
Provision	90	—	—	90
As at 31 December 2010	124	49	—	173
Disposals	—	(8)	—	(8)
Transfer to assets of a disposal group classified as held for sale (note 32)	(124)	—	—	(124)
As at 31 December 2011	—	41	—	41
Disposals	—	—	—	—
As at 30 June 2012	—	41	—	41
Net carrying amount				
As at 31 December 2009	1,931	3,717	180	5,828
As at 31 December 2010	1,831	3,518	210	5,559
As at 31 December 2011	—	3,651	282	3,933
As at 30 June 2012	—	3,739	304	4,043

Service concession arrangements represent the operating rights of Huihang Highway which pertain to a subsidiary of the Group, which were transferred to assets of a disposal group classified as held for sale as at 31 December 2011 which had been disposed of up till 31 May 2012.

The highway operating rights were pledged to secure bank borrowings as at 31 December 2009 and 2010. Further details of the pledge are disclosed in note 32 (b).

Company	Trademark rights	Prepaid land premiums	Software and others	Total
	(in RMB million)			
Cost				
As at 1 January 2009	1	179	—	180
Additions	—	—	1	1
Deficit on revaluation	(1)	—	—	(1)
As at 31 December 2009	—	179	1	180
Additions	—	—	—	—
Disposals	—	—	—	—
As at 31 December 2010	—	179	1	180
Additions	—	—	10	10
Disposals	—	(2)	—	(2)
As at 31 December 2011	—	177	11	188
Transfer to investment properties (note 27)	—	(95)	—	(95)
As at 30 June 2012	—	82	11	93
Accumulated amortisation				
As at 1 January 2009	—	3	—	3
Amortisation	—	3	—	3
As at 31 December 2009	—	6	—	6
Amortisation	—	4	—	4
As at 31 December 2010	—	10	—	10
Amortisation	—	3	1	4
As at 31 December 2011	—	13	1	14
Amortisation	—	2	1	3
Transfer to investment properties (note 27)	—	(8)	—	(8)
As at 30 June 2012	—	7	2	9
Net carrying amount				
As at 31 December 2009	—	173	1	174
As at 31 December 2010	—	169	1	170
As at 31 December 2011	—	164	10	174
As at 30 June 2012	—	75	9	84

The Group's and the Company's prepaid land premium pertain to lands located in Mainland China and are mainly held under medium-term leases.

30. DEFERRED TAX ASSETS AND LIABILITIES

	31 December 2009	31 December 2010	31 December 2011	30 June 2012
	(in RMB million)			
Deferred tax assets	498	2,271	2,826	1,931
Deferred tax liabilities	(1,263)	(1,592)	(36)	(38)
Net	(765)	679	2,790	1,893

The movements of deferred tax assets and liabilities during 2009, 2010 and 2011, and the six months ended 30 June 2012 are as follows:

Group	As at 1 January	Disposal of subsidiaries	Credited/(charged) to the income statement during the year	Charged to equity during the year	As at 31 December
	2009				
			(in RMB million)		
Tax losses	376	—	5	—	381
Provision for impairment losses	787	—	(133)	—	654
Employee benefits payable	95	—	95	—	190
Revaluation of available-for-sale financial assets	(120)	—	—	(161)	(281)
Fair value adjustments to financial assets carried at fair value through profit or loss	(19)	—	(10)	—	(29)
Cash flow hedging	(23)	—	(1)	(3)	(27)
Fair value adjustments arising from investment properties	(276)	—	(47)	(49)	(372)
Fair value adjustments arising from business combinations	(1,132)	(2)	123	—	(1,011)
Insurance contract liabilities	(105)	—	(276)	—	(381)
Others	84	(16)	43	—	111
Net value	(333)	(18)	(201)	(213)	(765)

Group	As at 1 January	Credited/(charged) to the income statement during the year	Credited/(charged) to equity during the year	As at 31 December
	2010			
		(in RMB million)		
Tax losses	381	(304)	—	77
Provision for impairment losses	654	151	—	805
Employee benefits payable	190	462	—	652
Revaluation of available-for-sale financial assets	(281)	—	1,169	888
Fair value adjustments to financial assets carried at fair value through profit or loss	(29)	46	—	17
Cash flow hedging	(27)	12	34	19
Fair value adjustments arising from investment properties	(372)	(18)	(240)	(630)
Fair value adjustments arising from business combinations	(1,011)	29	—	(982)
Insurance contract liabilities	(381)	122	—	(259)
Others	111	(19)	—	92
Net value	(765)	481	963	679

Group	2011 As at 1 January	Disposal of subsidiaries	Credited/ (charged) to the income statement during the year	Credited/ (charged) to equity during the year	Transfer to assets/liabilities of a disposal group classified as held for sale (note 32)	As at 31 December
			(in RMB million)			
Tax losses	77	(2)	50	—	(1)	124
Provision for impairment losses	805	(6)	558	—	(105)	1,252
Employee benefits payable	652	(3)	198	—	(9)	838
Revaluation of available-for-sale financial assets	888	—	—	876	51	1,815
Fair value adjustments to financial assets carried at fair value through profit or loss	17	—	157	—	(1)	173
Cash flow hedging	19	—	5	(71)	—	(47)
Fair value adjustments arising from investment properties	(630)	—	(172)	(225)	—	(1,027)
Fair value adjustments arising from business combinations	(982)	—	37	—	945	—
Insurance contract liabilities	(259)	—	(191)	—	—	(450)
Others	92	—	31	—	(11)	112
Net value	679	(11)	673	580	869	2,790

Group	Six months ended 30 June 2012 As at 1 January	Credited/ (charged) to the income statement during the period	Credited/ (charged) to equity during the period	As at 30 June
		(in RMB million)		
Tax losses	124	(42)	—	82
Provision for impairment losses	1,252	(188)	—	1,064
Employee benefit payable	838	(90)	—	748
Revaluation of available-for-sale financial assets	1,815	—	(523)	1,292
Fair value adjustments to the financial assets through profit or loss	173	(79)	—	94
Cash flow hedging	(47)	2	10	(35)
Fair value adjustments arising from investment properties	(1,027)	(154)	(29)	(1,210)
Insurance contract liabilities	(450)	74	—	(376)
Others	112	122	—	234
Net value	2,790	(355)	(542)	1,893

Unrecognised deductible temporary differences and deductible tax losses arising from entities in the Group, which do not have sufficient future taxable profits available for realisation, amounted to RMB3,456 million, RMB5,350 million, RMB12,144 million and RMB4,987 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, of which deductible tax losses amounted to RMB2,672 million, RMB3,728 million, RMB4,109 million and RMB4,345 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

The expiry dates of unrecognised deductible tax losses are listed as follows:

	As at 31 December			As at 30 June
Group	**2009**	**2010**	**2011**	**2012**
	(in RMB million)			
Expiry dates:				
31 December 2012	137	134	44	—
31 December 2013	1,722	1,722	1,344	1,115
31 December 2014	813	813	658	658
31 December 2015	—	1,059	784	784
31 December 2016	—	—	1,279	1,279
31 December 2017	—	—	—	509
Total	2,672	3,728	4,109	4,345

31. OTHER ASSETS

	As at 31 December			As at 30 June
Group	**2009**	**2010**	**2011**	**2012**
	(in RMB million)			
Non-listed debt securities (a)	8,961	9,735	22,902	35,958
Other receivables (b)	5,390	7,051	1,262	1,426
Amount due from the MOF (c)	2,607	2,516	707	707
Interest receivables	2,492	4,260	6,567	8,362
Dividend receivables	308	327	294	353
Others	5,212	6,665	10,938	14,805
Total	24,970	30,554	42,670	61,611

	As at 31 December			As at 30 June
Company	**2009**	**2010**	**2011**	**2012**
	(in RMB million)			
Non-listed debt securities	711	60	—	—
Other receivables (d)	1,217	894	1,052	740
Amount due from the MOF (c)	2,607	2,516	707	707
Interest receivables	43	6	10	2
Dividend receivables	337	294	294	326
Others	21	20	3	2
Total	4,936	3,790	2,066	1,777

(a) **Non-listed debt securities**

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Subordinated debts held	2,441	1,220	1,220	1,220
Long-term debt investment scheme	6,520	8,515	21,682	34,738
Total	8,961	9,735	22,902	35,958

(b) **Other receivables**

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Trade and other receivables (1)	4,424	4,091	141	136
Right pursuant to an agreement (2)	588	588	588	588
Prepayments and deposits	378	1,046	533	702
Settlement accounts receivable of securities	—	1,326	—	—
Total	5,390	7,051	1,262	1,426

(1) Certain receivables from related parties and receivables from non-insurance related subsidiaries were transferred to assets of a disposal group classified as held for sale at 31 December 2011 and were disposed of on 31 May 2012. Further details are disclosed in note 49 (4).

(2) The amount was a consideration paid for a right to a 1.96% economic interest in the issued share capital of a securities company. It represents the right to receive dividends, proceeds from the disposal of the equity interests of that securities company, and the right to register as a shareholder. PICC P&C obtained the said right pursuant to an agreement dated 27 December 2006 under the restructuring scheme of another securities company, which sold its securities business and assets to this securities company. The consideration represented the government bonds originally registered under the trading seats of the securities company under the restructuring.

As at 30 June 2012, PICC P&C was still in negotiation with the shareholder of the securities company to extend the term of the agreement to register as a shareholder. PICC P&C considered there was no impairment to the consideration as the amount will be fully recovered should the said agreement not be extended. The fair value of the right to the equity in the new securities company could not be measured reliably.

(c) The balance included an amount of RMB2,607 million, RMB2,516 million, RMB707 million and RMB707 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, which are recoverable from the MOF as a result of the Group's assumption of a post-employment benefit obligation as further described in note 39.

(d) On 1 April 2012, the Company signed an agreement with China Credit Trust to transfer certain assets to a trust scheme held in the custody of China Credit Trust, which includes the receivable from No. 88 Development at the amount of RMB406 million. The Company signed a repurchase commitment letter to undertake the risks relating to the transferred assets. The Company did not derecognise the said assets in its financial statement. The said equity interests were restricted for sale as at 30 June 2012.

32. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 8 June 2011, a 54.21% equity interest in Guanglian and a 55% equity interest in Huawen Holdings held by PICC Investment Holding were placed for sale on the Beijing Financial Assets Exchange. As described in note 5 (4), on 25 April 2012, PICC Investment Holding entered into share transfer agreements with Beijing International Trust to transfer the aforesaid equity interests at a consideration of RMB2,134 million, a price higher than the carrying amount as at 31 December 2011. On 31 December 2011, the Group transferred the assets and liabilities of the respective subsidiaries, which are under the asset management segment, to assets and liabilities of a disposal group classified as held for sale. Up till 31 May 2012, the disposal group had been disposed of, as further described in note 5.

The particulars of the disposal group companies are set out below:

Name	Group's shareholding	Principal activities
Huawen Holdings	80%	Investment, economic information consulting service, etc
Guanglian	54.21%	Investment, domestic trade, economic information consulting, etc

The major classes of assets and liabilities of a disposal group classified as held for sale as at 31 December 2011 are as follows:

	31 December 2011
	(in RMB million)
Assets	
Cash and cash equivalents	174
Financial assets at fair value through profit or loss	185
Available-for-sale investments	916
Investments in associates and other equity investments	6,381
Property and equipment (note 28)	148
Intangible assets (note 29)	1,818
Deferred tax assets (note 30)	76
Other assets	4,911
Total assets	14,609
Liabilities	
Short-term/long-term borrowings	3,430
Deferred tax liabilities (note 30)	945
Other liabilities	4,447
Total liabilities	8,822
Net assets	5,787

(a) All transactions and balances between the Group and the disposal group classified as held for sale mentioned above have been eliminated.

(b) **Restricted assets related to the disposal group classified as held for sale**

As at 31 December 2009, 2010 and 2011, the restriction on part of the assets of the disposal group classified as held for sale were as follows:

		Book value as at 31 December		
Restricted assets	Type of restriction	2009	2010	2011
Intangible assets	Pledge	1,931	1,831	1,815
Investments in associates	Pledge and judiciary freezing	2,038	1,787	1,708

The above assets were restricted to secure loans from banks. The book values of the related loans were RMB2,365 million, RMB2,540 and RMB 2,430 million as at 31 December 2009, 2010 and 2011, respectively.

(c) There were certain contingencies and guarantees as at 31 December 2009, 2010 and 2011 related to certain companies which had been transferred to a disposal group classified as held for sale as at 31 December 2011. The Group had completed the disposal by 31 May 2012, and no longer have any responsibilities to liabilities directly associated with the disposal group. Therefore the Group is of the opinion that those contingencies and guarantees did not have any impact on the Group from the disposal date.

33. PLEDGED ASSETS AND RESTRICTED DEPOSITS

(1) Cash at banks and deposits with restricted rights or ownership

The restrictions on the Group's cash at banks and term deposits with original maturity of more than 3 months are as follows: the cash at banks amounting to RMB350 million, RMB404 million, RMB152 million and RMB10 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, were separately deposited in a special account which are required and monitored by the local Finance Bureaus; the term deposits amounting to RMB526 million and RMB679 million as at 31 December 2011 and 30 June 2012 were used only for catastrophe claim. The said term deposits were deposited as current deposits as at 31 December 2009 and 2010. Securities guarantee deposits amounted to RMB14 million, RMB25 million and RMB2 million as at 31 December 2009, 2010 and 2011, respectively, and had been derecognised by 31 May 2012 along with the disposal of the disposed group as mentioned in note 32.

There were restrictions on the deposits of satellite insurance fund, of which the current accounts amounted to RMB17 million, RMB17 million, RMB0.05 million and RMB0.05 million and the related term deposits amounted to RMB98 million, RMB97 million, RMB112 million and RMB114 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. As set out in note 3 (31), the satellite insurance fund must be deposited in a special account or be used only for the purchase of government bonds.

(2) Pledged real estate property of No. 88 Development Company

No. 88 Development Company pledged its property located on No. 88 Xichang'an Street with carrying amounts of RMB3,598 million and RMB3,544 million as at 31 December 2011 and 30 June 2012 to China Construction Bank for a loan of RMB264 million and RMB301 million as at 31 December 2011 and 30 June 2012, respectively.

(3) Pledged real estate property of Zhongsheng International

Zhongsheng International, a subsidiary of the Group, borrowed a loan of RMB20 million from China Zheshang Bank on 2 December 2011. The loan was pledged by Zhongsheng International's real estate property (net book value of RMB16 million as at 31 December 2011 and 30 June 2012). The original term of the loan is 6 months from 6 December 2011 to 5 June 2012, and is extended to 12 December 2012.

34. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	As at 31 December			As at 30 June
Group	**2009**	**2010**	**2011**	**2012**
	(in RMB million)			
Securities - bonds				
Stock exchange	—	3,960	8,518	8,119
Inter-bank market	11,360	25,753	45,562	58,731
Total	11,360	29,713	54,080	66,850

35. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Group	As at 31 December 2009	2010	2011	As at 30 June 2012
	(in RMB million)			
Short-term borrowings	485	2,760	20	20
Long-term borrowings				
- Due within 1 to 2 years	220	836	—	—
- Due within 2 to 5 years	890	150	—	—
- Due more than 5 years	985	215	264	301
Total	2,580	3,961	284	321

Maturity profile of the bank borrowings is disclosed in note 46 (b) (2).

The loans due to banks and other financial institutions amounting to RMB3,430 million were transferred to liabilities of a disposal group classified as held for sale as at 31 December 2011 which had been disposed of up till 31 May 2012.

Details of the assets pledged for bank borrowings are disclosed in note 33.

36. SUBORDINATED DEBTS

Group	Year ended 31 December 2009	2010	2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	13,058	20,755	29,474	34,670
Additions	7,673	8,480	4,983	—
Amortisation	24	239	213	91
End of year/period	20,755	29,474	34,670	34,761

Company	Year ended 31 December 2009	2010	2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	7,808	9,708	9,708	9,708
Additions	1,900	—	—	—
End of year/period	9,708	9,708	9,708	9,708

Details of the Group's subordinated debts as at 30 June 2012 are as follows:

Issuer	Issue date	Term	Interest rate	Principal
				RMB million
The Company	2-Apr-2008	10 years	Year 1-5: 6.05%; year 6-10: 8.85%	7,808
The Company	9-Jan-2009	10 years	Year 1-5: 3.99%; year 6-10: 6.99%	1,900
PICC P&C	19-Dec-2006	10 years	Year 1-5: 4.08%; year 6-10: 6.08%	3,000
PICC P&C	28-Sep-2009	10 years	Year 1-5: 4.30%; year 6-10: 6.30%	5,000
PICC P&C	30-Jun-2010	10 years	Year 1-5: 4.60%; year 6-10: 6.60%	6,000
PICC P&C	3-Jun-2011	10 years	Year 1-5: 5.38%; year 6-10: 7.38%	5,000
PICC Life	23-Sep-2008	10 years	Year 1-5: 5.66%; year 6-10: 7.66%	2,250
PICC Life	19-Sep-2010	10 years	Year 1-5: 4.60%; year 6-10: 6.60%	2,500
PICC Health	20-Aug-2009	10 years	Year 1-5: 4.38%; year 6-10: 6.88%	800
Total				34,258

With the consent of the CIRC and proper notice to the counterparties, the Group has an option to redeem the subordinated debts at the end of the fifth year from the date of issue.

37. INSURANCE CONTRACT LIABILITIES

Group	31 December 2009 Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
Long-term life insurance contracts (a)	62,896	6	62,890
Short-term life insurance contracts (b)			
- Claim reserves	705	55	650
- Unearned premium reserves	548	48	500
Non-life insurance contracts (c)			
- Claim reserves	48,086	9,927	38,159
- Unearned premium reserves	44,908	4,651	40,257
Total insurance contract liabilities	157,143	14,687	142,456

Group	31 December 2010 Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
Long-term life insurance contracts (a)	128,819	10	128,809
Short-term life insurance contracts (b)			
- Claim reserves	1,206	406	800
- Unearned premium reserves	909	161	748
Non-life insurance contracts (c)			
- Claim reserves	62,939	9,258	53,681
- Unearned premium reserves	60,222	6,009	54,213
Total insurance contract liabilities	254,095	15,844	238,251

Group	31 December 2011 Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
Long-term life insurance contracts (a)	177,089	26	177,063
Short-term life insurance contracts (b)			
- Claim reserves	2,163	934	1,229
- Unearned premium reserves	1,121	188	933
Non-life insurance contracts (c)			
- Claim reserves	76,286	11,980	64,306
- Unearned premium reserves	69,622	12,095	57,527
Total insurance contract liabilities	326,281	25,223	301,058

Group	30 June 2012 Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
Long-term life insurance contracts (a)	212,853	40	212,813
Short-term life insurance contracts (b)			
- Claim reserve	2,116	826	1,290
- Unearned premium reserves	2,546	765	1,781
Non-life insurance contracts (c)			
- Claim reserve	83,661	15,352	68,309
- Unearned premium reserves	80,567	10,085	70,482
Total insurance contract liabilities	381,743	27,068	354,675

(a) **Long-term life insurance contracts**

Group	Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
At 1 January 2009	19,037	3	19,034
Additions	44,829	8	44,821
Payments	(312)	(5)	(307)
Surrenders	(658)	—	(658)
At 31 December 2009	62,896	6	62,890
Additions	69,915	12	69,903
Payments	(1,715)	(8)	(1,707)
Surrenders	(2,277)	—	(2,277)
At 31 December 2010	128,819	10	128,809
Additions	67,839	28	67,811
Payments	(12,467)	(12)	(12,455)
Surrenders	(7,102)	—	(7,102)
At 31 December 2011	177,089	26	177,063
Additions	42,587	19	42,568
Payments	(701)	(5)	(696)
Surrenders	(6,122)	—	(6,122)
At 30 June 2012	212,853	40	212,813

(b) **Short-term life insurance contracts**

(1) ***Claim reserve***

Group	Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
At 1 January 2009	474	31	443
Claims incurred	1,610	164	1,446
Claims paid	(1,379)	(140)	(1,239)
At 31 December 2009	705	55	650
Claims incurred	2,500	909	1,591
Claims paid	(1,999)	(558)	(1,441)
At 31 December 2010	1,206	406	800
Claims incurred	3,751	1,512	2,239
Claims paid	(2,794)	(984)	(1,810)
At 31 December 2011	2,163	934	1,229
Claims incurred	2,154	844	1,310
Claims paid	(2,201)	(952)	(1,249)
At 30 June 2012	2,116	826	1,290

(2) ***Unearned premiums reserves***

Group	Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
At 1 January 2009	272	21	251
Premiums written	2,461	197	2,264
Premiums earned	(2,185)	(170)	(2,015)
At 31 December 2009	548	48	500
Premiums written	3,833	1,187	2,646
Premiums earned	(3,472)	(1,074)	(2,398)
At 31 December 2010	909	161	748
Premiums written	5,462	1,870	3,592
Premiums earned	(5,250)	(1,843)	(3,407)
At 31 December 2011	1,121	188	933
Premiums written	4,520	1,616	2,904
Premiums earned	(3,095)	(1,039)	(2,056)
At 30 June 2012	2,546	765	1,781

(c) **Non-life insurance contracts**

(1) ***Claim reserve***

Group	Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
At 1 January 2009	40,572	8,389	32,183
Claims incurred	79,418	14,876	64,542
Claims paid	(71,904)	(13,338)	(58,566)
At 31 December 2009	48,086	9,927	38,159
Claims incurred	91,367	8,232	83,135
Claims paid	(76,514)	(8,901)	(67,613)
At 31 December 2010	62,939	9,258	53,681
Claims incurred	101,984	14,141	87,843
Claims paid	(88,637)	(11,419)	(77,218)
At 31 December 2011	76,286	11,980	64,306
Claims incurred	54,808	9,445	45,363
Claims paid	(47,433)	(6,073)	(41,360)
At 30 June 2012	83,661	15,352	68,309

(2) ***Unearned premium reserves***

Group	Insurance contract liabilities	Reinsurers' share	Net
		(in RMB million)	
At 1 January 2009	39,429	9,225	30,204
Premiums written	119,920	16,484	103,436
Premiums earned	(114,441)	(21,058)	(93,383)
At 31 December 2009	44,908	4,651	40,257
Premiums written	154,449	16,948	137,501
Premiums earned	(139,135)	(15,590)	(123,545)
At 31 December 2010	60,222	6,009	54,213
Premiums written	174,089	37,219	136,870
Premiums earned	(164,689)	(31,133)	(133,556)
At 31 December 2011	69,622	12,095	57,527
Premiums written	101,255	14,470	86,785
Premiums earned	(90,310)	(16,480)	(73,830)
At 30 June 2012	80,567	10,085	70,482

38. **INVESTMENT CONTRACT LIABILITIES FOR POLICYHOLDERS**

	As at 31 December			As at 30 June
Group	2009	2010	2011	2012
		(in RMB million)		
Interest-bearing deposits	29,345	39,220	47,184	46,057
Non-interest-bearing deposits	2,318	2,033	1,972	1,956
Total	31,663	41,253	49,156	48,013

The movements of investment contract liabilities for policyholders are as follows:

Group	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	34,464	31,663	41,253	49,156
Deposits received after deducting fees	9,991	18,650	20,570	10,339
Deposits withdrawn	(13,838)	(10,318)	(14,427)	(12,524)
Interest credited	1,046	1,258	1,760	1,042
End of year/period	31,663	41,253	49,156	48,013

39. **PENSION BENEFIT OBLIGATION**

(a) The movements in the present value of early retirement and retirement benefits are shown as below:

Group and Company	Year ended 31 December . 2009	Year ended 31 December . 2010	Year ended 31 December . 2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	3,951	3,187	3,086	3,056
Interest cost on benefit obligations	119	120	119	51
Actuarial losses/(gains) (note 17)	(599)	47	118	214
Benefits paid	(284)	(268)	(267)	(126)
End of year/period	3,187	3,086	3,056	3,195

(b) The discount rates and the principal actuarial assumptions for the above obligations are as below:

Group and Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Discount rates:				
Early retirement benefits	4.00%	4.00%	2.90%	2.50%
Retirement benefits	3.80%	3.90%	3.50%	3.40%
Supplementary medical benefits	4.10%	4.20%	3.90%	3.45%
Average annual benefit increase:				
Early retirement benefits	8.62%	8.62%	2.50%	2.50%
Medical expenses	8.00%	8.00%	8.00%	8.00%

In order to reimburse the Company for this pension benefit obligation, a receivable of RMB2,847 million was recognised on the restructuring and reorganisation of the Company, as described in notes 31 (c) and 42 (b) (4) to the Financial Information.

40. OTHER LIABILITIES

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Claims payable	3,203	3,864	2,910	1,873
Premium received in advance	9,332	7,406	8,422	5,128
Salaries and welfare payable	3,029	4,946	5,828	5,316
Handling charges and commission payable	1,166	2,097	2,890	3,584
Due to reinsurers	16,666	10,387	27,707	25,234
Insurance guarantee fund	466	669	590	602
Interest payable (a)	765	907	901	685
Other payables (b)	7,109	7,260	3,490	5,272
Provision for contingent liabilities (c)	84	34	37	37
Others	2,042	3,349	4,412	5,889
Total	43,862	40,919	57,187	53,620

Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Salaries and welfare payable	145	170	145	100
Interests payable	420	420	420	146
Other payables (d)	289	306	505	1,736
Provision for contingent liabilities	33	32	33	32
Others	116	117	123	120
Total	1,003	1,045	1,226	2,134

(a) Interest payable

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Subordinated debts	466	716	880	666
Securities sold under agreements to repurchase	27	17	21	19
Others	272	174	—	—
Total	765	907	901	685

(b) **Other payables**

Group	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
	(in RMB million)			
Payables to related parties (i)	3,163	3,492	10	20
Payables to non-insurance related subsidiaries	922	941	140	129
Coinsurance premium payables	834	597	736	897
Surrender payables	18	297	345	461
Others	2,172	1,933	2,259	3,765
Total	7,109	7,260	3,490	5,272

(i) Certain payables to related parties and payables to non-insurance related subsidiaries were transferred to Liabilities directly associated with assets classified as held for sale at 31 December 2011 which had been disposed of up till 31 May 2012.

(c) The Group made provisions for certain guarantees and litigations and adjusted the amount of provisions according to the development of litigations during the Relevant Periods.

The movements of the provision for contingent liabilities during the Relevant Periods are set out below:

Group	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011	Six months ended 30 June 2012
	(in RMB million)			
Beginning of year/period	105	84	34	37
Additions	67	2	5	—
Release	(88)	(52)	(2)	—
End of year/period	84	34	37	37

(d) The other payables of the Company mainly contain the pension benefit pre-paid by subsidiaries and other amounts pre-paid by subsidiaries.

41. SHARE CAPITAL

Group and Company	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011	As at 30 June 2012
Issued and fully paid ordinary shares of RMB1 each (in million)	30,600	30,600	34,491	34,491
Share capital (in RMB million)	30,600	30,600	34,491	34,491

As described in note 1, the Company was converted into a joint stock company in 2009 and as part of the conversion, the registered capital was converted into 30,600 million shares of a par value of RMB1 each to its original shareholder, the MOF. Upon conversion, RMB15,100 million of the former entity's reserves was capitalised by way of equity transfer including the transfer of capital reserve of RMB18,330 million to share capital and the elimination of accumulated losses of RMB3,230 million. Further details of the transfer of capital reserve are disclosed in note 42 (b) (3) and note 42 (b) (4).

In the General Meeting on 14 June 2011, it was resolved that the SSF subscribed shares of the Company at a consideration of RMB10 billion, representing 3,891 million shares at the subscription price of RMB2.57 each. The consideration received net of related expense of RMB5 million was recorded in share capital and share premium amount. The amount of RMB10 billion was received in full by the Company from the SSF as at 17 June 2011. After the capital injection, the share capital of the Company amounted to RMB34,491 million.

42. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages 6 to 7 of the Financial Information.

(a) **General risk reserve**

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

(b) **Principal items of other reserves were summarised as follows:**

	As at 31 December			As at 30 June
Group	**2009**	**2010**	**2011**	**2012**
	(in RMB million)			
Deemed disposal gain (1)	683	683	683	683
Effect of acquisition of non-controlling interests (2)	(323)	(323)	(399)	(397)
Transfer to share capital (3)	(17,942)	(17,942)	(17,942)	(17,942)
Compensation for post-employment benefit obligation (4) (note 39)	2,847	2,847	2,847	2,847
Others	352	752	1,393	1,435
Total	(14,383)	(13,983)	(13,418)	(13,374)

(1) The amount is derived from the dilution in interest of PICC P&C upon its public listing in 2003.

(2) The effect of acquisition of non-controlling interests includes a direct acquisition of non-controlling interests amounting to RMB118 million, RMB118 million, RMB70 million and RMB68 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively, and the capital injection without proportionate contribution from non-controlling shareholders of RMB205 million, RMB205 million, RMB329 million and RMB329 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

The direct acquisition of non-controlling interests includes the increase of equity holding in PICC Health through acquiring the control over Huawen Holdings in 2008, and the increase of 25% equity holding in Huawen Holdings through an equity transfer agreement signed between PICC Investment Holding and People's Daily in 2011. The difference between the equity interests acquired and the identifiable net assets as of the subsidiaries' acquisition date measured by the increased share ratio was adjusted to the other capital reserve.

In 2008, 2009 and 2011, the Company injected capital into PICC Health without proportionate contribution from non-controlling shareholders. The difference between the equity interests acquired and the identifiable net assets as of the subsidiaries' acquisition date of PICC Health measured by the increased share ratio since the acquisition date was adjusted to the other capital reserve.

(3) As at 30 June 2009, the Company obtained the MOF's approval and conducted the capital structure adjustment based on the assets appraisal as at 30 June 2008, which was provided by China Enterprise Appraisals Co., Ltd.. As the result of the capital structure adjustment, the amount of RMB17,942 million was transferred from other reserves to share capital.

(4) In 2009, the Company recognised an amount recoverable from the MOF of RMB2,847 million as compensation for the Group's assumption of post-employment benefit obligation, which was estimated using actuarial methods. The amount recoverable was recognised as a capital contribution from the MOF and was credited to other reserves.

(c) **The movements in reserves and retained profits/(accumulated losses) of the Company are set out below:**

Company	Available-for-sale investment revaluation reserve	Share premium account	Surplus reserve fund	Other reserves	Retained profits/ accumulated losses	Total
			(in RMB million)			
At 1 January 2009	(30)	—	—	548	(2,290)	(1,772)
Total comprehensive income for the year	106	—	—	9	323	438
Compensation for post-employment benefit obligation	—	—	—	2,847	—	2,847
Revaluation surplus on restructuring	—	—	—	26,766	(64)	26,702
Transfer from reserves to share capital	—	—	—	(18,330)	3,230	(15,100)
At 31 December 2009	76	—	—	11,840	1,199	13,115
Total comprehensive income for the year	(48)	—	—	(4)	(643)	(695)
At 31 December 2010	28	—	—	11,836	556	12,420
Total comprehensive income for the year	(16)	—	—	(22)	1,245	1,207
Transfer from retained profits	—	—	136	—	(136)	—
Issue of shares	—	6,104	—	—	—	6,104
At 31 December 2011	12	6,104	136	11,814	1,665	19,731
Total comprehensive income for the period	13	—	—	6	(39)	(20)
At 30 June 2012	25	6,104	136	11,820	1,626	19,711

43. PROFIT APPROPRIATION

The amounts of the Group's reserves and the movements therein for the current and prior years/periods are presented in the consolidated statement of changes in equity of the financial statements.

44. MAJOR NON-CASH INVESTING TRANSACTIONS

In 2009, the Group swapped its equity interest in an unlisted securities company for Huatai Securities with a fair value of RMB622 million. In addition, the Group disposed of its interest in an associate under a court order to offset the balances due to the major shareholder of the associate at an amount of RMB485 million.

Both of the transactions had no impact on cash flows in 2009.

The Group had no other major non-cash investing and financing transactions in 2010 and 2011 and six months ended 30 June 2011 and 2012.

45. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

(b) Capital management approach

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity shareholders' funds and borrowings. The Group also utilises, where efficient to do so, sources of capital such as reinsurance and in addition to more traditional sources of funding.

The Group has had no significant changes in its policies and processes to its capital structure during the Relevant Periods.

The solvency ratios of the Group and its principal subsidiaries are listed below:

	31 December 2009			31 December 2010			31 December 2011			30 June 2012		
	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio	Regulatory capital held	Minimum regulatory capital	Solvency margin ratio
	(in RMB million)											
The Group	28,173	20,249	139%	36,249	29,074	125%	50,019	30,313	165%	52,689	33,807	156%
PICC P&C	17,469	15,690	111%	23,628	20,619	115%	37,768	20,523	184%	41,553	22,579	184%
PICC Life	6,264	3,457	181%	8,870	7,148	124%	11,497	8,678	132%	13,628	10,034	136%
PICC Health	2,294	1,087	211%	1,442	1,255	115%	1,075	1,003	107%	1,171	1,155	101%

Solvency ratio, which is calculated based on relevant regulations promulgated by the CIRC, is an indicator of the overall solvency position of insurance companies.

(c) **Regulatory framework**

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

46. RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) **Insurance risk**

(1) ***Insurance risk types***

The risk under an insurance contract is the possibility of occurrence of insured events and uncertainty of the amount and timing of the resulting claims. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur due to any of the following factors:

Occurrence risk — the possibility that the number of insured events will differ from that expected.

Severity risk — the possibility that the costs of the events will differ from those expected.

Development risk — the possibility that changes may occur in the amount of a policyholder's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The Group has also ceded its insurance business to reinsurers at a certain proportion, and has set up different retained rates for all products. According to the reinsurance contracts, reinsurers' share of claim reserves shall be provided based on the methods used to provide for gross insurance liabilities. Although the Group has reinsurance arrangements, its direct obligations to its policyholders are not relieved and thus a credit exposure exists with respect to outward reinsurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group has diversified the reinsurance business to several reinsurers to avoid relying on a single reinsurer, and the operation of the Company does not rely on any single reinsurance contract.

The business of the Group includes life insurance contracts and non-life insurance contracts. For accident insurance contracts, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. For long-term life contracts, the most significant factors are continued improvement in medical science and social conditions that would increase longevity. These risks currently do not vary significantly in relation to the location of the risk insured by the Group whilst undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

There would be no significant mitigating terms and conditions that reduce the insured risk accepted for contracts with fixed and guaranteed benefits and fixed future premiums. However, for contracts with discretionary participation features, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the insured parties.

Insurance risk is also affected by the policyholders' rights to terminate the contracts, to pay reduced premiums, refuse to pay premiums or to avail annuity conversion rights. Therefore, the resultant insurance risk is subject to policyholders' behaviour and decisions.

For non-life insurance contracts, claims are often affected by many factors such as climate changes, natural disasters, calamities, and terrorist activities. Claims of certain provinces in the PRC are often affected by natural disasters including flooding, earthquakes and typhoons. Therefore, an undue concentration of risk units in these areas may have an impact on the severity of claim payments on a portfolio basis. The Group has achieved geographical diversification by accepting risks in different provinces of the PRC (including Hong Kong).

(2) **Insurance risk concentration**

The Group's concentration of insurance risk before and after reinsurance, measured by geographical turnover and net written premiums of non-life insurance, is as follows:

	Year ended 31 December						Six months ended 30 June	
	2009		2010		2011		2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
	(in RMB million)							
Coastal and developed provinces/cities (including Hong Kong)	54,533	46,353	67,573	59,694	75,515	58,411	43,085	36,341
North-eastern China	9,237	7,709	12,188	10,832	12,823	10,105	7,715	6,469
North China	17,394	15,508	25,227	23,071	27,895	22,605	15,751	13,833
Central China	13,647	11,891	17,878	15,901	20,508	16,172	12,569	10,885
Western China	25,109	21,975	31,583	28,003	37,348	29,577	22,135	19,257
Total premium written from property insurance contracts	119,920	103,436	154,449	137,501	174,089	136,870	101,255	86,785

The geographical distribution of the sales of the Group's life or health products does not have significant impact on the insurance risk.

(3) ***Reinsurance***

The Group limits its exposure to losses from insurance operations mainly through participation in reinsurance arrangements. The majority of the business ceded is placed on the quota share basis and the surplus basis with retention limits varying by product lines. Certain reinsurance arrangements contain profit commission policy, float commission policy and loss participating limitation policy. Meanwhile, catastrophic reinsurance is used to limit the Group's exposure to certain severe disasters.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

(4) ***Key assumptions and sensitivity analysis***

Long-term life insurance contracts

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reasons for the asymmetry of sensitivities. The impacts to future dividend distributions to policyholders are considered in determining the impact of changes in individual assumptions.

The Group has adopted the below assumptions ranges in the analysis of hypothetical changes. The adoption of these assumptions is determined by reference to the historical experience data since the commencement of business of PICC Life and PICC Health, product mix and current operating conditions. The analysis on the Group's life and health insurance was conducted by mainly adopting the CIRC requirements for gross premium provision sensitivity test and follows risk management analysis framework in relation to life and health insurance businesses. And considering the different features of product mix in life insurance and health insurance, the Group has adopted various ranges of changes in assumptions for sensitivity analysis.

Long-term life and long-term health insurance contracts held by PICC Life:

	Change in assumptions	Impact on profit before tax and equity			
		Year ended 31 December			Six months ended 30 June
		2009	2010	2011	2012
		(in RMB million)			
Discount rate	+50bp	55	291	848	1,201
Discount rate	-50bp	(89)	(350)	(921)	(1,273)
Mortality/morbidity	+10%	(25)	(58)	(64)	(69)
Mortality/morbidity	-10%	25	70	59	73
Lapse and surrenders rate	+25%	55	233	108	171
Lapse and surrenders rate	-25%	(55)	(256)	(128)	(184)
Expenses	110%	(15)	(47)	(114)	(81)
Expenses	90%	15	47	114	81

Long-term life and long-term health insurance contracts held by PICC Health:

	Change in assumptions	Impact on profit before tax and equity			
		Year ended 31 December			Six months ended 30 June
		2009	2010	2011	2012
		(in RMB million)			
Discount rate	+25bp	41	11	5	9
Discount rate	-25bp	(41)	(11)	(5)	(9)
Mortality/morbidity	+10%	(1)	(1)	(2)	(3)
Mortality/morbidity	-10%	1	1	2	2
Lapse and surrenders rate	+10%	1	—	(1)	(1)
Lapse and surrenders rate	-10%	(1)	—	—	1
Expenses	110%	—	1	1	1
Expenses	90%	—	(1)	(1)	(1)

The above analysis does not take into account the mitigation effect from asset-liability management and possible actions taken by management in view of these changes. Any change in discount rate is assumed to be a parallel shift in yield curve.

The Group did not disclose the claims development for life insurance contracts as the uncertainty about the amount and timing of claims payments is typically resolved within one year.

Non-life insurance and short-term life insurance contracts

Key assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

The range of reasonable estimates of loss and loss adjustment expense reserves, projected using different statistical techniques and various key assumptions, represents different views on the timing of settlements, changes in premium rates and the underwriting controls over ultimate losses.

The sensitivity of certain variables like legislative change, uncertainty in the estimation process, is not possible to quantify with any degree of confidence. Furthermore, because of the time lag between the occurrence of a claim and its subsequent notification and eventual settlement, the loss and loss adjustment reserves are not quantifiable with certainty at the end of each of the Relevant Periods.

If the average cost per claim or the number of claims changes, the loss and loss adjustment expenses reserves will change proportionately. When the other assumptions remain unchanged, if the future average cost per claim increases by 5%, the claim reserves of the Group will increase by approximately RMB1,940 million, RMB2,724 million, RMB3,277 million and RMB3,480 million as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively.

The following analysis shows the development of claims over a period of time on a gross basis:

	Accident year - gross					
	Year ended 31 December					
	2007	2008	2009	2010	2011	Total
	(in RMB million)					
Estimated cumulative claims:						
At the end of current year	—	—	74,445	87,281	99,482	
One year later	—	74,092	74,794	85,875	—	
Two years later	52,384	73,715	74,281	—	—	
Three years later	51,911	73,854	—	—	—	
Four years later	52,124	—	—	—	—	
Estimated cumulative claims	52,124	73,854	74,281	85,875	99,482	385,616
Cumulative claims paid	51,222	71,838	69,567	68,264	51,944	312,835
Sub-total as at 31 December 2011						72,781
Liability in respect of prior years and unallocated loss adjustment expenses						3,505
Claims development and estimated incurred claims for six months ended 30 June 2012						7,375
Unpaid claim expenses for PICC Life, gross						378
Unpaid claim expenses for PICC Health, gross						1,738
Unpaid claim expenses, gross						85,777

The following analysis shows the development of claims over a period of time on a net basis:

	Accident year - net					
	Year ended 31 December					
	2007	2008	2009	2010	2011	Total
	(in RMB million)					
Estimated cumulative claims:						
At the end of current year	—	—	59,204	78,467	84,688	
One year later	—	59,480	59,306	77,431	—	
Two years later	45,178	59,140	59,659	—	—	
Three years later	44,819	59,079	—	—	—	
Four years later	44,967	—	—	—	—	
Estimated cumulative claims	44,967	59,079	59,659	77,431	84,688	325,824
Cumulative claims paid	44,244	57,532	56,434	61,918	44,493	264,621
Sub-total as at 31 December 2011						61,203
Liability in respect of prior years and unallocated loss adjustment expenses						3,103
Claims development and estimated incurred claims for six months ended 30 June 2012						4,003
Unpaid claim expenses for PICC Life, net						378
Unpaid claim expenses for PICC Health, net						912
Unpaid claim expenses, net						69,599

The ultimate liabilities will vary as a result of subsequent developments. Differences resulting from the re-assessment of the ultimate liabilities are recognised in subsequent years.

(b) **Financial risks**

(1) ***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The Group is exposed to credit risks primarily associated with its deposit arrangements with commercial banks, loans and advances to customers, investments in bonds, and insurance receivables and reinsurance arrangements with reinsurers. Majority of the Group's financial assets are bond investments which include government bonds, financial bonds, corporate bonds with high credit ratings and term deposits in state-owned commercial banks. Therefore, the Group is exposed to relatively low credit risks for these financial assets.

The Group's credit risk associated with insurance receivables mainly arises from non-life insurance business for which the Group only issues insurance policies on credit to corporate customers or to individuals who purchase certain policies through insurance intermediaries. A policyholder usually has a maximum credit period of three months but a longer period can be granted on a discretionary basis. For large corporate customers and certain multi-year policies, payments by installments are usually arranged. One of the major performance indicators is the ability to collect premiums receivable on a timely basis.

Reinsurance of the Group is mainly placed with reinsurers with Standard & Poor's ratings of A- (or ratings of an equal level given by other international rating institutions such as A.M. Best, Fitch, Moody's) or above except for state-owned reinsurance companies. Management performs regular assessment of creditworthiness of reinsurers to update reinsurance purchase strategies and ascertain suitable allowances for impairment of reinsurance assets.

The Group analyses the industry, enterprise management, financial factors, prospects for development and so on in both quantitative analysis and qualitative analysis. The Group mitigates credit risk by using a variety of methods including utilising credit control models, undertaking credit analysis on potential investments, imposing aggregate counterparty exposure limits, and increasing the diversification of fixed income investment portfolios.

The principal reinsurers of the Group are mainly state-owned reinsurance companies or other reinsurance companies with credit rating of A or above assessed by A.M. Best.

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through any collateral arrangement or other credit enhancements.

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Cash and cash equivalents	36,083	40,491	55,332	69,880
Derivative financial assets	105	46	184	137
Debt securities	130,167	206,953	213,996	208,273
Term deposits	14,253	44,262	94,716	118,291
Restricted statutory deposits	3,912	4,589	7,635	7,922
Insurance receivables	17,466	10,320	23,437	34,653
Other financial assets	22,630	27,090	40,172	59,365
Total	224,616	333,751	435,472	498,521
Guarantees	1,260	1,240	—	—
Total credit risk exposure	225,876	334,991	435,472	498,521

Ageing analysis of financial assets

	As at 31 December 2009						
		Past-due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
	(in RMB million)						
Cash and cash equivalents	36,083	—	—	—	—	—	36,083
Derivative financial assets	105	—	—	—	—	—	105
Debt securities	130,167	—	—	—	—	—	130,167
Term deposits	14,253	—	—	—	—	—	14,253
Restricted statutory deposits	3,912	—	—	—	—	—	3,912
Insurance receivables	9,063	665	1,227	5,089	6,981	3,559	19,603
Other financial assets	20,942	—	—	1,494	1,494	2,728	25,164
Total	214,525	665	1,227	6,583	8,475	6,287	229,287
Less: impairment losses	—	—	—	—	—	(4,671)	(4,671)
Net	214,525	665	1,227	6,583	8,475	1,616	224,616

	As at 31 December 2010						
		Past-due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
	(in RMB million)						
Cash and cash equivalents	40,491	—	—	—	—	—	40,491
Derivative financial assets	46	—	—	—	—	—	46
Debt securities	206,953	—	—	—	—	—	206,953
Term deposits	44,262	—	—	—	—	—	44,262
Restricted statutory deposits	4,589	—	—	—	—	—	4,589
Insurance receivables	6,611	641	1,238	560	2,439	3,447	12,497
Other financial assets	25,529	—	—	1,300	1,300	2,737	29,566
Total	328,481	641	1,238	1,860	3,739	6,184	338,404
Less: impairment losses	—	—	—	—	—	(4,653)	(4,653)
Net	328,481	641	1,238	1,860	3,739	1,531	333,751

Note: Equity securities are not included in the above ageing analysis.

	As at 31 December 2011						
		Past-due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
	(in RMB million)						
Cash and cash equivalents	55,332	—	—	—	—	—	55,332
Derivative financial assets	184	—	—	—	—	—	184
Debt securities	213,996	—	—	—	—	—	213,996
Term deposits	94,716	—	—	—	—	—	94,716
Restricted statutory deposits	7,635	—	—	—	—	—	7,635
Insurance receivables	14,453	1,421	4,596	1,949	7,966	3,471	25,890
Other financial assets	37,610	—	5	1,401	1,406	2,345	41,361
Total	423,926	1,421	4,601	3,350	9,372	5,816	439,114
Less: impairment losses	(5)	—	—	—	—	(3,637)	(3,642)
Net	423,921	1,421	4,601	3,350	9,372	2,179	435,472

	As at 30 June 2012						
		Past-due but not impaired financial assets					
	Not past due	Within 30 days	31 to 90 days	Over 90 days	Subtotal	Past due and impaired	Total
	(in RMB million)						
Cash and cash equivalents	69,880	—	—	—	—	—	69,880
Derivative financial assets	137	—	—	—	—	—	137
Debt securities	208,273	—	—	—	—	—	208,273
Term deposits	118,291	—	—	—	—	—	118,291
Restricted statutory deposits	7,922	—	—	—	—	—	7,922
Insurance receivables	16,115	1,303	5,219	4,954	11,476	9,857	37,448
Other financial assets	59,066	111	32	152	295	1,322	60,683
Total	479,684	1,414	5,251	5,106	11,771	11,179	502,634
Less: impairment losses	(2)	—	—	—	—	(4,111)	(4,113)
Net	479,682	1,414	5,251	5,106	11,771	7,068	498,521

Note: Equity securities are not included in the above ageing analysis.

(2) ***Liquidity risk***

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due.

The Group is exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. The Group manages liquidity risk by matching to the extent possible the duration of its investment assets with the duration of its insurance policies and to ensure that the Group is able to meet its payment obligations and fund its lending and investment operations on a timely basis.

The Group held demand and term deposits with original maturity of no more than three months accounting for 11.77%, 8.91%, 9% and 10.69% of total assets as at 31 December 2009, 2010 and 2011 and 30 June 2012, respectively. The management closely monitored the increase of the non-current assets.

It is unusual for an enterprise primarily transacting insurance business to predict the requirements of funding with absolute certainty, as the theory of probability is applied on insurance contracts to ascertain the likely provision and the period when such liabilities will require settlement. The amounts and maturity periods of these insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

The table below summarises the remaining contractual maturity profile of the financial assets and liabilities of the Group based on undiscounted contractual cash flows.

	As at 31 December 2009						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
	(in RMB million)						
Cash and cash equivalents	29,428	6,696	—	—	—	—	36,124
Derivative financial assets	—	12	30	75	—	—	117
Debt securities	—	4,792	11,884	67,823	81,403	—	165,902
Equity securities	—	—	—	—	—	33,292	33,292
Term deposits	47	4,831	3,402	5,350	2,179	—	15,809
Restricted statutory deposits	—	302	2,010	1,860	—	—	4,172
Insurance receivables	8,487	7,699	1,028	240	12	—	17,466
Other financial assets	8,324	1,332	6,567	938	6,237	—	23,398
Total assets	46,286	25,664	24,921	76,286	89,831	33,292	296,280
Due to banks and other financial institutions	—	30	640	992	1,316	—	2,978
Subordinated debts	—	76	894	13,623	12,680	—	27,273
Securities sold under agreements to repurchase	—	11,368	—	—	—	—	11,368
Investment contract liabilities for policyholders	21,542	1,868	1,921	1,897	7,374	—	34,602
Policyholder dividends payable	177	—	—	—	—	—	177
Pension benefit obligation	—	44	131	727	4,417	—	5,319
Other liabilities	16,044	11,262	2,912	984	1,235	—	32,437
Total liabilities	37,763	24,648	6,498	18,223	27,022	—	114,154

	As at 31 December 2010						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
	(in RMB million)						
Cash and cash equivalents	36,553	3,952	—	—	—	—	40,505
Derivative financial assets	—	1	15	31	—	—	47
Debt securities	—	4,833	26,423	87,547	157,520	—	276,323
Equity securities	—	—	—	—	—	49,037	49,037
Term deposits	—	4,149	4,726	33,102	10,164	—	52,141
Restricted statutory deposits	—	301	1,601	3,087	—	—	4,989
Insurance receivables	3,225	5,860	887	336	12	—	10,320
Other financial assets	5,687	4,621	4,784	4,467	8,032	456	28,047
Total assets	45,465	23,717	38,436	128,570	175,728	49,493	461,409
Derivative financial liabilities	—	1	1	155	—	—	157
Due to banks and other financial institutions	1,656	1,012	345	903	216	—	4,132
Subordinated debts	—	77	1,470	14,981	24,298	—	40,826
Securities sold under agreements to repurchase	—	29,734	—	—	—	—	29,734
Investment contract liabilities for policyholders	20,543	967	364	10,409	8,976	—	41,259
Policyholder dividends payable	—	271	812	—	—	—	1,083
Pension benefit obligation	—	52	159	817	4,314	—	5,342
Other liabilities	7,731	19,831	1,855	1,156	512	—	31,085
Total liabilities	29,930	51,945	5,006	28,421	38,316	—	153,618

	As at 31 December 2011						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
	(in RMB million)						
Cash and cash equivalents	51,531	3,830	—	—	—	—	55,361
Derivative financial assets	—	8	1	189	5	—	203
Debt securities	—	1,833	9,600	88,799	221,450	—	321,682
Equity securities	—	—	—	—	10,000	59,997	69,997
Term deposits	—	897	5,615	99,971	8,854	—	115,337
Restricted statutory deposits	—	305	1,545	5,860	260	—	7,970
Insurance receivables	8,698	9,799	1,960	2,971	9	—	23,437
Other financial assets	868	5,126	12,090	12,669	16,171	619	47,543
Total assets	61,097	21,798	30,811	210,459	256,749	60,616	641,530
Due to banks and other financial institutions	—	—	37	107	591	—	735
Subordinated debts	—	82	1,958	18,756	27,949	—	48,745
Securities sold under agreements to repurchase	—	54,114	—	—	—	—	54,114
Investment contract liabilities for policyholders	36,837	974	1,670	469	9,261	—	49,211
Policyholder dividends payable	—	888	2,237	—	—	—	3,125
Pension benefit obligation	—	46	138	796	3,924	—	4,904
Other liabilities	12,725	23,445	7,439	571	65	27	44,272
Total liabilities	49,562	79,549	13,479	20,699	41,790	27	205,106

	As at 30 June 2012						
	Past due/ repayable on demand	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity date	Total
	(in RMB million)						
Cash and cash equivalents	68,664	1,221	—	—	—	3	69,888
Derivative financial assets	—	1	24	127	1	—	153
Debt securities	—	1,419	10,675	78,610	215,267	—	305,971
Equity securities	—	—	—	13,022	—	71,191	84,213
Term deposits	—	1,330	8,996	131,172	2,472	—	143,970
Restricted statutory deposits	—	542	1,313	7,421	—	—	9,276
Insurance receivables	18,686	10,605	2,299	2,967	96	—	34,653
Other financial assets	3,692	7,288	11,593	13,084	27,040	1	62,698
Total assets	91,042	22,406	34,900	246,403	244,876	71,195	710,822
Due to banks and other financial institutions	321	—	—	—	—	—	321
Subordinated debts	9,708	249	1,086	8,524	26,725	—	46,292
Securities sold under agreements to repurchase	—	66,881	—	—	—	—	66,881
Investment contract liabilities for policyholders	41,610	326	1,912	414	4,266	—	48,528
Policyholder dividends payable	—	825	3,515	—	—	—	4,340
Pension benefit obligation	—	53	156	1,004	3,856	—	5,069
Other liabilities	15,197	24,623	1,542	1,016	132	32	42,542
Total liabilities	66,836	92,957	8,211	10,958	34,979	32	213,973

(3) ***Market risk***

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Group uses multiple methods managing market risk, including using sensitive analysis, Value-at-Risk ("VaR"), stress test, scenario analysis and other quantitative models to analyse market risks; mitigating market risk through a diversified investment portfolio; implementing investment risk budget management, setting acceptable risk tolerance level according to development goals, making investment risk budget and tracking the risk control results dynamically to maintain market risk exposure within acceptable level.

Foreign currency risk

Currency risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal operations and transactions are conducted in RMB and its exposure to foreign exchange risk arises primarily with respect to the United States dollar ("USD") and the Hong Kong dollar ("HKD"). The table below summarises the Group's assets and liabilities by major currency, expressed in the RMB equivalent:

31 December 2009	**RMB**	**HKD**	**USD**	**Others**	**Total**
			(in RMB million)		
Cash and cash equivalents	30,478	459	4,762	417	36,116
Derivative financial assets	105	—	—	—	105
Debt securities	128,547	766	854	—	130,167
Equity securities	33,055	237	—	—	33,292
Term deposits	8,559	—	5,694	—	14,253
Restricted statutory deposits	3,912	—	—	—	3,912
Insurance receivables	13,572	130	3,764	—	17,466
Other financial assets	22,455	—	175	—	22,630
Total assets	240,683	1,592	15,249	417	257,941
Due to banks and other financial institutions	2,580	—	—	—	2,580
Subordinated debts	20,755	—	—	—	20,755
Securities sold under agreements to repurchase	11,360	—	—	—	11,360
Pension benefit obligation	3,187	—	—	—	3,187
Investment contract liabilities for policyholders	31,663	—	—	—	31,663
Policyholder dividends payable	177	—	—	—	177
Other financial liabilities	29,418	61	3,228	28	32,735
Total liabilities	99,140	61	3,228	28	102,457

31 December 2010	RMB	HKD	USD	Others	Total
			(in RMB million)		
Cash and cash equivalents	38,353	227	1,820	98	40,498
Derivative financial assets	46	—	—	—	46
Debt securities	206,645	308	—	—	206,953
Equity securities	47,209	1,063	765	—	49,037
Term deposits	36,703	—	7,559	—	44,262
Restricted statutory deposits	4,589	—	—	—	4,589
Insurance receivables	7,270	74	2,969	7	10,320
Other financial assets	26,077	72	932	9	27,090
Total assets	366,892	1,744	14,045	114	382,795
Derivative financial liabilities	127	—	—	—	127
Due to banks and other financial institutions	3,961	—	—	—	3,961
Subordinated debts	29,474	—	—	—	29,474
Securities sold under agreements to repurchase	29,713	—	—	—	29,713
Pension benefit obligation	3,086	—	—	—	3,086
Investment contract liabilities for policyholders	41,253	—	—	—	41,253
Policyholder dividends payable	1,083	—	—	—	1,083
Other financial liabilities	27,254	72	3,038	21	30,385
Total liabilities	135,951	72	3,038	21	139,082

31 December 2011	RMB	HKD	USD	Others	Total
			(in RMB million)		
Cash and cash equivalents	50,962	1,854	2,492	25	55,333
Derivative financial assets	184	—	—	—	184
Debt securities	213,554	—	442	—	213,996
Equity securities	68,878	569	550	—	69,997
Term deposits	91,576	—	3,140	—	94,716
Restricted statutory deposits	7,635	—	—	—	7,635
Insurance receivables	18,735	123	4,567	12	23,437
Other financial assets	38,573	159	1,416	24	40,172
Total assets	490,097	2,705	12,607	61	505,470
Due to banks and other financial institutions	284	—	—	—	284
Subordinated debts	34,670	—	—	—	34,670
Securities sold under agreements to repurchase	54,080	—	—	—	54,080
Pension benefit obligation	3,056	—	—	—	3,056
Investment contract liabilities for policyholders	49,156	—	—	—	49,156
Policyholder dividends payable	3,125	—	—	—	3,125
Other financial liabilities	39,108	234	5,202	25	44,569
Total liabilities	183,479	234	5,202	25	188,940

30 June 2012	RMB	HKD	USD	Others	Total
			(in RMB million)		
Cash and cash equivalents	67,986	634	1,236	31	69,887
Derivative financial assets	137	—	—	—	137
Debt securities	207,065	—	1,208	—	208,273
Equity securities	83,712	486	15	—	84,213
Term deposits	113,317	245	4,729	—	118,291
Restricted statutory deposits	7,922	—	—	—	7,922
Insurance receivables	28,561	91	5,935	66	34,653
Other financial assets	58,610	23	720	12	59,365
Total assets	567,310	1,479	13,843	109	582,741
Due to banks and other financial institutions	321	—	—	—	321
Subordinated debts	34,761	—	—	—	34,761
Securities sold under agreements to repurchase	66,850	—	—	—	66,850
Pension benefit obligation	3,195	—	—	—	3,195
Investment contract liabilities for policyholders	48,013	—	—	—	48,013
Policyholder dividends payable	4,340	—	—	—	4,340
Other financial liabilities	37,500	88	5,141	64	42,793
Total liabilities	194,980	88	5,141	64	200,273

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity due to changes in the fair value of currency sensitive monetary assets and liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	31 December 2009	
Exchange rates of other currencies to RMB	Impact on profit before tax	Impact on equity
	(in RMB million)	
+ 5%	647	697
- 5%	(647)	(697)

	31 December 2010	
Exchange rates of other currencies to RMB	Impact on profit before tax	Impact on equity
	(in RMB million)	
+ 5%	571	639
- 5%	(571)	(639)

	31 December 2011	
Exchange rates of other currencies to RMB	Impact on profit before tax	Impact on equity
	(in RMB million)	
+ 5%	449	510
- 5%	(449)	(510)

Exchange rates of other currencies to RMB	30 June 2012 Impact on profit before tax	30 June 2012 Impact on equity
	(in RMB million)	
+ 5%	460	507
- 5%	(460)	(507)

The method used for deriving sensitivity information and significant variables did not change during the Relevant Periods.

Interest rate risk

Interest rate risk is the risk that the value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

Based on asset liability matching gap analysis, the Group implements sensitive analysis and stress tests to monitor and to evaluate interest rate risk regularly. And the Group manages interest rate risk by monitoring average duration and expiry dates as well as adjusting composition of portfolio.

The Group uses the VaR methodology to measure the expected maximum loss in respect of interest rate risk over a holding period of ten trading days at a confidence level of 99% for bond investments measured at fair value and subordinated debt investments measured at amortised cost.

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Interest rate VaR	436	1,519	1,161	772

Price risk

Price risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to the stock and fund investments whose values will fluctuate as a result of changes in market prices.

The Group's price risk policy requires setting and managing investment objectives. Subject to laws and regulatory policies, the Group manages price risk by diversification of investments, setting limits for investments in different securities, etc.

The Group uses VaR methodology to measure the expected maximum loss in respect of equity price risk for stock and fund investments measured at fair value over a holding period of ten trading days at a confidence level of 99%.

The VaR methodology quantifies the potential loss under the assumption of normal market conditions only, and therefore when extreme market events occur, the potential loss could be underestimated. VaR also uses historical data to forecast future price returns, which could differ substantially from the past. Moreover, the use of a ten-day holding period assumes that all positions in the portfolio can be liquidated or hedged in ten business days. The said assumption may not be correct in reality, especially in a market lack of liquidity.

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Equity price VaR	2,213	4,620	4,963	4,967

47. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group's financial assets mainly include: cash and cash equivalents, derivative financial assets, debt securities, equity securities, term deposits, restricted statutory deposits, insurance receivables and other financial assets.

The Group's financial liabilities mainly include: assets sold under agreements to repurchase, derivative financial liabilities, amounts due to banks and other financial institutions, subordinated debts, pension benefit obligation, investment contract liabilities for policyholders, policyholders dividends payable and other financial liabilities.

The fair values of the financial assets and liabilities refer to an amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair value.

The fair values of cash and cash equivalents, insurance receivables and other financial liabilities approximate to their carrying amounts largely due to the short-term maturities or re-pricing regularly according to the interest rate regulated by the People's Bank of China or the market interest rate on the re-pricing date.

The fair values of unlisted held-to-maturity securities, term deposit, loans and receivables of other assets, amounts due to banks and debt payable are estimated by discounting future cash flows using rates currently available for debts on similar terms, with similar credit risk and remaining maturities.

The fair values of listed financial instruments are derived from quoted market prices in active markets, if available.

The Group enters into interest rate swap contracts with various counterparties, principally financial institutions with investment grade credit ratings. The most frequently applied valuation techniques for interest rate swaps include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. The carrying amounts of interest rate swaps equal to their fair values. In the Relevant Periods, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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

The following table summarises the carrying values and the fair values of held-to-maturity financial assets, loans and receivables and subordinated debts, which are not carried at fair value.

	As at 31 December 2009	
	Carrying amounts	Fair value
	(in RMB million)	
Financial assets:		
Held-to-maturity financial assets	17,481	17,475
Loans and receivables	8,961	8,962
Financial liabilities:		
Subordinated debts	20,755	22,596

	As at 31 December 2010	
	Carrying amounts	Fair value
	(in RMB million)	
Financial assets:		
Held-to-maturity financial assets	64,945	62,776
Loans and receivables	9,735	9,871
Financial liabilities:		
Subordinated debts	29,474	30,709

	As at 31 December 2011	
	Carrying amounts	Fair value
	(in RMB million)	
Financial assets:		
Held-to-maturity financial assets	102,721	102,383
Loans and receivables	22,902	23,793
Financial liabilities:		
Subordinated debts	34,670	34,525

	As at 30 June 2012	
	Carrying amounts	Fair value
	(in RMB million)	
Financial assets:		
Held-to-maturity financial assets	104,295	103,369
Loans and receivables	35,958	36,925
Financial liabilities:		
Subordinated debts	34,761	34,792

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair value measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are market observable, either directly or indirectly; and

Level 3: fair value measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at the end of each of the Relevant Periods, the Group held the following financial instruments measured at fair value:

	As at 31 December 2009		
	Level 1	Level 2	Total
	(in RMB million)		
Derivative financial assets	—	105	105
Financial assets at fair value through profit or loss:			
Equity securities	4,746	—	4,746
Debt securities	561	1,586	2,147
Available-for-sale investments:			
Equity securities	27,925	—	27,925
Debt securities	15,878	94,661	110,539
Total	49,110	96,352	145,462

	As at 31 December 2010		
	Level 1	Level 2	Total
	(in RMB million)		
Term deposits	—	199	199
Derivative financial assets	—	46	46
Derivative financial liabilities	—	(127)	(127)
Financial assets at fair value through profit or loss:			
Equity securities	3,753	—	3,753
Debt securities	540	2,935	3,475
Available-for-sale investments:			
Equity securities	44,086	1,198	45,284
Debt securities	18,839	119,694	138,533
Total	67,218	123,945	191,163

	As at 31 December 2011		
	Level 1	Level 2	Total
	(in RMB million)		
Term deposits	—	189	189
Derivative financial assets	—	184	184
Financial assets at fair value through profit or loss:			
Equity securities	5,131	346	5,477
Debt securities	30	2,051	2,081
Available-for-sale investments:			
Equity securities	54,422	98	54,520
Debt securities	15,794	92,698	108,492
Total	75,377	95,566	170,943

	As at 30 June 2012		
	Level 1	Level 2	Total
	(in RMB million)		
Derivative financial assets	—	137	137
Financial assets at fair value through profit or loss:			
Equity securities	6,934	—	6,934
Debt securities	65	2,274	2,339
Available-for-sale investments:			
Equity securities	64,045	212	64,257
Debt securities	15,394	86,245	101,639
Total	86,438	88,868	175,306

There was no fair value measurement in Level 3 as at the end of each of the Relevant Periods. During 2009 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2. In 2011, because of the change of observable market parameters, part of the equity and bond investments were transferred from Level 1 to Level 2. The equity investment transfer was due to stock suspension, and bond investment transfer was due to lower trading frequency. During the six months ended 30 June 2012, parts of the equity and bond investments were transferred between Level 1 and Level 2 because of the change of observable market parameters. The equity investment transfer from Level 2 to Level 1 was due to the resumption of trading; bond investment transfer from Level 1 to Level 2 was due to lower trading frequency, and bond investment transfer from Level 2 to Level 1 was due to the resumption of trading.

48. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

(1) Due to the nature of the insurance business, the Group is subject to legal proceedings in the ordinary course of business, including being the plaintiff or the defendant in litigation and arbitration. Such legal proceedings mostly involve claims on the Group's insurance policies and the losses incurred will be partly indemnified by reinsurers or other recoveries including salvage and subrogation. Provision has been made for the probable losses to the Group, including those claims where management can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is low or remote.

(2) The Company underwent restructuring and reorganisation during the period from 1996 and 1998. As a result of the restructuring and reorganisation, the Company and another insurance company were spun off from the predecessor company, the People's Insurance Company of China, and each spun-off entity inherited certain assets and liabilities. During the process, the Company owed certain amounts to that insurance company and settled these debts by cash payments, assets or by certain offsetting arrangements. Due to the long history and turnover of staff, the Company is not able to reach an agreement with that insurance company regarding the balances of debts that have been repaid in the form of assets or receivables. Potentially, certain receivables or payables may exist among these entities. However, the Company's management is of the opinion that the debts have been fully repaid, and therefore any contingent indebtedness will not significantly impact the Financial Information.

(3) As at the report date, there were various title defects for certain investment properties, property and equipment, intangible assets and other assets held by the Group. The Group may be required to incur costs including relevant taxes to remediate these defects. The cost that will be incurred for the remediation cannot be quantified at this stage.

(4) Certain branches and subsidiaries are involved in legal proceedings. The Group has already made certain accruals for some possible losses to its best knowledge. However, due to historical reasons, the Group owns a large number of branches and subsidiaries, and the Group does not make any accrual for legal proceedings for which losses cannot be reasonably estimated or management is of the opinion that it is less probable that economic resources would flow out of the Group. The Group's management believes that the outcome of these proceedings, whether individually or collectively, would not impact the Group's financial position and operating results significantly.

Other than the above, as at the end of each of the Relevant Periods, the Group had no significant contingencies to disclose.

(b) **Capital commitments and operating leases**

(1) ***Capital commitments***

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Property and equipment commitments:				
Contracted but not provided for	1,846	1,636	392	255
Authorised but not contracted for	489	287	742	510
Equity investment commitments:				
Contracted but not completed for (note)	—	—	—	17,573
Contracted but not provided for	—	—	240	240
Total	2,335	1,923	1,374	18,578

Note: In March 2012, PICC AMC entered into a stock purchase agreement with Industrial Bank Co., Ltd. ("Industrial Bank") to subscribe 1,380 million shares to be issued by Industrial Bank, which will approximately account for 10.87% equity interest in the enlarged share capital of Industrial Bank. The subscription consideration of RMB17,573 million for the subscribed shares of Industrial Bank will be paid by the Company, PICC P&C and PICC Life. The transaction will be subject to conditions, including but not limited to approval in advance by related regulators about the share issue. The subscribed shares cannot be transferred within 36 months upon completion of the share subscription.

(2) ***Operating leases***

(i) *As lessor*

The Group leases its investment properties (note 27) under operating lease arrangements, with lease terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Within one year	112	152	139	259
In the second to third years, inclusive	23	37	203	311
After three years	144	290	206	177
Total	279	479	548	747

(ii) *As lessee*

The Group leases certain of its office properties and office equipment under operating lease arrangements. Lease terms for properties range from one to ten years. Lease terms for motor vehicles range from one to three years.

Future minimum lease payments under non-cancellable operating leases as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Within one year	260	235	189	245
In the second to third years, inclusive	262	242	164	289
After three years	156	158	119	165
Total	678	635	472	699

49. RELATED PARTY DISCLOSURES

(1) The Group is a state-owned enterprise. The Financial Information includes the financial statements of PICC and the subsidiaries listed in the note of "1. CORPORATE INFORMATION AND GROUP STRUCTURE".

(2) The Group's related parties where significant influence exists include associates and jointly controlled entities. Details are set out below:

	Relationship with the Group			
	As at 31 December			As at 30 June
Name of related parties	2009	2010	2011	2012
China Credit Trust	Associate	Associate	Associate	Associate
Shaanxi Huasheng (i)	Associate	Associate	Associate	Non-related party
Guoguang Media Investment limited Company ("Guoguang Media") (i)	Associate	Associate	Associate	Non-related party
Xinhuangpu Real Estate (i)	Associate	Associate	Associate	Non-related party
Huawen Media (i)	Associate	Associate	Associate	Non-related party
Shenzhen Securities Times Media Limited Company ("Times Media") (i)	Associate	Associate	Associate	Non-related party
Financial Media (i, ii)	Subsidiary	Subsidiary	Associate	Non-related party
Nanning Gas (iii)	Associate	Non-related party	Non-related party	Non-related party
Tiantai related companies (iv)	Related companies	Non-consolidated subsidiary	Non-consolidated subsidiary	Non-related party

(i) Shaanxi Huasheng, Guoguang Media, Xinhuangpu Real Estate, Huawen Media, Times Media and Financial Media are associates of the Group indirectly held through Guanglian and Huawen Holdings. As disclosed in note 5 (4), the Group transferred a 54.21% of equity interests in Guanglian and an 80% of equity interests in Huawen Holdings in 2012. Hence, the said companies were not related parties of the Group from the disposal date.

(ii) Financial Media became an associate of the Group after the disposal of Securities Times in December 2011. For details, please refer to note 5 (3).

(iii) The Group disposed of its 80% entity interest in Nanning Gas, a wholly-owned subsidiary, as at 31 December 2009 and the remaining 20% equity interest in February 2010. Hence, after the disposal of the remaining 20% entity interest, Nanning Gas was not a related party of the Group.

(iv) In September 2009, when certain key management personnel of Tiantai also became key management personnel of a subsidiary of the Group, Tiantai related companies became related parties of the Group. Therefore, significant transactions and the resulting balances between the Group and the companies were included in the related party disclosures from September 2009 to 31 December 2009. In December 2009, Guanglian obtained 99% equity interests of Tiantai and it also became a subsidiary of the Group when the relevant registration was completed on 19 January 2010.

Tiantai related companies had not been included in the consolidated subsidiaries of Group as at 31 December 2010 and 2011, respectively. The Company's management is of the opinion that the non-consolidation of Tiantai related companies is immaterial to the consolidated financial statements of the Group. As disclosed in note 5(4) and note 32, the Group transferred a 54.21% of equity interests in Guanglian on 25 April 2012. As a result, Tiantai related companies were not related parties of the Group from the disposal date.

(3) ***Compensation of key management personnel***

Key management personnel of the Company include Directors, supervisors and senior management. The summary of compensation of key management personnel for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2009	**2010**	**2011**	**2011**	**2012**
			(in RMB million)		
				(Unaudited)	
Salaries, allowances and performance related bonuses	9	19	14	4	5
Social insurance and housing fund	2	3	4	2	2
Total	11	22	18	6	7

The total compensation package for the Company's key management for the six months ended 30 June 2012 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The compensation of 2009, 2010 and 2011 has been approved by relevant authorities.

(4) ***Balances with related parties***

	As at 31 December			As at 30 June
	2009	2010	2011	2012
	(in RMB million)			
Receivables from related parties				
Other assets				
The MOF (i)	2,607	2,516	707	707
China Credit Trust (ii)	294	294	294	724
Times Media (iv)	15	31	—	N/A
Shaanxi Huasheng (iv)	88	94	100	N/A
Tiantai related companies (iv)	3,270	3,281	3,281	N/A
Xinhuangpu Real Estate (ii, iv)	—	—	4	N/A
Huawen Media (ii, iv)	9	20	9	N/A
Nanning Gas	90	N/A	N/A	N/A
Subtotal	6,373	6,236	4,395	1,431
Less: impairment	(256)	(256)	(303)	—
Total	6,117	5,980	4,092	1,431
Interest receivable				
Tiantai related companies (iv)	77	13	13	N/A
Less: impairment	(77)	(13)	(13)	N/A
Total	—	—	—	N/A
Payables to related parties				
Other payables				
Guoguang Media (iv)	48	48	39	N/A
Times Media (iii)	480	480	—	N/A
Tiantai related companies (iv)	2,463	2,816	2,798	N/A
Nanning Gas	24	N/A	N/A	N/A
Financial Media (iv)	N/A	N/A	174	N/A
Total	3,015	3,344	3,011	N/A

(i) Details of the receivables from the MOF are disclosed in note 31 (c).

(ii) Receivables from China Credit Trust, Xinhuangpu Real Estate and Huawen Media are dividend receivables.

(iii) Other payables amounted to RMB480 million were paid by Times Media to Securities Times as a guarantee for an exclusive selling right. The Group disposed of Securities Times in 2011.

(iv) The receivables and payables have been transferred to assets and liabilities of a disposal group held for sale as at 31 December 2011, and were not included in the balance with related parties from the disposal date.

(5) ***Transactions with related parties***

(i) In 2006, Securities Times entered into an agreement to grant an exclusive business advertising franchise to Times Media and to earn income from advertising. The term for the franchise was from 1 August 2006 to 31 July 2036, and can automatically extend upon fulfilling certain conditions. The Group's income is based on the amount of advertising income of Securities Times and may not be less than RMB66 million on a yearly basis. Times Media contributed RMB93 million, RMB142 million and RMB139 million to the Group's consolidated income for 2009, 2010 and 2011, respectively.

(ii) Details of dividends received from associates are included in note 26.

(iii) The registered capital of China Credit Trust was increased from RMB1,200 million to RMB2,457 million in 2010. The Company subscribed additional shares of China Credit Trust at a consideration of RMB1,140 million. After that, the Company's equity interest in China Credit Trust was increased from 32.35% to 32.92%.

(iv) In 2011, China Credit Trust received management income of RMB39 million through managing the trust investments of subsidiaries of the Group.

(6) ***Transactions with state-owned entities in the PRC***

The Company is a state-owned enterprise which is subject to the control of the State Council of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the Relevant Periods, the Group's key business is insurance relevant and therefore the business transactions with other state-owned entities are primarily related to insurance and investment activities, but not limited to issuing insurance policies, reinsurance, provision of asset management or other services, the sale, purchase, and redemption of bonds or equity instruments.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

Due to the complex ownership structure, the PRC government may hold indirect interests in many companies. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests which may not be known to the Group.

As at the end of each of and during the Relevant Periods, most of bank deposits of the Group were with state-owned banks; the issuers of corporate bonds and subordinated bonds held by the Group were mainly state-owned enterprises. For the Relevant Periods, a large portion of its group insurance business of the Group were with state-owned enterprises; the majority of bancassurance brokerage charges were paid to state-owned banks and postal office; part of the reinsurance agreements of the Group was entered into with state-owned reinsurance companies.

50. EVENT AFTER THE RELEVANT PERIODS

On 20 August 2012, the Board of Directors of PICC P&C approved the 2012 interim dividend distribution of RMB0.21 per ordinary share totalling RMB2,574 million.

On 22 November 2012, the shareholders of the Company approved a plan to issue subordinated debt in an aggregate principal amount of no more than RMB16 billion (the "Proposed Issuance"). The subordinated debt will have a term of eight years and will be redeemable at the end of the fifth year from the date of issuance. The Proposed Issuance is subject to regulatory approvals.

Except as disclosed above, the Group had no significant events subsequent to 30 June 2012.

51. **SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2012.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules are set out below for illustrative purpose only, and are set out herein to provide prospective investors with further financial information about how the proposed listing of our H Shares might have affected our net tangible assets after the completion of the Global Offering. Because of its nature, this pro forma financial information may not give a true picture of our financial position.

The following statement shows the consolidated net tangible assets attributable to our equity holders as of June 30, 2012, calculated from the equity attributable to our equity holders as extracted from the Accountants' Report set forth in Appendix I to this prospectus and adjusted to exclude intangible assets.

	Audited Consolidated Net Assets Attributable to Our Equity Holders as of June 30, 2012[1]	Estimated Net Proceeds from the Global Offering[2]	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Attributable to Our Equity Holders as of June 30, 2012	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Per Offer Share[3]	
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB)	(HK$)
Based on the Offer Price of HK$3.42 per Offer Share.	39,735	18,529	54,221	1.31	1.61
Based on the Offer Price of HK$4.03 per Offer Share.	39,735	21,890	57,582	1.39	1.71

(1) The audited consolidated net tangible assets attributable to our equity holders as of June 30, 2012 were based on the consolidated net assets attributable to our equity holders of approximately RMB39,735 million, with adjustments for RMB4,043 million of intangible assets as of June 30, 2012. The consolidated net assets attributable to our equity holders as of June 30, 2012 were extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) No account has been taken of the H Shares that may be issued pursuant to the H Share Over-allotment Option. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$3.42 and HK$4.03 per Offer Share, respectively, after deducting the estimated underwriting fees and expenses payable by us in the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Offer Share are determined on the basis that 41,389,259,583 Shares are issued and outstanding, assuming the Global Offering had been completed on June 30, 2012, but not taking into account any Shares that may be issued upon the exercise of the H Share Over-allotment Option.

B. LETTER FROM THE REPORTING ACCOUNTANTS

ERNST & YOUNG
安 永

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26 November 2012

The Directors
The People's Insurance Company (Group) of China Limited
China International Capital Corporation Hong Kong Securities Limited
HSBC Corporate Finance (Hong Kong) Limited
Credit Suisse (Hong Kong) Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets (the "Unaudited Pro Forma Financial Information") of The People's Insurance Company (Group) of China Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of 6,898,209,000 shares of RMB1 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 26 November 2012 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2012 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Deloitte.
德勤

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August 31, 2012

The Directors
The People's Insurance Company (Group) of China Limited
28 Qinghua Xi Lu
Haidian District, Beijing, China
100084

Dear Sirs,

Consulting Actuary's Report

1. **Introduction**

The People's Insurance Company (Group) of China Limited ("PICC Group") has retained Deloitte Consulting (Shanghai) Limited Beijing Branch to provide actuarial opinions on matters related to the life and health insurance businesses of its subsidiaries, PICC Life Insurance Company Limited ("PICC Life") and PICC Health Insurance Company Limited ("PICC Health"). The task is undertaken by Deloitte Actuarial and Insurance Solutions in Deloitte Consulting (Shanghai) Limited Beijing Branch ("Deloitte Actuarial" or "we"). As part of this engagement, we have been asked to prepare a report on the embedded value as of 31 December 2011 and 30 June 2012, as well as the value of one year's new business for the 12 months prior to 31 December 2011 and 30 June 2012, of PICC Life and PICC Health. Such report is to be included in the prospectuses in connection with PICC Group's proposed share offering in Shanghai Securities Exchange ("A" shares) and Hong Kong Stock Exchanges ("H" shares).

This report illustrated the work carried out and the results. The valuation approach and assumptions are also summarized in this report.

The results disclosed in this report are based on 100% shareholding of PICC Life and PICC health.

2. **Scope of Work**

Our scope of work is to prepare an embedded value report which covers:

- The embedded value of PICC Life and PICC Health as of 31 December 2011 and 30 June 2012;
- The value of one year's new business for the 12 months prior to 31 December 2011 and 30 June 2012 of PICC Life and PICC Health;
- The assumptions used in the value of in-force business and value of one year's new business of PICC Life and PICC Health, as well as the results of sensitivity tests under alternative assumptions;
- Movement analysis of the embedded value of PICC Life and PICC Health.

3. **Approach and Definition**

3.1 ***Definition***

A number of specific terms are used in this report. They are defined as follows:

- **Embedded Value ("EV")**: this is the sum of the Adjusted Net Worth and Value of In-Force Business as at the valuation date;
- **Adjusted Net Worth ("ANW")**: this is the market value of the assets in excess of the assets supporting the policy reserve and other liabilities as at the valuation date attributable to shareholders. This is equal to the shareholder equity on accounting report basis plus reserve differences between accounting report basis and solvency basis, market value adjustments and tax adjustments;
- **Value of In-Force Business ("VIF")**: this is equal to the present value as at valuation date of future net of tax statutory profits from the business in force as at the valuation date, less the Cost of Capital associated with such business;
- **Statutory Profits:** this is the profit determined based on regulatory solvency reporting basis. The key difference between this profit and the profit reported under financial reporting basis is that the policy reserve is determined based on China Insurance Regulatory Commission's ("CIRC") actuarial requirement instead of the financial reporting basis;
- **Cost of Capital ("CoC")**: this is defined as the amount of capital required from shareholders at the valuation date less (1) the present value of future releases of such capital; and (2) the present values of the after-tax earnings on the assets backing such required capital. The level of total capital required depends on the Company's internal target of capital level and is subject to the minimum of statutory requirement;
- **Value of One Year's New Business ("V1NB")**: this is equal to the present value as at the policy issue dates of the future net of tax statutory profits from the policies sold in one year prior to the valuation date less the Cost of Capital associated with such business. The value associated with top-up premium not expected from the in-force business is included in Value of One Year's New Business;
- **Expense Overrun:** the amount of actual expense in excess of the assumed expense.

3.2 ***Methodology***

We carried out our work and prepared this report based on "Guidance on Life and Health Insurance Embedded Value Report Preparation" (Baojianfa [2005] No. 83) ("Guidance") issued by CIRC.

Both Value of In-Force Business and Value of One Year's New Business are calculated using the same deterministic discounted cash flow method.

The method of determining the Value of In-Force Business and Value of One Year's New Business has varying degree of evolution in different markets in the last decade. The method adopted in this report is a traditional embedded value approach. Such approach is commonly used in the Embedded Value and Value of One Year's New Business disclosed by insurance companies listed in mainland China and Hong Kong. This approach does not directly calculate the costs of options and guarantees provided to policyholders; instead, it implicitly allows for the time value of options and guarantees and the uncertainty in achieving the projected future profits by risk discount rate. Many companies in Europe have adopted approaches different from the traditional one to determine the Value of In-Force Business and Value of One Year's New Business. These new approaches directly measure the costs of options and guarantees, and use lower discount rates or even "risk-free rates" to discount future cash flows. Such approach has not been widely used in China. Such different approaches could lead to materially different results. Readers should understand such differences when comparing the results in this report against the results disclosed by other companies in other markets.

4. **Result Summary**

This section summarizes the Embedded Value of PICC Life and PICC Health as at 31 December 2011 and 30 June 2012, as well as the Value of One Year's New Business for the 12 months prior to 31 December 2011 and 30 June 2012.

Table 4.1 Embedded Value as at 31 December 2011

	(Unit: RMB Million)		
Risk Discount Rate	**9.0%**	**10.0%**	**11.0%**
PICC Life			
Value of In-Force Business before CoC	13,180	12,494	11,898
Cost of Capital	(866)	(980)	(1,082)
Value of In-Force Business after CoC	12,314	11,513	10,816
Adjusted Net Worth	11,172	11,172	11,172
Embedded Value	**23,486**	**22,685**	**21,988**
PICC Health			
Value of In-Force Business before CoC	2,454	2,323	2,207
Cost of Capital	(112)	(123)	(131)
Value of In-Force Business after CoC	2,342	2,200	2,076
Adjusted Net Worth	708	708	708
Embedded Value	**3,049**	**2,907**	**2,783**

Note: Figures may not add up due to rounding.

Table 4.2 Embedded Value as at 30 June 2012

	(Unit: RMB Million)		
Risk Discount Rate	**9.0%**	**10.0%**	**11.0%**
PICC Life			
Value of In-Force Business before CoC	16,643	15,737	14,942
Cost of Capital	(1,428)	(1,625)	(1,798)
Value of In-Force Business after CoC	15,215	14,112	13,144
Adjusted Net Worth	14,519	14,519	14,519
Embedded Value	**29,734**	**28,631**	**27,664**
PICC Health			
Value of In-Force Business before CoC	2,794	2,654	2,529
Cost of Capital	(153)	(171)	(185)
Value of In-Force Business after CoC	2,641	2,483	2,344
Adjusted Net Worth	895	895	895
Embedded Value	**3,536**	**3,378**	**3,239**

Note: Figures may not add up due to rounding.

Table 4.3 Value of One Year's New Business for the 12 months prior to 31 December 2011

	(Unit: RMB Million)		
Risk Discount Rate	**9.0%**	**10.0%**	**11.0%**
PICC Life			
Value of One Year's New Business before CoC	4,248	4,093	3,952
Cost of Capital	(327)	(380)	(429)
Value of One Year's New Business after CoC	**3,922**	**3,713**	**3,523**
PICC Health			
Value of One Year's New Business before CoC	885	846	811
Cost of Capital	(36)	(40)	(43)
Value of One Year's New Business after CoC	**850**	**806**	**768**

Note: Figures may not add up due to rounding.

Table 4.4 Value of One Year's New Business for the 12 months prior to 30 June 2012

	(Unit: RMB Million)		
Risk Discount Rate	**9.0%**	**10.0%**	**11.0%**
PICC Life			
Value of One Year's New Business before CoC	4,881	4,671	4,481
Cost of Capital	(478)	(553)	(622)
Value of One Year's New Business after CoC	**4,403**	**4,118**	**3,859**
PICC Health			
Value of One Year's New Business before CoC	785	759	735
Cost of Capital	(31)	(35)	(39)
Value of One Year's New Business after CoC	**754**	**724**	**696**

Note: Figures may not add up due to rounding.

When calculating the Value of In-Force Business and Value of One Year's New Business of PICC Life and PICC Health, the expense assumptions represent the expected long-term expense level in the future. As the operating history of PICC Life and PICC Health is short, there is still expenditure in the development phase and the business scale has not reached the expected level. Hence the expenses incur in the near future will exceed the expected long-term expense level. The present value of future maintenance expense overrun has been deducted from the value of in-force business in accordance with the guidelines of CIRC. The actual expense overrun in reporting period has been reflected in Adjusted Net Worth.

5. **Assumptions**

5.1 ***Risk Discount Rate***

This report uses the risk discount rates of 9%, 10% and 11%.

The risk discount rates used in this report are the aggregate risk discount rates at the corporate level. The risk discount rates are intended to reflect many factors. Fundamentally two most important elements need to be reflected in the risk discount rates:

- The time value of money, which is usually based on risk-free rates; and
- The risk premium, which is the additional return required by investors to allow for the uncertainty in the invested business achieving the projected future returns. There can be different risk premium for different business lines due to the difference in product guarantees, coverage periods and degree of uncertainty in cash flows.

The investors' perception of risks and the level of risk premium required are very subjective and vary depending on individual circumstances. Hence we illustrate the values by using a range of discount rates. The range is not exhaustive in including all possible risk discount rates used by investors.

Generally, a lot of factors can affect the timing and amount of future returns. For example, changes in the capital market can affect the market value of investment assets and investment yields of new money; the degree of matching between assets and liabilities can affect the level of impact on expected future returns brought by the changes in capital market; policyholders' behaviour can affect the policy persistence; Actual mortality and morbidity experience may fluctuate or deviate from the assumptions; the actual sales expenses and management expenses may deviate from the assumptions due to changes in management practice and changes in the inflation rate of general expenses.

The Capital Asset Pricing Model ("CAPM") is used in this report to derive a reasonable range of risk discount rate. Based on the Guidance issued by CIRC, we use the ten-year government bond yield as the risk-free rate, which is 3.3253% as at the end of June 2012. For PICC Life and PICC Health, the average guaranteed interest rate for all the in-force business is less than 2.5% and the aggregate policy term is relatively short. Hence future uncertainty is relatively low, the risk of asset liability mismatch is relatively low, re-investment risk is relatively low. These factors have been duly considered when the range of the risk discount rate is selected for illustration. The risk premium corresponding to the risk discount rate of 9%, 10% and 11% are 5.6747%, 6.6747% and 7.6747% respectively.

5.2 ***Rate of Investment Return***

The assumption of rate of investment return is set based on the target investment portfolio supporting the liabilities and the expected return of each asset class in the portfolio. In the derivation of investment return assumption of PICC Life and PICC Health, the investment returns on bonds, equities and mutual funds are based on market rate of investment return; the investment returns on deposits and infrastructure debt investments are based on the current yields on the existing assets held by these two companies. As CIRC's regulation on insurance fund management develops over time, both PICC Life and PICC Health are able to capture more and more opportunities in investing in assets that provides superior investment return. The investment returns in various assets have also changed over time. As a reference, the benchmark 5-year deposit rate available to normal residents in China were 4.55% as of 26 December 2010, 5.25% as of 6 April 2011, 5.5% as of 7 July 2011and 5.1% as of 8 June 2012. The past experience is subject to the volatility of market, hence it is a reference but not the main factor in determining the assumption for the rate of future investment return. The assumption on the rate of investment return used by PICC Life and PICC Health is 5.75% p.a. for the valuation at 31 December 2011 and 30 June 2012.

5.3 ***Policy Dividend***

The expected level of participating policy dividend is derived based on the participating policy of PICC Life and PICC Health. Readers should be aware that insurance companies need to consider a variety of factors when deciding on participating policy dividends. Hence there are some uncertainties in each year's participating policy dividends. In section 6 of this report, we have illustrated the degree of impact on the Value of In-Force Business and Value of One Year's New Business that may be caused by the change in the level of participating policy dividend.

5.4 ***Mortality Rates***

Considering that both two companies have relatively short operating history, the mortality assumptions are set based on the industry experience and the reinsurance rates obtained by PICC Life:

Ultimate mortality rates (before multiplied by the selection factors):

- Non-annuity products: 65% of China Life Insurance Industry Mortality Table (2000-2003) - Non-Annuitant Table；
- Annuity products: 65% of China Life Insurance Industry Mortality Table (2000-2003) - Annuitant Table

Selection factors are used in first two policy years; while ultimate mortality rate assumptions are used from the third policy year and thereafter.

5.5 ***Morbidity Rates***

Considering the short operating history of PICC Life and PICC Health, the ultimate morbidity assumption is set to be 80% of pricing morbidity rates. Selection factors are used in first two policy years; while ultimate morbidity rates apply from the third policy year and thereafter.

5.6 ***Claim Ratio***

The claim ratio assumptions are applied to the short term health and accident business. The claim ratio assumptions are set based on actual experience. They are in the range from 20% to 95% of gross premium depending on the lines of business.

5.7 ***Lapse Rates***

Lapse rate assumptions are based on lapse experience of PICC Life and PICC Health. The rates vary according to product line, payment mode and policy year. As the policy terms of universal life business allow flexibility in premium payment, premium holiday assumptions are also set for regular premium universal life business.

5.8 ***Expenses and Commissions***

Expense assumptions are set based on the operating experience, expense management approach and the expected future expense level of PICC Life and PICC Health. It is assumed that the future inflation rate is 2.5% p.a.

Commission assumptions are set based on overall commission level of PICC Life and PICC Health, and vary by business lines.

5.9 *Tax*

Corporate income tax is currently levied at 25% on taxable profits. Income on government bonds other than capital gains/losses, dividend income from direct equity interest in domestic corporations and mutual funds are currently exempt from income tax.

The short-term accidental insurance business is subject to 5.5% business tax.

6. Sensitivity Test

In order to help users of this report understand the impact of assumptions on the Value of In-Force Business and Value of One Year's New Business, the results of sensitivity tests using a range of alternative assumptions are illustrated in this section. The range of sensitivity tests are selected to reflect the uncertainties in China's future investment environment and other operations associated with PICC Life and PICC Health. The range is selected after considering the range of tests commonly used in the industry. In each of the tests, only the assumption referred to is changed, while the other assumptions are kept unchanged. For the investment return assumption scenario, the expected participating policyholder dividend will also change.

The range of sensitivity tests chosen does not represent the boundary of all possible outcomes. They merely illustrate how alternative assumptions may affect the results.

The results of sensitivity tests are summarized in Table 6.1 to 6.8.

Table 6.1 The Value of In-Force Business of PICC Life as at 31 December 2011 under Alternative Assumptions

	Risk Discount Rate at 9%		Risk Discount Rate at 10%		Risk Discount Rate at 11%	
Scenarios	VIF before CoC	VIF after CoC	VIF before CoC	VIF after CoC	VIF before CoC	VIF after CoC
			(Unit: RMB Million)			
Base Scenario	13,180	12,314	12,494	11,513	11,898	10,816
Investment rate of return plus 50 bps	15,764	15,052	14,929	14,095	14,205	13,264
Investment rate of return less 50 bps	10,626	9,606	10,087	8,959	9,617	8,394
Expenses increased by 10%	13,071	12,205	12,388	11,408	11,795	10,714
Expenses reduced by 10%	13,289	12,424	12,600	11,619	12,000	10,919
Lapse rates increased by 10%	12,881	12,060	12,238	11,305	11,676	10,645
Lapse rates reduced by 10%	13,507	12,593	12,773	11,741	12,138	11,003
Mortality increased by 10%	13,127	12,264	12,447	11,469	11,855	10,776
Mortality reduced by 10%	13,233	12,365	12,541	11,558	11,940	10,856
Morbidity increased by 10%	13,169	12,303	12,484	11,504	11,889	10,807
Morbidity reduced by 10%	13,191	12,325	12,504	11,523	11,907	10,825
Short-term business claim ratio increased by 10%	13,150	12,284	12,464	11,484	11,868	10,786
Short-term business claim ratio reduced by 10%	13,210	12,344	12,524	11,543	11,928	10,846
Participating Ratio (80/20)	11,818	10,952	11,165	10,185	10,601	9,520
150% of Minimum Solvency Requirement	13,180	11,441	12,494	10,499	11,898	9,672

Table 6.2 The Value of In-Force Business of PICC Life as at 30 June 2012 under Alternative Assumptions

	Risk Discount Rate at 9%		Risk Discount Rate at 10%		Risk Discount Rate at 11%	
Scenarios	VIF before CoC	VIF after CoC	VIF before CoC	VIF after CoC	VIF before CoC	VIF after CoC
			(Unit: RMB Million)			
Base Scenario	16,643	15,215	15,737	14,112	14,942	13,144
Investment rate of return plus 50 bps	20,157	18,926	19,041	17,604	18,063	16,445
Investment rate of return less 50 bps	13,161	11,535	12,462	10,649	11,848	9,871
Expenses increased by 10%	16,503	15,075	15,602	13,977	14,812	13,014
Expenses reduced by 10%	16,783	15,354	15,871	14,247	15,072	13,274
Lapse rates increased by 10%	16,267	14,894	15,412	13,846	14,658	12,923
Lapse rates reduced by 10%	17,051	15,564	16,088	14,400	15,247	13,383
Mortality increased by 10%	16,586	15,161	15,686	14,064	14,896	13,101
Mortality reduced by 10%	16,700	15,269	15,787	14,160	14,987	13,187
Morbidity increased by 10%	16,632	15,204	15,726	14,102	14,932	13,135
Morbidity reduced by 10%	16,654	15,226	15,747	14,122	14,951	13,153
Short-term business claim ratio increased by 10%	16,609	15,180	15,702	14,078	14,907	13,110
Short-term business claim ratio reduced by 10%	16,677	15,249	15,771	14,146	14,976	13,179
Participating Ratio (80/20)	15,125	13,697	14,256	12,631	13,496	11,699
150% of Minimum Solvency Requirement	16,643	14,097	15,737	12,816	14,942	11,687

Table 6.3 The Value of In-Force Business of PICC Health as at 31 December 2011 under Alternative Assumptions

Scenarios	Risk Discount Rate at 9% VIF before CoC	Risk Discount Rate at 9% VIF after CoC	Risk Discount Rate at 10% VIF before CoC	Risk Discount Rate at 10% VIF after CoC	Risk Discount Rate at 11% VIF before CoC	Risk Discount Rate at 11% VIF after CoC
			(Unit: RMB Million)			
Base Scenario	2,454	2,342	2,323	2,200	2,207	2,076
Investment rate of return plus 50 bps	2,916	2,827	2,756	2,655	2,615	2,505
Investment rate of return less 50 bps	1,965	1,829	1,864	1,718	1,774	1,622
Expenses increased by 10%	2,411	2,299	2,281	2,157	2,165	2,034
Expenses reduced by 10%	2,497	2,385	2,366	2,242	2,249	2,117
Lapse rates increased by 10%	2,334	2,234	2,214	2,108	2,107	1,990
Lapse rates reduced by 10%	2,584	2,458	2,441	2,301	2,315	2,168
Mortality increased by 10%	2,444	2,332	2,314	2,191	2,199	2,068
Mortality reduced by 10%	2,464	2,352	2,332	2,209	2,216	2,084
Morbidity increased by 10%	2,439	2,327	2,309	2,186	2,194	2,063
Morbidity reduced by 10%	2,469	2,357	2,337	2,214	2,220	2,089
Short-term business claim ratio increased by 10%	2,157	2,045	2,032	1,908	1,921	1,789
Short-term business claim ratio reduced by 10%	2,718	2,606	2,583	2,460	2,463	2,332
Participating Ratio (80/20)	2,451	2,339	2,320	2,201	2,204	2,073
150% of Minimum Solvency Requirement	2,454	2,217	2,323	2,052	2,207	1,916

Table 6.4 The Value of In-Force Business of PICC Health as at 30 June 2012 under Alternative Assumptions

Scenarios	Risk Discount Rate at 9% VIF before CoC	Risk Discount Rate at 9% VIF after CoC	Risk Discount Rate at 10% VIF before CoC	Risk Discount Rate at 10% VIF after CoC	Risk Discount Rate at 11% VIF before CoC	Risk Discount Rate at 11% VIF after CoC
	(Unit: RMB Million)					
Base Scenario	2,794	2,641	2,654	2,483	2,529	2,344
Investment rate of return plus 50 bps	3,277	3,151	3,109	2,963	2,959	2,797
Investment rate of return less 50 bps	2,309	2,130	2,198	2,002	2,097	1,889
Expenses increased by 10%	2,744	2,591	2,605	2,435	2,481	2,296
Expenses reduced by 10%	2,844	2,691	2,703	2,532	2,576	2,391
Lapse rates increased by 10%	2,671	2,533	2,542	2,387	2,426	2,258
Lapse rates reduced by 10%	2,926	2,757	2,774	2,586	2,638	2,435
Mortality increased by 10%	2,784	2,631	2,644	2,474	2,520	2,335
Mortality reduced by 10%	2,805	2,651	2,664	2,492	2,538	2,352
Morbidity increased by 10%	2,779	2,626	2,640	2,469	2,515	2,330
Morbidity reduced by 10%	2,810	2,657	2,668	2,497	2,542	2,357
Short-term business claim ratio increased by 10%	2,374	2,221	2,244	2,073	2,128	1,942
Short-term business claim ratio reduced by 10%	3,212	3,059	3,062	2,891	2,928	2,743
Participating Ratio (80/20)	2,780	2,627	2,640	2,469	2,516	2,331
150% of Minimum Solvency Requirement	2,794	2,498	2,654	2,318	2,529	2,158

Table 6.5 Value of One Year's New Business for the 12 months prior to 31 December 2011 of PICC Life under Alternative Assumptions

	Risk Discount Rate at 9%		Risk Discount Rate at 10%		Risk Discount Rate at 11%	
Scenarios	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC	V1NB before CoC	V1NB after CoC
			(Unit: RMB Million)			
Base Scenario	4,248	3,922	4,093	3,713	3,952	3,523
Investment rate of return plus 50 bps	4,990	4,720	4,805	4,480	4,636	4,260
Investment rate of return less 50 bps	3,527	3,144	3,401	2,966	3,287	2,804
Expenses increased by 10%	3,874	3,547	3,720	3,340	3,580	3,151
Expenses reduced by 10%	4,623	4,296	4,466	4,086	4,324	3,895
Lapse rates increased by 10%	4,185	3,870	4,038	3,671	3,903	3,488
Lapse rates reduced by 10%	4,327	3,988	4,164	3,769	4,016	3,570
Mortality increased by 10%	4,238	3,912	4,084	3,704	3,943	3,514
Mortality reduced by 10%	4,259	3,932	4,103	3,722	3,961	3,531
Morbidity increased by 10%	4,248	3,921	4,093	3,712	3,952	3,522
Morbidity reduced by 10%	4,249	3,922	4,094	3,714	3,953	3,523
Short-term business claim ratio increased by 10%	4,190	3,863	4,035	3,655	3,894	3,464
Short-term business claim ratio reduced by 10%	4,307	3,980	4,152	3,771	4,011	3,581
Participating Ratio (80/20)	3,522	3,195	3,385	3,005	3,261	2,832
150% of Minimum Solvency Requirement	4,248	3,599	4,093	3,333	3,952	3,089

Table 6.6 Value of One Year's New Business for the 12 months prior to 30 June 2012 of PICC Life under Alternative Assumptions

Scenarios	Risk Discount Rate at 9% V1NB before CoC	Risk Discount Rate at 9% V1NB after CoC	Risk Discount Rate at 10% V1NB before CoC	Risk Discount Rate at 10% V1NB after CoC	Risk Discount Rate at 11% V1NB before CoC	Risk Discount Rate at 11% V1NB after CoC
			(Unit: RMB Million)			
Base Scenario	4,881	4,403	4,671	4,118	4,481	3,859
Investment rate of return plus 50 bps	5,824	5,410	5,568	5,076	5,335	4,772
Investment rate of return less 50 bps	3,957	3,414	3,793	3,178	3,644	2,963
Expenses increased by 10%	4,534	4,056	4,326	3,772	4,137	3,515
Expenses reduced by 10%	5,227	4,749	5,016	4,463	4,824	4,203
Lapse rates increased by 10%	4,790	4,327	4,590	4,054	4,408	3,805
Lapse rates reduced by 10%	4,982	4,487	4,761	4,189	4,562	3,919
Mortality increased by 10%	4,871	4,393	4,662	4,109	4,472	3,851
Mortality reduced by 10%	4,891	4,412	4,680	4,126	4,489	3,867
Morbidity increased by 10%	4,880	4,402	4,670	4,117	4,480	3,858
Morbidity reduced by 10%	4,881	4,403	4,672	4,118	4,481	3,859
Short-term business claim ratio increased by 10%	4,818	4,340	4,608	4,055	4,418	3,796
Short-term business claim ratio reduced by 10%	4,943	4,465	4,734	4,180	4,543	3,922
Participating Ratio (80/20)	4,191	3,713	3,999	3,446	3,826	3,204
150% of Minimum Solvency Requirement	4,881	4,040	4,671	3,693	4,481	3,377

Table 6.7 Value of One Year's New Business for the 12 months prior to 31 December 2011 of PICC Health under Alternative Assumptions

Scenarios	Risk Discount Rate at 9% V1NB before CoC	Risk Discount Rate at 9% V1NB after CoC	Risk Discount Rate at 10% V1NB before CoC	Risk Discount Rate at 10% V1NB after CoC	Risk Discount Rate at 11% V1NB before CoC	Risk Discount Rate at 11% V1NB after CoC
			(Unit: RMB Million)			
Base Scenario	885	850	846	806	811	768
Investment rate of return plus 50 bps	1,013	985	965	933	923	887
Investment rate of return less 50 bps	758	714	727	680	699	649
Expenses increased by 10%	861	825	822	782	787	744
Expenses reduced by 10%	910	874	870	831	835	792
Lapse rates increased by 10%	849	817	813	778	781	742
Lapse rates reduced by 10%	925	885	882	838	843	796
Mortality increased by 10%	883	847	844	804	809	766
Mortality reduced by 10%	888	852	848	809	813	770
Morbidity increased by 10%	882	846	843	803	808	765
Morbidity reduced by 10%	889	853	849	810	814	771
Short-term business claim ratio increased by 10%	756	721	720	680	687	644
Short-term business claim ratio reduced by 10%	1,014	979	973	933	935	892
Participating Ratio (80/20)	882	847	843	804	808	766
150% of Minimum Solvency Requirement	885	808	846	759	811	715

Table 6.8 Value of One Year's New Business for the 12 months prior to 30 June 2012 of PICC Health under Alternative Assumptions

Scenarios	Risk Discount Rate at 9% V1NB before CoC	Risk Discount Rate at 9% V1NB after CoC	Risk Discount Rate at 10% V1NB before CoC	Risk Discount Rate at 10% V1NB after CoC	Risk Discount Rate at 11% V1NB before CoC	Risk Discount Rate at 11% V1NB after CoC
			(Unit: RMB Million)			
Base Scenario	785	754	759	724	735	696
Investment rate of return plus 50 bps	871	846	841	812	814	781
Investment rate of return less 50 bps	699	662	677	636	656	611
Expenses increased by 10%	754	724	729	694	705	666
Expenses reduced by 10%	815	785	789	754	764	725
Lapse rates increased by 10%	762	733	737	705	715	679
Lapse rates reduced by 10%	810	776	782	744	756	714
Mortality increased by 10%	783	753	757	722	733	694
Mortality reduced by 10%	787	756	760	725	736	697
Morbidity increased by 10%	783	752	757	722	733	694
Morbidity reduced by 10%	787	756	761	726	737	697
Short-term business claim ratio increased by 10%	598	567	576	541	557	517
Short-term business claim ratio reduced by 10%	972	942	942	906	913	874
Participating Ratio (80/20)	771	740	745	710	722	683
150% of Minimum Solvency Requirement	785	720	759	684	735	651

7. Movement Analysis

Table 7.1 and 7.2 respectively show the analysis of Embedded Value movement from 31 December 2010 to 31 December 2011 and from 31 December 2011 to 30 June 2012 based on 10% risk discount rate.

Table 7.1 Analysis of Embedded Value Movement from 31 December 2010 to 31 December 2011

No	Description	PICC Life	PICC Health
		(Unit: RMB Million)	
1	Embedded Value as at 31 December 2010	**15,232**	**2,538**
2	New Business Contribution	3,993	818
3	Expected Return	1,295	169
4	Non-Economic Operating Experience Variances	(1,584)	(456)
5	Economic Operating Experience Variances	(7,689)	(1,455)
6	Non-Economic Assumption Changes	198	93
7	Economic Assumption Changes	400	182
8	Capital Change and Market Value Adjustment	10,838	1,018
9	Embedded Value as at 31 December 2011	**22,685**	**2,907**

Note: Figures may not add up due to rounding.

Explanations to above items 2 to 8:

2. The contribution of new business sold in 2011 to the embedded value as at 2011 year end.

3. The expected return in 2011 arising from the in-force business and adjusted net worth at 2010 year end.

4. The variances in 2011 between the non-economic assumptions of expenses, lapses, mortality, morbidity and etc. and the actual operating experiences, which are mainly caused by the difference between expense assumption and actual operating experience.

5. The variances in 2011 between the economic assumptions of investment return and etc. and the actual operating experiences, which are mainly caused by the market value volatility in equity and mutual fund investment.

6. The impact on Embedded Value due to the changes in non-economic assumptions from 2010 year end to 2011 year end.

7. The impact on Embedded Value due to the changes in economic assumptions from 2010 year end to 2011 year end.

8. The impact on Embedded Value due to capital changes and the changes in market value adjustments of the Adjusted Net Worth during 2011.

Table 7.2 Analysis of Embedded Value Movement from 31 December 2011 to 30 June 2012

No	Description	PICC Life	PICC Health
		(Unit: RMB Million)	
1	Embedded Value as at 31 December 2011	**22,685**	**2,907**
2	New Business Contribution	2,416	547
3	Expected Return	832	98
4	Non-Economic Operating Experience Variances	(743)	(329)
5	Economic Operating Experience Variances	2,040	143
6	Non-Economic Assumption Changes	1,571	45
7	Economic Assumption Changes	(129)	—
8	Capital Change and Market Value Adjustment	(40)	(33)
9	Embedded Value as at 30 June 2012	**28,631**	**3,378**

Note: Figures may not add up due to rounding.

Explanations to above items 2 to 8:

2. The contribution of new business sold in the first half year of 2012 to the embedded value as at the end of June 2012.

3. The expected return in the first half year of 2012 arising from the in-force business and adjusted net worth at 2011 year end.

4. The variances in the first half year of 2012 between the non-economic assumptions of expenses, lapses, mortality, morbidity and etc. and the actual operating experiences, which are mainly caused by the difference between expense assumption and actual operating experience.

5. The variances in the first half year of 2012 between the economic assumptions of investment return and etc. and the actual operating experiences, which are mainly caused by the market value volatility in equity and mutual fund investment.

6. The impact on Embedded Value due to the changes in non-economic assumptions in the first half year of 2012. For PICC Life, it is mainly caused by a new service starting from the first half year of 2012 to policyholders of accruing interest on the maturity benefit.

7. The impact on Embedded Value due to the changes in economic assumptions in the first half year of 2012.

8. The impact on Embedded Value due to capital changes and the changes in market value adjustments of the Adjusted Net Worth during the first half year of 2012.

8. **Reliance and Limitation**

In carrying out our work, we have relied upon information supplied to us by PICC Group, PICC Life and PICC Health at 30 June 2012 and before, as well as the information from public sources.

In particular, we have relied on the following information:

- Data record of PICC Life and PICC Health insurance policies in force as at 31 December 2010, 31 December 2011 and 30 June 2012;
- Data record of PICC Life and PICC Health long-term business insurance policies issued during the period from 31 December 2010 to 31 December 2011 and from 1 July 2011 to 30 June 2012;
- Data record of PICC Life and PICC Health short-term business premium income during the period from 31 December 2010 to 31 December 2011 and from 1 July 2011 to 30 June 2012;
- Description and the related information on product features, terms and conditions, including cash surrender values, administrative charges, premium rates and persistency bonuses;
- Information on the mortality rates, morbidity rates, expense loading and commission loading used in pricing;
- Information on the calculation basis of statutory reserve and cash surrender value;
- Information regarding reinsurance arrangements and terms and conditions;
- Statistical data and experience investigations relating to the current and historical operating experience of PICC Life and PICC Health;
- Information on the expenses and commissions incurred by PICC Life and PICC Health in the past;
- Regulatory reports, forms and supporting valuation information of PICC Life and PICC Health submitted to regulators in 2010, 2011 and the first half year of 2012;
- Information on investment assets, including asset mix, investment return, market value and book value, of PICC Life and PICC Health as at 31 December 2010, 31 December 2011 and 30 June 2012;
- Information on current and future investment strategies of PICC Life and PICC Health;
- Information regarding the accrued interest service on maturity benefit provided by PICC Life, including reports to CIRC, internal operation standard, sample information of corresponding policies, etc.;
- Information on the practices of PICC Life and PICC Health in determining participating policyholder dividend, crediting rates, the total amount of participating dividend deposited in the companies and dividend collection mode;
- The audited balance sheets, income statements and solvency reports of PICC Life and PICC Health as at 31 December 2010, 31 December 2011 and 30 June 2012;
- Information regarding the value of policy reserves on solvency reporting basis and financial reporting basis by product for PICC Life and PICC Health as at 31 December 2010, 31 December 2011 and 30 June 2012; and
- The 2010 and 2011 verification reports on the corporate income tax filing of PICC Life and PICC Health.

We have reviewed the reasonableness of certain information provided to us and compared them against our understanding of the insurance industry in China. It should be noted that our scope of work does not include independent verification or audit of the accuracy and completeness of the policy data and other information provided to us.

Our scope of work does not include reviewing the fair value of the asset portfolio of PICC Life and PICC Health, nor the adequacy of provisions in the balance sheets.

The results contained in this report only considered the claims made by policyholders in the normal course of business. We have not intended to determine the impact on the valuation results of PICC Life and PICC Health brought by any other claims.

The results presented in this report are not intended to imply any direct reflection of market value or potential transaction value, nor do they represent an estimate of the whole or part of the fair value of PICC Life and PICC Health. The actual market value is determined by investors based on a range of the information they obtain and their own criteria of investment standard.

The results illustrated in this report are based on a range of assumptions regarding future. The actual outcome in the future can be different from the illustrated results due to changes in the competition environment, economic environment and random fluctuation. We do not guarantee that the future experience will be the same as the assumptions.

Readers should consider all contents of this report in full, as a section or several sections in isolation do not provide sufficient information to lead to proper conclusion.

For Deloitte Consulting (Shanghai) Co. Ltd., Beijing Branch

Eric Lu
Principal of Deloitte Actuarial and Insurance Solutions

Taxation

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change.

The PRC

The following is a summary of certain PRC tax provisions relating to the ownership and disposition of H Shares purchased in connection with the Global Offering. This summary does not purport to address all material tax consequences of the ownership and disposition of H Shares, and does not take into account the specific circumstances of any particular investor. This summary is based on the tax laws of the PRC as in effect on the date of this prospectus, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This discussion does not address any aspect of PRC taxation other than income taxation, stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC tax consequences of owning and disposing of H Shares.

Dividends

Individual investors. According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) ("IIT Law"), as amended, and its implementation rules, dividends paid by PRC companies are ordinarily subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular On the Individual Income Tax Matters after the Repeal of No. Guo Shui Fa [1993]045 Circular (No. Guo Shui Han [2011]348) issued by the State Administer of Taxation ("SAT") on June 28, 2011 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知), the receipt of dividends on our H Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises shareholders. In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), (the "EIT Law"), and the Provision of Implementation for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知, Guo Shui Han [2008] No.897) issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends distributed out of profit generated after January 1, 2008. The Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding B-shares (國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復, Guo Shui Han

[2009] No.394) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-resident enterprises. Such tax rate may be reduced pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Capital gains

Individual shareholders. In accordance with the IIT and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. The implementation rules also provide that the MOF shall draft measures for collection of individual income tax from income on the transfer of shares, and such measures are subject to the approval of the State Council. However, as of the Latest Practicable Date, no such measures have been drafted and enacted. Under the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知, Cai Shui Zi [1998] No. 61) issued by MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the IIT Law on December 29, 2007 and its implementing rules on February 18, 2008, the SAT has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, on December 31, 2009, MOF, SAT and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知, Cai Shui [2009] No. 167), which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on November 10, 2010). As of the Latest Practicable Date, no legislation has expressly provided individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, and in practice such tax has not been collected by the PRC tax authorities.

Enterprise shareholders. In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC-resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise in the PRC. As of the Latest Practicable Date, no legislation has expressly provided that enterprise income tax shall be collected from non-Chinese resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchanges. However the possibility cannot be entirely excluded that taxation administrations will seek to collect enterprise income tax on such income in the future. In addition, such tax may be exempted in China if the tax treaty or agreement that China concluded with relevant jurisdictions, where applicable, states that China may not tax capital gains.

Additional PRC tax considerations

PRC stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例) and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), both effective on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of our H Shares outside of the PRC, as PRC stamp duty is imposed on documents that are legally binding in the PRC and protected under PRC law.

Estate duty. China does not have estate duty so far, thus non-PRC nationals holding H Shares is not subject to estate duty in China.

Hong Kong

Tax on dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax, which is currently imposed at a rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses.

Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and payable by the transferee.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In 1994, the conditional convertibility of Renminbi in current account items was implemented and the official Renminbi exchange rate and the market rate for Renminbi was unified. On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the "Control of Foreign Exchange Regulations") which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 5, 2008. The latest amended Control of Foreign Exchange Regulations clarifies that the State shall not restrict international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolish the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

Since January 1, 1994, the former dual exchange rate system for Renminbi has been abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply. The PBOC set and published daily the Renminbi-US dollar base exchange rate which was permitted to float to a certain extent in foreign exchange transactions.

On July 21, 2005, the PBOC announced that effective on the same date, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, setting the central parity for trading of the Renminbi on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the

State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

All foreign exchange income generated from current account transactions of PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange pursuant to relevant rules and regulations of the State. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks, but may be deposited into foreign exchange accounts at the designated foreign exchange banks.

PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which in accordance with regulations are required to pay dividends to shareholders in foreign exchange (like us), may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and Hong Kong Companies Ordinance and additional regulatory provisions introduced by the Hong Kong Stock Exchange in relation to PRC joint stock limited companies. The principal objective is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing insurance-related activities, see the section entitled "Supervision and Regulation."

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomy regulations, rules and regulations of State Council departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court case verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the relevant provinces or autonomous regions but such local regulations shall conform with the constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The ministries, commissions, People's Bank of China, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws（全國人民代表大會常務委員會關於加强法律解釋工作的決議）passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and have the power to organize other divisions as needed such as the intellectual property division. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (中華人民共和國民事訴訟法), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request enforcement of the judgment, order or award. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or non-compliance with social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- The PRC Company Law, which was promulgated by the Standing Committee of the NPC on December 29, 1993, took effect on July 1, 1994 and was revised as of December 25, 1999, August 28, 2004 and December 27, 2005 respectively;
- The Special Regulations, which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law; and
- The Mandatory Provisions, which were jointly promulgated by the Securities Committee and the State Restructuring Commission on August 27, 1994, and must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing.

Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

Incorporation

A joint stock limited company may be incorporated by a minimum of two promoters while its maximum thereof is 200, and at least half of the promoters must have residences within the PRC. A company incorporated under the PRC Company Law as a joint stock limited company has the status of a legal person and that its registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

Under the PRC Company Law, a joint stock limited company may invest in other enterprises, provided that it may not be a contributor that undertakes joint and several liabilities for the debts of the enterprises it invests in, unless otherwise provided for by law.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method must file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters must be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issuance and Trading of Shares (股票發行與交易管理暫行條例) promulgated by the State Council on April 22, 1993 (which is only applicable to issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company should be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the promoters may make capital contributions in cash, in kind or by way of injection of assets, intellectual property rights, land use rights or other transferable non-cash property based on their appraised value. The amount of investment made in cash by all shareholders may not be less than 30% of the registered capital of the company. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued must be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued must be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities under the State Council, it must publish a prospectus and financial accounts, and prepare the share subscription form. After the new share issuance has been paid up, the change must be registered with the company registration authorities and an announcement must be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital must be approved by shareholders' general meeting;
- it shall inform our creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it must apply to the relevant registration authority the registration of the reduction in registered capital; and
- the reduced registered capital cannot be lower than the statutory minimum registered capital requirements.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies in a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares purchased in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such purchase shall be financed by funds appropriated from the company's profit after tax, and the shares so purchased shall be transferred to the company's employees within one year.

Transfer of Shares

The shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders must be carried out at a lawfully established securities exchange or in other manners stipulated by the State Council. No modifications of registration in the share register caused by transfer of shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, whereas there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, or six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of debentures, minutes of shareholder's general meetings, resolutions of board of directors, resolutions of board of supervisors and financial statements and to make proposals or enquires of the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining assets of the company in accordance with the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, we are required to hold an extraordinary shareholders' general meeting within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;

- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, written notice shall be delivered to all the registered shareholders 45 days before the meeting, and the matters to be considered at and time and venue of the meeting shall be specified. The confirmation letters of our shareholders planning to attend the meeting shall be delivered to us 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders' constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered at and time and venue of the meeting to our Shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to Special Regulations, modification or abrogation of rights conferred to any class of shareholders must be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters must be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, separation, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign on the minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. Directors shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the statutory requirement.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim Board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors must be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be relieved from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the liquidation of the company or enterprise;
- a person who has been a legal representative of an enterprise that has had its business license revoked because of unlawful operations and has been ordered to close down by law and the person was personally responsible for such revocation or close down, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debt which has not been repaid when due.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one-third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management officers may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the board of supervisors meetings. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the board of supervisors meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisors being less than the statutory requirement.

The board of supervisors exercises the following powers:

- to review the company's financials;
- to supervise the directors and senior management officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;
- when the acts of directors and senior management officers are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- make proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management officers; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Manager and Senior Management Officers

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business plans and investment proposals;
- formulate the basic administration system of the company;
- formulate the company's detailed rules;
- recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the manager's powers shall also be complied with. The manager shall be in attendance at board meetings.

According to the PRC Company Law, senior management officers shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management Officers

Directors, supervisors and senior management officers of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management officers are prohibited from abusing their powers to accept bribes or other unlawful income and from embezzlement of the company's properties. Directors and senior management officers are prohibited from:

- misappropriation of company capital;
- depositing company capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess the commissions paid by others for transactions conducted with the company;
- unauthorized disclosure of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to PRC Company Law, the company shall deliver its financial statements to all the shareholders within the time limit stipulated in the articles of association and make its financial statements available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial statements.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed by the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund must be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the finance authority of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

Our reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund cannot be applied to make good the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firms

Pursuant to PRC Company Law, the appointment or dismissal of accounting firms responsible for the audit business of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm that we employ without any refusal, withholding and misrepresentation.

The Special Regulations requires us to employ an independent accounting firm complying with the relevant regulations to audit our annual report and review and check our other financial reports. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and our Articles of Association. The amendment of articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council. It must process the registration of changes involving matters of company registration in accordance with laws.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding our shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and that the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of our articles of association in accordance with provisions set out above shall require approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of our properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and our debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that we do not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to our registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas Listing

According to the Special Regulations, a company must obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issues within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a share certificate in registered form is either lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. The people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of our shares and disclosure of information by us. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004 and October 27, 2005, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994 and became effective on September 1, 1995. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that whenever any disputes or claims arise (i) between holders of shares and the issuer; and (ii) between holders of shares and the issuer's directors, supervisors, manager or other senior management officers. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention must be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. Under the arrangement, awards made by PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, Hong Kong arbitration awards are also enforceable in China.

FOREIGN EXCHANGE CONTROL

The foreign exchange control legal system mainly include in the PRC (i) the PRC Foreign Exchange Control Regulations (中華人民共和國外匯管理條例), which were promulgated by the State Council on January 29 , 1996, became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008, and (ii) the Regulations on Foreign Exchange Settlement, Sale and Payments (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on June 20, 1996 and became effective on July 1, 1996.

Foreign exchange revenue under the current account may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities must be obtained, unless otherwise provided by the State.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital, is incorporated and will become an independent corporate existence after the company's registrar of Hong Kong has issued a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Under the PRC Company Law, the monetary contributions by all the promoters of a joint stock company must not be less than 30% of the registered capital.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or nonmonetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, A shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Similarly, directors, supervisors and the senior management of such company cannot transfer their shares within one year from the day when the shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of an acquisition of shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management Officers and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the Company's best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by a shareholders' general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions provide certain remedies against the directors, supervisors and senior management officers who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, a quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory

Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company must within five days notify its shareholders again by way of a public announcement and may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law a company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, it must publish its financial report. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

When the Mandatory Provisions apply, the relevant companies is required to establish its financial and accounting system in accordance with PRC accounting standards. In addition to preparing accounts according to PRC standards, the company should have accounts prepared in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Hong Kong Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Hong Kong Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after tax profits of a company are subject to deductions of contributions to the statutory reserve fund of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Hong Kong Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or senior management officer).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

A listed company is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of its financial results for the first full financial year commencing after the Listing Date, to provide it with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the listed company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the listed company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the listed company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the listed company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong. Such report will normally be required to conform to either HKFRS or IFRS.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time the listed company issues securities other than the shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that all of its shares must be held by the public. The shares must represent not less than 15% of its total issued share capital and the aggregate number of its shares and other securities held by the public must constitute not less than 25% of our total issued share capital.

Independent Non-Executive Directors and Supervisors

Independent non-executive Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the Articles of Association, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. It must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which directors are aware, if any. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required to the extent that the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and foreign shares as at the date of the passing of the relevant special resolution, or such shares are issued as part of our plan at the time of our establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee or such other competent state council securities regulatory authorities.

Supervisors

A listed company is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or the subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A listed company may not permit or cause any amendment to its articles of association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A listed company is required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by its shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and (if any) supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the PRC SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management officer and it (acting both for the company and for each director, supervisor, manager and other senior management officer), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management officer whereby such directors and senior management officers undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management Officers and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management officer containing at least the following provisions:

- an undertaking by the director or senior management officer to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management officer to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior management officers and between a holder of shares and a director or senior management officer, such differences or claims will be referred to arbitration at either the CIETAC in accordance

with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

The relevant company is required to enter into a contract in writing with every supervisor containing terms substantially similar to those for directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws must govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and must be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing. Upon listing on the Hong Kong Stock Exchange, companies listed on the Hong Kong Stock Exchange be subject to the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal must, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal must order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in the paragraph entitled "Documents Available for Inspection" in the section entitled "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, a copy of the Articles of Association, together with an English translation, is available for inspection.

Our Articles of Associations were adopted by our Shareholders' general meeting on May 14, 2012, with amendments adopted by our Shareholders' general meeting on June 14, 2012 and November 21, 2012.

Directors and Senior Officers

The Board is accountable to the shareholders' general meeting. The Board shall carry out its duties in compliance with laws, regulations, other regulatory documents, the Articles of Association and resolutions passed by the shareholders' general meeting.

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue our Company's shares.

To increase the capital of our Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws, regulations and other regulatory documents.

Power to Dispose of the Assets of our Company

The Board shall only dispose of the Company's assets within the scope of the shareholders' mandate.

The Board shall not, without the prior approval of or consent at the shareholders' general meeting, dispose or agree to dispose of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposition and the value of the consideration for any disposition of any fixed assets that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed by the shareholders' general meeting. The validity of a transaction for the disposition by our Company of fixed assets shall not be affected by the breach of the aforesaid requirements.

For the purposes of the Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in certain assets but does not include the provision of security by way of fixed assets.

Emoluments, Compensation or Payments for Loss of Office

With the prior approval at a shareholders' general meeting, the Company shall sign written contracts with its Directors and Supervisors concerning his/her emoluments. Such emoluments includes:

- emoluments in respect of his/her service as a Director, Supervisor, president and other senior management officer of our Company;

- emoluments in respect of his/her service as a Director, Supervisor, president and other senior management officer of a subsidiary of our Company;
- remuneration otherwise in connection with the provision of other services to manage our Company or any subsidiary thereof; and
- compensation for his/her loss of office or retirement as a Director or Supervisor.

Except for the aforesaid contracts, a Director or Supervisor shall not file any lawsuit against the Company for the benefits they shall obtain for the foregoing matters.

In the contract for emoluments entered into by our Company with a Director or Supervisor, it shall be provided that such Director or Supervisor has the right to receive, in connection with the takeover of our Company and subject to the prior approval of the shareholders' general meeting, compensation or other payments for loss of office or retirement from office. A takeover of our Company means either of the following circumstances:

- an offer is made to all shareholders of the Company; or
- an offer is made such that the offeror will become the controlling shareholder of the Company (as defined in the Articles of Association).

If the relevant Director or Supervisor does not comply with the above requirements, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

Loans to Directors, Supervisors and Other Officers

Our Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to our Directors, Supervisors, president or other senior management officers, or any of their respective associates. However, the following transactions are not subject to such prohibition:

- the provision by our Company of a loan or a guarantee of a loan to a subsidiary of our Company;
- the provision by our Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of our Directors, Supervisors, president, and other senior management officers to meet expenditure incurred by him for the purposes of our Company or for the purpose of enabling him to perform his duties, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and
- our Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the relevant Directors, Supervisors, president, and other senior management officers or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of our Company includes the lending of money or the giving of guarantees.

A loan made by our Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by our Company in breach of the above prohibitions shall be unenforceable against our Company, unless:

- at the time when the loan was provided to an associate of any of the Directors, Supervisors, president, and other senior management officers of our Company, the lender did not know the relevant circumstances; or
- the collateral provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor. The definition of an associate as referred to in subsection "Duties" below applies, mutatis mutandis, to this provision.

Financial Assistance for the Acquisition of Shares in our Company or any Subsidiary

Subject to the exceptions in the Articles of Association, our Company and its subsidiaries shall not, by any means at any time, provide any form of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire our Company's shares. The said acquirer of our Company's shares includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of our Company's shares. Our Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

- the provision of financial assistance by our Company is given in good faith in the interest of our Company, and the principal purpose in giving the financial assistance is not for the acquisition of our Company's shares, or the giving of the financial assistance is an incidental part of a plan of our Company;
- the lawful distribution of our Company's assets by way of dividend;
- the allotment of bonus shares of our Company as dividends;
- a reduction of registered capital, a repurchase of our Company's shares or a reorganization of the share capital structure of our Company effected in accordance with the Articles of Association; and
- the lending of money by our Company within its scope of business, where the lending of money is part of the scope and in the ordinary course of business of our Company (provided that the net assets of our Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- "financial assistance" includes (without limitation) the following meanings:
  - (i) gift;
  - (ii) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of our Company's own default), release or waiver of any rights;
  - (iii) provision of loan or agreement under which the obligations of our Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights arising under, such loan or agreement; and
  - (iv) any other form of financial assistance given by our Company when our Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

- "incurs an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with our Company or any of its Subsidiaries

Where a Director, Supervisor, president, or other senior management officer of our Company is in any way, directly or indirectly, have a material affiliated relationship (as defined in the Articles of Association) in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than his contract of service with our Company), he shall declare the nature and extent of his affiliated relationship to the Board at the earliest opportunity, whether or not the relevant matters therefor is otherwise subject to the approval of the Board under normal circumstances.

Unless the Director, Supervisor, president, or other senior management officer having the affiliated relationship discloses his affiliated relationship in accordance with the Articles of Association and the relevant matter is approved at a meeting of the Board of Directors in which the interested Director, Supervisor, president, or other senior management officer is not counted in the quorum and refrains from voting, a contract, transaction or arrangement is voidable by our Company except against a bona fide party thereto acting without notice of the breach of duty by the relevant Director, Supervisor, president, or other senior management officer.

A Director, Supervisor, president, or other senior management officer of our Company is deemed to have an affiliated relationship in a contract, transaction or arrangement in which an associate of him has an affiliated relationship.

Where a Director, Supervisor, president, or other senior management officer of our Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he has an affiliated relationship in contracts, transactions or arrangements of any description which may subsequently be made by our Company, such notice shall be deemed to be a sufficient declaration of his affiliated relationship, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of our Company.

Where a Director or any connected person (as defined in the Listing Rules) of a Director has material interests or affiliated relationship in a matter to be resolved by the Board, such Director(s) shall not be counted as quorum, shall abstain from voting on such resolution(s) and shall not vote on behalf of other Directors unless otherwise specified in laws, regulations, regulatory documents or relevant provisions of the securities regulatory authority at the place where the shares of the Company are listed.

Such resolutions shall be passed by more than one-half of the votes of the Directors who have no affiliated relationship in the resolutions.

Where the number of Directors who have no affiliated relationship attending the board meeting is less than three, the Board shall promptly refer such resolution(s) to shareholders' general meeting. Upon such referral, the Board should explain the circumstances of review of the Board on such resolution(s) and record the views expressed by the Directors who have no affiliated relationship on such resolution(s).

Remuneration

The remuneration of Directors must be approved at the shareholders' general meeting.

Appointment, Removal and Retirement

The term of office of the chairman and the other Board members shall not be more than three years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by ordinary resolution (other than the removal of the independent Directors which shall be by special resolution) in a shareholders' general meeting (provided that the shareholders' general meeting comply with laws and regulations and subject to claims under any contract by the removed Director).

In addition, the Board or shareholders, individually or in the aggregate, holding 5% or more of our Company's shares have the right to nominate a candidate to be elected as a Director at the shareholders' general meeting.

The appointment of a Director nominated under the above paragraph shall take effect when the shareholders resolution effecting such appointment is passed and the Director's qualifications are approved by the CIRC.

The Board shall consist of 14 Directors. The number of the Board of Directors shall be determined at a shareholders' general meeting, which no less than one-third shall be independent Directors. The Board shall have one chairman who shall be elected and removed by a majority of the Directors. A Director is not required to hold shares of our Company.

A person may not serve as a Director, Supervisor, president, or any other senior management officer of our Company if any of the following circumstances apply:

- a person without legal capacity or with restricted legal capacity;
- a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders; or who has been deprived of his political rights, in each case where not more than five years have elapsed since the date of the completion of such punishment or deprivation;
- a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and he is personally liable for the insolvency of such company or enterprise, where not more than three years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;
- a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of law and who incurred personal liability, where not more than three years has elapsed since the date of the revocation of the business license;
- a person who has a relatively large amount of debts due and outstanding;
- a person who has been sentenced to any other criminal penalty of other offences where not more than three years have elapsed since the date of completion of such punishment;
- a person who has his qualification cancelled or revoked by a financial regulatory department, where not more than five years has elapsed since the date of the cancellation or revocation of his qualification;
- a person who has been barred from entering into the market by a financial regulatory department, where not more than five years has elapsed since the date of the bar.
- a person who has been removed from public office by a government department, where not more than five years has elapsed since the date of removal from public office;
- a person who is a former lawyer, certified public accountant or professional of an asset valuation or certification bodies, etc., whose professional qualification has been revoked because of a breach of law or disciplinary conduct, where not more than five years have elapsed since the date of the revocation of his professional qualification;
- a person who is convicted of contravention of relevant securities regulations provisions by a relevant regulatory authority, and such conviction involves a fraudulent act or dishonesty, where not more than five years has elapsed since the date of the conviction;

- a person who was subject to administrative penalty by the CIRC in form of a warning or fine within one year immediately preceding the application for the approval of his qualification;
- a person who was subject to material administrative penalty by an administrative management department other than CIRC, where not more than two years have elapsed since the date of the material administrative punishment;
- a person who is investigated by a judicial or disciplinary body, inspection department, the CIRC or other dispatched body because of suspected involvement in serious illegal activity, which investigation is not yet concluded;
- a person who has been sentenced to any criminal penalty in Hong Kong, Macau, Taiwan or outside of the PRC, where not more than five years since the completion of such punishment have elapsed or, in case of administrative punishment due to a serious violation of law, where not more than three years have lapsed since the date of the completion of such administrative punishment;
- a non-natural person; or
- a person of whom laws, regulations, other regulatory documents, the CIRC and other regulatory bodies deem not appropriate to act as a Director, Supervisor, president or other senior management officer.

The validity of an act of a Director, president, or other senior management officer on behalf of our Company is not, vis-a-vis a bona fide third party, affected by any non-compliance in his office, election or his qualification.

Duties

In addition to obligations imposed by laws, regulations or listing rules of the stock exchange on which our Company's shares are listed, each of our Company's Directors, Supervisors, president, and other senior management officers owes a duty to each shareholder, in the exercise of the functions and powers of our Company entrusted to him:

- not to cause our Company to exceed the scope of the business stipulated in its business license;
- to act honestly in the best interest of our Company;
- not to expropriate in any guise our Company's property, including (without limitation) usurpation of opportunities advantageous to our Company; and
- not to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of our Company submitted to shareholders' general meeting for approval in accordance with the Articles of Association.

Each of our Directors, Supervisors, president, and other senior management officers owes a duty, in the exercise of his powers or discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances.

Each of our Directors, Supervisors, president, and other senior management officers shall carry out his duties in accordance with fiduciary principle and shall not put himself in a position where his duties and his interests may conflict. This principle includes (without limitation) discharging the following obligations:

- to act honestly in the best interests of our Company;
- to exercise powers within the scope of his powers and not to exceed those powers;

- to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, regulations or with the informed consent of the shareholders given in shareholders' general meeting, not to delegate the exercise of his discretion;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles of Association or with the informed consent of shareholders given in shareholders' general meeting, not to enter into any contract, transaction or arrangement with our Company;
- without the informed consent of shareholders given in shareholders' general meeting, not to use our Company's property for his own benefit in any form;
- not to exploit his position to accept bribes or other illegal income or expropriate our Company's property by any means, including (without limitation) opportunities advantageous to our Company;
- without the informed consent of shareholders given in shareholders' general meeting, not to accept commissions in connection with our Company's transactions;
- to abide by the Articles of Association, faithfully execute his official duties and protect our Company's interests, and not to exploit his position and power in our Company to advance his own private interests;
- not to compete with our Company in any form unless with the informed consent of the shareholders given in shareholders' general meeting;
- not to misappropriate our Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of our Company's assets and not to provide a guarantee for debts of a shareholder of our Company or other individual(s) with our Company's assets; and
- unless with the informed consent of the shareholders given in shareholders' general meeting, to keep in confidence confidential information regarding our Company acquired by him in the course of and during his tenure and not to use the information other than in furtherance of the interests of our Company, save that disclosure of such information to the court or other governmental authorities is permitted if:
  - (i) disclosure is required by law;
  - (ii) disclosure is required for public interest;
  - (iii) the interests of the relevant Director, Supervisor, president, or other senior management officer require disclosure.

Each Director, Supervisor, president, or other senior management officer of our Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that Director, Supervisor, president, or other senior management officer;

(2) a person acting in the capacity of trustee of that Director, Supervisor, president, or other senior management officer or any person referred to in the preceding paragraph (1);

(3) a person acting in the capacity of partner of that Director, Supervisor, president, or other senior management officer or any person referred to in paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor, president, or other senior management officer, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) above, or other Directors, Supervisors, president, and other senior management officers, have a de facto controlling interest; and

(5) the directors, supervisors, president, and other senior management officers of the controlled company referred to in paragraph (4).

The fiduciary duties of the Directors, Supervisors, president, and other senior management officers of our Company do not necessarily cease upon termination of their tenure. The duty to keep confidential trade secrets of our Company survives the termination of their tenure. The continuous period of other duties must be decided according to the principle of fairness, depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and our Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, president or other senior management officer of our Company is in breach of his duties to our Company, our Company has a right to:

- claim damages from the relevant Director, Supervisor, president, or other senior management officer in compensation for losses incurred by our Company as a result of his negligence;
- rescind any contract or transaction entered into by our Company with the Director, Supervisor, president or other senior management officer or with a third party (where the third party knows or should know that there is a breach of obligation by such Director, Supervisor, president, or other senior management officer);
- demand a surrender of profits made by the Director, Supervisor, president, or other senior management officer in breach of his duties;
- recover any funds received by the Director, Supervisor, president, or other senior management officer which should have been received by our Company, including (without limitation) commissions; and
- demand return of the interest earned or which may have been earned by the Director, Supervisor, president, or other senior management officer on funds that should have been paid to our Company

Subject to the Articles of Association, a Director, Supervisor, president, or other senior management officer of our Company may be relieved from liability for specific breaches of his duties by the informed consent of the shareholders' general meeting, except under the following circumstances:

- other than obligated by laws, regulations, other regulatory documents or relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, the controlling shareholders, when exercising his rights as a shareholder, shall not vote to bring about decisions that would impair the interest of all or part of the shareholders on the following matters:

  (i) to release the obligation of Directors and Supervisors to act honestly in the best interest of our Company;

  (ii) to allow Directors and Supervisors for the interest of themselves or others, to expropriate our Company's property, including (without limitation) opportunities advantageous to our Company; and

  (iii) to allow Directors and Supervisors for the interest of themselves or others, to expropriate the individual rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of our Company submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

- acting alone or in concert with others, has the right to elect half or more of the Directors;

- acting alone or in concert with others, has the right to exercise or control the exercise of 30% or more of the voting rights of our Company;
- acting alone or in concert with others, holds 30% or more of the issued shares of our Company; and
- acting alone or in concert with others, can de facto control our Company in any other manners.

Alterations to Constitutional Documents

The amendments to the Articles of Association as approved in shareholders' general meeting shall be reported to and approved by the competent authority, any registration by the Company for such amendments according to law shall be so registered.

The Board of Directors shall amend the Articles of Association in accordance with the resolution in relation to the amendments of the Articles of Association passed at a shareholders' general meeting and the opinion given by the relevant competent authority.

The amendments of the Articles of Association which fall to be the information required to be disclosed pursuant to laws, regulations and other regulatory documents shall be so disclosed accordingly.

Variation of Rights of Existing Shares or Classes of Shares

Rights conferred on any class of shareholders in the capacity of shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of that affected class of shares at a separate meeting conducted in accordance with the Articles of Association.

Shareholders who owns 5% or more of our Company's shares are required to report in writing to our Company and our Company shall report to the CIRC for its approval. The CIRC has the right to require a non-approved holder to transfer our Company's shares held by him.

Shareholders who have not transferred our Company's shares as required by the CIRC ("Excess Shares") will be subject to necessary restrictions when exercising shareholder's rights arising from the Excess Shares, including:

(i) no voting rights will be attached to Excess Shares; and

(ii) no rights to nominate Directors or Supervisors will be attached to Excess Shares.

The following circumstances shall be deemed to be variation or abrogation of the class rights of a class:

(1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of class having voting or distribution rights or privileges equal to or more than those of shares of such class;

(2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or remove a dividend preference or a liquidation preference, during the process of our Company's liquidation, attached to shares of such class;

(5) to add, remove or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of our Company attached to shares of such class;

(6) to remove or reduce rights to receive payment payable by our Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or distribution right or privileges equal to or more than those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add such restriction;

(9) to issue rights to subscribe for, or convert into, shares in our Company of such class or another class;

(10) to increase the rights and privileges of shares of another class;

(11) to restructure our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of responsibilities in such proposed restructuring; or

(12) to revise or abrogate provisions relating to the special procedures for shareholders of a class in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but interested shareholder(s) (as defined below) shall not be entitled to vote at class meetings.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights of shareholders of that class represented at the relevant meeting who are entitled to vote at class meetings.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

If the number of shares carrying voting rights at the class meeting represented by the shareholders who intend to attend the class meeting reaches one-half or more of the voting shares at the class meeting, our Company may hold the class meeting; if not, our Company shall within five days notify the shareholders of the class, again by public notice, of the matters to be considered, the date and the place for the class meeting. Our Company may then hold the class meeting after such publication of such notice.

Notice of class meetings need only be served on shareholders entitled to vote thereat.

Except as otherwise provided in the Articles of Association, meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meeting. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders. Other than shareholders of other separate classes, holders of domestic shares and overseas listed and foreign invested shares are deemed to be shareholders of different classes.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

- where our Company issues, upon the approval by a special resolution at the shareholders' general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas listed and foreign invested shares;

- where our Company's plan to issue domestic shares and overseas listed and foreign invested shares at the time of its establishment is carried out within 15 months from the date of approval of the Securities Authority of the State Council; or
- where, pursuant to the approval of the Securities Authority of the State Council, shareholders of our Company's domestic shares transfer such shares to overseas investors and such transferred shares are listed or traded on an overseas stock exchange.

For the purposes of the class rights provisions of the Articles of Association, the meaning of "interested shareholder(s)" is:

- in the case of a repurchase of our Company's shares by offers to all shareholders proportionately or by public dealing on a stock exchange, a "controlling shareholder" within the meaning of the Articles of Association;
- in the case of a repurchase of our Company's shares by an off-market contract, a holder of our Company's shares to which the proposed contract relates; and
- in the case of a restructuring of our Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of shareholders of that class.

Resolutions — Majority Required

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one-half of the voting rights held by the shareholders (including proxies) present at the meeting must be passed.

To adopt a special resolution, votes representing two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting must be passed.

Voting Rights (generally, on a poll and right to demand a poll)

The ordinary shareholders of our Company have the right to attend or appoint one or more proxies to attend shareholders' general meetings and to vote thereat. A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of shares carrying the right to vote and each share shall have one vote.

Shares held by our Company do not represent voting rights, and shall not be counted into the total voting shares held by the shareholders present at the shareholders' general meeting.

At any shareholders' general meeting a resolution shall be decided on a show of hands unless a poll is required according to the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed or before or after any vote by show of hands, demanded:

- by the chairman of the meeting;
- by at least two shareholders entitled to vote present in person or by proxy; or
- by shareholders (including proxy) individually or in aggregate representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, a declaration by the chairman that a resolution has on a show of hands been passed, or lost, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

A poll demanded on the election of the chairman of the meeting, or on a question of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

On a poll taken at a meeting, a shareholder (including proxy) entitled to two or more votes need not cast all his votes in the same way.

Requirements for Annual General Meetings

The Board shall convene an annual shareholders' general meeting once each year and within six months from the close of the preceding accounting year.

Accounts and Audit

Our Company shall establish its financial and accounting system in accordance with laws, regulations and PRC accounting standards formulated by the finance regulatory department of the State Council.

The Board shall place before the shareholders at every annual shareholders' general meeting such financial reports as are required by applicable laws, regulations or other regulatory documents to be prepared by our Company.

Our Company's financial reports shall be made available for shareholders' inspection at our Company 20 days before the date of every annual shareholders' general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of our Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, can be prepared in accordance with either international standards, or that of the foreign stock exchange where our Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two aforementioned accounting standards, such difference shall be stated in the notes to the financial statements.

Any interim results or financial information published or disclosed by our Company must also be prepared and presented in accordance with PRC accounting standards and regulations, and also in accordance with either international standards or that of the foreign stock exchange where our Company's shares are listed.

Our Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within 60 days after the expiration of the first six months of each fiscal year and the annual financial report shall be published within 120 days after the expiration of each fiscal year. Any other requirements as required by the securities regulatory authority at the place where our Company's shares are listed should thus be followed.

Notice of Meetings and Business to be Conducted Thereat

The shareholders' general meeting is the highest organ of authority of our Company and shall exercise its functions and powers in accordance with laws, regulations, other regulatory documents, regulations of the stock exchange on which our Company's shares are listed and other matters that are to be determined at shareholders' general meeting as stipulated by the Articles of Association.

Otherwise those under an extraordinary critical situation, our Company shall not, without the prior approval of shareholders' general meeting, enter into any contract with any person other than a Director, Supervisor, president and other senior management officers whereby the management and administration of the whole or any substantial part of the business of our Company is to be handed over to such person.

Shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings. Shareholders' general meeting shall generally be convened by the Board.

Our Company shall convene an extraordinary shareholders' general meeting within two months after the occurrence of any of the following circumstances:

- when the number of Directors is less than the minimum number of Directors required by the PRC Company Law or two-thirds of the number of members of the Board specified in the Articles of Association;
- when the unrecovered losses of our Company amount to one-third of the total amount of its paid-in share capital;
- when there is a written request of the shareholders individually or aggregately holding 10% or more of our Company's shares;
- when deemed necessary by the Board or as proposed by the Board of Supervisors; or
- other situations, as stipulated in laws, regulations, other regulatory documents and the Articles of Association.

When our Company convenes a shareholders' general meeting, written notice of the meeting shall be given 45 days (excluding the date of the meeting) before the date of the meeting to notify all of the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Company 20 days before the date of the meeting.

When our Company convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors and shareholders, individually or in the aggregate, holding 3% or more of the shares of our Company shall have the right to submit proposals to our Company. Shareholders, individually or in the aggregate, holding 3% or more of the shares of our Company shall have the right to submit interim proposals in writing ten days before the shareholders' general meeting to the convenor of such meeting, and our Company shall place matters in the interim proposals within the scope of functions and powers of the shareholders' general meeting on the agenda. The convenor shall within two days upon receiving such proposals give supplemental notice to the shareholders, notifying the content of such interim proposals.

The proposals shall be within the scope of approval via a shareholders' general meeting, and contains specific subjects and concrete matters for approval, and shall be in compliance with laws, regulations, other regulatory documents and our Articles of Association. A shareholders' general meeting shall not vote and resolve on matters which are not stated in the notice of meeting or supplemental notice or which do not meet the aforementioned requirements.

Our Company shall, based on the written replies received 20 days before the date of the shareholders' general meeting from the shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting has not reached one-half or more of our Company's total voting shares, our Company shall within five days notify the shareholders again by public notice of the matters to be considered, the place, the date and time for the meeting. Our Company then may hold the meeting after the publication of such public notice.

A notice for the shareholders' general meeting shall be in writing and comply with the following requirements:

- specify the place, the date, the time and the duration of the meeting;
- specify the convenor of the meeting;
- state the matters to be discussed and considered at the meeting and fully disclose contents of all the proposals (including the text of the resolutions and attachments thereto, proposer of a resolution and time at which it was proposed);
- provide such information and explanations as are necessary for the shareholders to exercise an informed decision on the proposals before them, the principle of which, including without limitation, where a proposal is made to amalgamate our Company with another, to repurchase shares, to reorganize the share capital, or to restructure our Company in any other way, specific conditions and contracts of the proposed transaction in detail (if any) and a serious explanation of the cause and consequence of such proposal;
- contain a disclosure of the nature and extent, if any, of the affiliated relationship of any Director, Supervisor, president, or other senior management officer in the matters proposed and the effect of the proposed matters on them in their capacity as shareholders in so far as it is different from the effect on other shareholders of the same class;
- contain the full text of any special resolution proposed to be moved at the meeting;
- contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him and that proxy need not be a shareholder;
- specify the time and place for lodging proxy forms for the relevant meeting;
- setting the registration date of shareholding for shareholders who are eligible for attending the shareholders' general meeting; and
- state the name and contact of the regular contact person of the meeting.

Notice of shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the shareholders' general meeting), by delivery or prepaid mail to their addresses as shown in the register of shareholders. For the holders of our domestic shares, notice of the meeting may be issued by way of public notice.

The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the interval between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of our domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

For holders of our overseas listed and foreign invested shares, subject to the compliance with applicable laws, regulations, other regulatory documents and the relevant requirements of the securities regulatory authority at the place where our Company's shares are listed, the notice of a general meeting notice may be published on the website designated by the said stock exchange and on the website of our Company in place of delivery or prepaid mail to the holders of our overseas listed and foreign invested shares.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

- the direction of the Company's operation and material investment plans;
- the election, replacement or removal and determination of the remuneration of the members of the Board and members of the Board of Supervisors who are not representative of the employees of our Company (other than the removal of independent Directors);
- work reports of the Board and the Board of Supervisors;
- plans for the distribution of profits and for making up losses of our Company;
- annual preliminary and final budgets;
- formulate and amend the procedural rules of the shareholders' general meetings and the meetings of the Board and the Board of Supervisors;
- unless otherwise authorized to be determined by the Board, matters related to material capital expenditures, external donations, etc.;
- matters related to the provision of guarantee (the balance of guarantee shall not exceed 10% of the net asset of our Company);
- engagement or replacement of accounting firms that conducts regular statutory audit of our Company's financial reports;
- related transactions which are regulated by the laws, regulations and other regulatory documents, the securities regulatory authority at the place where our Company's shares are listed or the relevant authorization plan of our Company to be considered and approved by the shareholders' general meeting; and
- matters other than those required by laws, regulations, other regulatory documents or by the Articles of Association to be adopted by special resolutions.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- the increase or decrease in our Company's registered capital;
- the issue of debentures, shares of any types of class or other securities of our Company and their listing;
- the repurchase of our Company's shares;
- the merger, separation, dissolution, liquidation and change in the form of our Company;
- the formation of and amendments to the Articles of Association;
- any purchase or sale of substantial assets made by our Company in a year at an amount in excess of 30% of the audited total assets of our Company for its latest accounting period;

- removal of the independent Directors; and
- matters regulated by laws, regulations, other regulatory documents, the Articles of Association or decided by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be adopted by a special resolution.

Transfer of Shares

Unless otherwise provided by laws, regulations, other regulatory documents, securities regulatory authority at the place where our Company's shares are listed or the Articles of Association, shares in our Company are freely transferable and are not subject to any lien.

Shares that have been issued before public offering of the Company shall not be transferred within one year from the date that the shares of the Company are listed on a stock exchange.

All the fully paid-up overseas listed and foreign invested shares that are listed in Hong Kong can be freely transferred in accordance with the Articles of Association. For overseas listed and foreign invested shares listed on the Hong Kong Stock Exchange, unless the following requirements are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal:

(a) any transfer documents and other documents which are relevant to or which would affect the ownership of the shares shall be registered with a registration fee payable to the Company in accordance with the Listing Rules;

(b) such transfer documents only relate to the overseas listed foreign invested shares listed on the Hong Kong Stock Exchange;

(c) any stamp duty payable on the transfer documents are duly paid in accordance with the laws of Hong Kong;

(d) relevant share certificates and other proof which proves the transferor's ownership of the shares shall be provided, as the Board may reasonably require;

(e) there shall only be a maximum of four joint holders of shares in the event that the shares are to be transferred to joint holders; and

(f) no lien shall be attached to the relevant shares.

Where the Board refuse to register the transfer of shares, the Company shall issue a notice of refusal to the transferor and the transferee within 2 months from the date of application for the transfer.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

Subject to the approval of the State Council securities regulatory authority, holders of the domestic shares of our Company may transfer their domestic shares to overseas investors, and such transferred shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas securities market.

Power of our Company to Purchase its Own Shares

In accordance with laws, regulations, other regulatory documents and provisions of the Articles of Association, our Company may reduce its registered capital.

Our Company may, in accordance with laws, regulations, regulatory documents and the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:

- reduction of its registered capital;
- merging with another company that holds our Company's shares;
- requested by any shareholder to purchase his shares because such shareholder raises objections to our Company's resolution on merger or split-up made at a shareholder's general meeting; and
- other circumstances permitted by laws, regulations and other regulatory documents.

Our Company may, with the approval of the relevant State governing authority for repurchasing its shares, conduct the repurchase in one of the following ways:

- making a *pro rata* offer of repurchase to all of its shareholders;
- repurchase shares through public dealing on a stock exchange;
- repurchase by an off-market agreement; or
- other ways prescribed by law, regulations, other regulatory documents and approved by the relevant securities regulatory authority at the place where our Company's shares are listed.

Where our Company repurchases its shares by an off-market agreement, the prior approval of shareholders' general meeting shall be obtained in accordance with the Articles of Association. Our Company may terminate or amend the contracts entered into in the aforementioned ways or waive its rights under a contract entered into in the aforementioned ways.

A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of our Company. Our Company shall not assign a contract to repurchase our shares or the rights under a contract to repurchase our shares.

For the redeemable shares which can be purchased by our Company, other than such purchases made through the stock exchange or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all shareholders alike.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to the repurchase of issued shares:

- where our Company repurchases shares of our Company at par value, payment shall be made out of surplus distributable profits in the accounts of our Company or out of proceeds of a fresh issue of shares made for that purpose;
- where our Company repurchases shares of our Company at a premium to its par value, payment up to the par value shall be made out of the surplus distributable profits in the accounts of our Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

  (i) if the shares being repurchased were issued at par value, payment shall be made out of the surplus distributable profits in the accounts of our Company; or

(ii) if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the surplus distributable profits in the accounts of our Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by our Company on the issue of the shares repurchased nor the current amount of our Company's capital reserve account (including the premiums on the fresh issue);

- payment by our Company in consideration of the following shall be made out of our Company's distributable profits:
  (i) acquisition of rights to repurchase shares of our Company;
  (ii) modification of any contract to repurchase shares of our Company; and
  (iii) release of any of our Company's obligation under any contract to repurchase shares of our Company;
- after our Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of our Company for payment of the par value portion of the shares repurchased shall be transferred to our Company's capital reserve account; and
- adhere to any other requirements of laws, regulations, other regulatory documents and by the securities regulatory authority at the place where our Company's shares are listed.

Power for Any Subsidiary of Our Company to Own Shares in our Company

There are no provisions in the Articles of Association preventing ownership of shares in our Company by a subsidiary.

Dividends and Other Methods of Profit Distribution

Our Company may distribute dividends in the following manner:

- cash;
- shares; or
- combination of cash and shares.

Our Company's after-tax profits shall be distributed in the following order of priority:

(i) offsetting the losses in previous years;

(ii) contributing 10% to the statutory reserve fund and no further contribution to the statutory reserve fund is required when the cumulative amount of the statutory reserve fund reaches or exceeds 50% of the Company's registered capital;

(iii) contributing to its discretionary reserve funds; and

(iv) paying dividends to its shareholders.

Any distribution of our Company's profits to any shareholders before offsetting its losses or contributing to its statutory reserve fund in violation of the above methods shall forthwith be returned to our Company.

Our Company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends declared and all other monies owing by our Company in respect of their overseas listed and foreign invested shares. The receiving agents appointed on behalf of holders of the overseas listed and foreign invested shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Proxies

Any shareholder entitled to attend and vote at a meeting of our Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

- have the same right as the shareholder to speak at the meeting;
- have authority to demand or join in demanding a poll; and
- have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have right to vote on a poll.

Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his agent so authorized in writing, or if the appointer is a legal person or other institutions, sealed by the stamp of the legal person or institution or signed by its legal representative, directors, or agents so officially authorized. The proxy letter shall be deposited at the residence of our Company or at such a place as specified in the notice convening the meeting not less than 24 hours before the time of the meeting at which the proxy proposes to vote or the time appointed for the voting.

If the appointer is a legal person or other institution, its legal representative or such person as is authorized by its legal representative, board of directors or other governing body to act as its representative may attend the meeting of shareholders of our Company as a representative of the appointer.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' general meeting shall contain the following contents:

- name of the proxy;
- proxy's voting right;
- instructions on each item to be discussed on the agenda of the shareholders' general meeting, stating whether the shareholder agrees to, objects to or abstains from voting the resolution respectively;
- issuing date of the proxy letter and its effective period; and
- signature or seal of the appointer.

The proxy letter shall specify that in the absence of instructions from the shareholder, the proxy may vote as he/she thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the relevant shares, provided that no notice in writing of such matters has been given to the Company before the commencement of the relevant meeting.

Calls on Shares and Forfeiture of Shares

For dividends that are not claimed by anyone, our Company may exercise the right of expropriation under the precondition of complying with the relevant laws and regulations of the PRC, but the right shall be exercised only after the declaration of dividend and the expiration of the applicable period.

Our Company shall have the right to terminate sending dividend warrants to holders of overseas listed and foreign invested shares by mail, but our Company shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however our Company can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

Our Company shall have the right to sell the shares of shareholders of overseas listed and foreign invested shares who are untraceable in a way deemed appropriate by the Board of Directors, provided the following conditions are met:

- our Company has distributed dividends at least three times to such shares within 12 years, and the dividends are not claimed by anyone during the period; and
- our Company publishes announcements in one or more newspapers in the place where our Company's shares are listed after the expiration of the 12-year period, stating its intention to sell the shares, and informs the stock exchange on which our Company's shares are listed.

Rights of Shareholders (including inspection of register)

The ordinary shareholders of our Company shall enjoy the following rights:

- the right to dividends and other types of interest distributed in proportion to the number of shares held;
- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right of supervisory management over our Company's business operations, and the right to present proposals or to raise enquires;
- the right to transfer, bestow or pledge shares in accordance with laws, regulations, other regulatory documents, relevant requirements of the securities regulatory authority at the place where our Company's shares are listed and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:
  - (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;
  - (ii) the right to inspect and, subject to payment of a reasonable charge, copy:
    - (a) all parts of the register of shareholders;
    - (b) the particulars of each of our Company's Directors, Supervisors, president, and other senior management officers;
    - (c) the state of our Company's share capital;
    - (d) reports showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of shares repurchased by our Company since the end of the previous accounting year and the total expenses incurred by our Company for this purpose;
    - (e) minutes of the shareholders' general meetings; and
    - (f) financial reports;
  - (iii) counterfoil of the corporate bonds; resolutions of the meetings of the Board of Directors and the Board of Supervisors;
- in the event of the termination or liquidation of our Company, the right to participate in the distribution of remaining assets of our Company in accordance with the number of shares held;

- the right to request our Company to purchase the shares of the shareholder who raises objection to the resolution on merger or division made at the shareholders' general meeting, and
- other rights conferred by laws, regulations, other regulatory documents and the Articles of Association.

Quorum for Meetings and Separate Class Meetings

Our Company may convene a shareholders' general meeting where the number of voting shares represented by those shareholders from whom our Company has received, 20 days before the meeting, notices of intention to attend the meeting reaches one-half or more of our Company's voting shares. If not, our Company shall within five days again publicly announced the particulars of the meeting, including the matters to be discussed, the place and the date and time of the meeting, and may then convene the meeting.

Our Company may convene a class meeting where the number of voting shares represented by those shareholders from whom our Company has received, 20 days before the meeting, notices of intention to attend the meeting reaches one-half or more of the total number of voting shares of that class; or, if not, our Company shall within five days again publicly announced the particulars of the meeting, including the matters to be discussed, the place and the date and time of the meeting, and our Company may then convene the class meeting.

Procedures on Liquidation

Our Company shall be dissolved and liquidated upon the occurrence of any of the following events:

- occurrence of a matter requiring dissolution as stipulated by the Articles of Association;
- a resolution for dissolution is passed by shareholder's general meeting;
- dissolution is necessary due to a merger or division of our Company;
- our Company's business license is revoked, and our Company is ordered to close down or eliminated according to law; or
- where our Company suffers significant hardship in its operation or management so that the interests of the shareholders are subject to significant loss if our Company continues to exist, and that the situation cannot be resolved by any other means, the shareholders holding 10% or more of the voting rights of all the shareholders of our Company may petition the People's Court to dissolve our Company.

The dissolution of our Company has to be approved by the CIRC.

Where the Board proposes to liquidate our Company due to causes other than where our Company has declared that it is insolvent, the Board shall, in its notice convening a shareholder's general meeting, declare that, after making full inquiry into the affairs of our Company, the Board is of the opinion that our Company will be able to pay its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of our Company, all functions and powers of the Board shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the committee's receipts and payments, the business of our Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

Other Provisions Material to our Company and our Shareholders

Our Company is a joint stock limited company in perpetual existence.

From the date of the Articles of Association becoming effective, the Articles of Association constitute a legally binding document regulating our Company's organization and activities, and the rights and obligations between our Company and each shareholder and among the shareholders inter se.

Our Company may invest in other limited liability companies or joint stock limited companies according to relevant laws and regulations. Our Company's liabilities to an investee company shall be limited to the amount of its capital contribution to such investee company.

The ordinary shareholders of our Company shall assume the following obligations:

- to abide by laws, regulations, other regulatory documents and the Articles of Association;
- to pay subscription funds according to the number of shares subscribed and the method of subscription;
- unless otherwise stipulated by laws and regulations, not to withdraw their share capital;
- not to abuse the shareholders' right to damage the interest of our Company or that of other shareholders;
- not to abuse the independent legal person status of our Company and the limited liability of shareholders to damage the interest of any creditors of our Company;
- when an affiliated relationship forms between shareholders holding 5% or more of our shares, such shareholders should within five days of the occurrence of such affiliated relationship make notification in writing to the office of the Board, which should at least contain the name of the relevant shareholders and details of the affiliated relationship;
- the substantial shareholders should support our Company to improve its solvency if it does not meet regulatory requirements on solvency; and
- other obligations imposed by laws, regulations, other regulatory documents and the Articles of Association.

Increase of Capital

Our Company may, based on its requirements for operation and development and in accordance with the requirements stipulated in laws, regulations and other regulatory documents, increase its capital after obtaining consent in shareholders' meeting and approval from the relevant regulatory authorities.

Our Company may increase its capital in the following ways:

- public offering of shares;
- non-public offering of shares;
- distributing bonus share to its existing shareholders;
- converting capital reserve to our share capital; and
- any other way as permitted by laws, regulations and relevant regulatory authorities.

Our Company's increase of capital by issuing new shares shall, after being approved by CIRC in accordance with the provisions of the Articles of Association, be registered with SAIC.

Reduction of Capital

When our Company reduces its registered capital, it must draw up a balance sheet and an inventory of assets. Our Company shall notify its creditors within ten days of the date of our Company's resolution for reduction of share capital and shall publish a notice in a newspaper within 30 days of the date of such resolution. A creditor has the right within 30 days of receiving the notice from our Company or, in the case of a creditor who does not receive the notice, within 45 days of the date of the first public notice, to demand our Company to repay its debts or provide a corresponding guarantee for such debt. Our Company's registered capital after reduction shall not be less than the statutory minimum amount. Reduction of capital shall be approved by CIRC and shareholders' general meeting and registered with SAIC.

Secretary of the Board

Our Company shall have a Board secretary, who shall be appointed or removed by the Board. The Board secretary should be a natural person and his main functions and duties include:

- assisting the Directors in handling the daily work of the Board, providing the Directors with or reminding them of and ensuring they understand the regulations, policies and requirements of the relevant regulatory authorities related to our Company's operation;
- assisting the shareholders, Directors and Supervisors in exercising their rights and duties, reminding the Directors, Supervisors, president and other senior management officers to exercise their duties honestly and diligently and when aware of a breach of relevant laws, regulations, other regulatory documents or the Articles of Association by the foregoing persons, or each of them has made or may make such a decision, to warn and immediately notify the stock exchange where our Company's shares are listed;
- being responsible for organizing and preparing documents of the shareholders' general meetings and Board meetings, to ensure determinations of such meetings are in compliance with legal procedures, and is aware of the execution of the resolution by the Board; to prepare and maintain shareholders' general meeting and Board meeting minutes and minutes of other meetings; to report to the CIRC on shareholders' general meeting and Board meeting notices and resolutions in accordance with regulatory requirements;
- preparing and submitting the reports and documents of shareholders' general meetings and Board meetings as required by the competent authorities according to law;
- being responsible for matters related to our Company's information disclosure, and to formulate and perfect the management system on the disclosure of information and the internal reporting system on material information;
- handling our Company's relation with the regulatory authorities, investors, intermediary agencies and the media, and coordinating public relations of our Company;
- maintaining the register of shareholders, Directors, Supervisors and senior management officers and information on the shareholding of our Company by the controlling shareholders, Directors, Supervisors and senior management officers;
- ensuring those people entitled to obtain the relevant minutes and documents of our Company could obtain them in a timely manner;
- assisting the Board in strengthening our Company's corporate governance system, and building a scientific decision making system and corporate governance procedure;

- assisting the chairman of the Company in preparing the corporate governance report and reporting on the conflict issues of the corporate governance structure in accordance with relevant regulatory requirements;
- being responsible for the management of matters related to shareholder rights and ensuring compliance by the Directors, Supervisors, president and other senior management officers to the regulations regarding the sale and purchase of our Company's shares;
- assisting the Board in formulating our Company's capital market development strategy, and assisting in the planning or implementation of our Company's refinancing or merger and acquisition matters;
- being responsible for our Company's training matters related to our Company's standardized operation, organizing training in relation to relevant laws, regulations and other regulatory documents for our Company's Directors, Supervisors, president, senior management officers or others;
- being responsible for matters related to investors relations and perfecting procedures related to the communication, reception and servicing of the investors; and
- other duties conferred by laws, regulations, other regulatory documents, Articles of Association and the Board.

Board of Supervisors

Our Company shall have a Board of Supervisors. The Directors and senior management officers shall not act concurrently as Supervisors. The Board of Supervisors shall be composed of three Supervisors. One of the members of the Board of Supervisors shall act as the chairman. The term of office of Supervisors shall be three years, renewable upon re-election and reappointment. The election or removal of the chairman of the Board of Supervisors shall be determined by two-thirds or more of the members of the Board of Supervisors. The chairman of the Board of Supervisors shall supervise the implementation of the resolutions of the Board of Supervisors.

The Supervisor being a representative of the shareholders shall be elected by shareholders' general meeting; the Supervisor being a representative of the employees of our Company shall be elected by the employees of our Company democratically thereby and approved by the CIRC. Supervisors cannot be removed by shareholders' general meeting without reason before the expiry of their term of office.

The Board of Supervisors shall exercise the following powers:

- to report its work to the shareholders' general meeting;
- to examine our Company's financials;
- supervise the conduct of the Directors and senior management officers in their performance of duties and propose the removal of Directors and senior management officers who have contravened any law, regulation, the Articles of Association or resolutions of the shareholders' general meeting;
- to demand rectification from a Director or any senior management officers when the acts of such persons are harmful to our Company's interest;
- to propose to convene a shareholders' general meeting and to convene and preside over the shareholders' general meeting when the Board fails to perform its duty of convening and presiding over the shareholders' general meeting under the PRC Company Law;
- to propose resolutions at the shareholders' general meeting;

- to bring an action against a Director or senior management officer pursuant to the PRC Company Law;
- to investigate on findings of our Company's abnormal operations when uncovered, and hiring accounting firms, law firms or other professional organizations to assist if necessary with the relevant expenses being paid by our Company; and
- to exercise other powers specified under laws, regulations, other regulatory documents, Articles of Association and as approved in a shareholders' general meeting.

Members of the Board of Supervisors may be present at meetings of the Board and question or make suggestions to the resolutions of the Board.

Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

- to be responsible for convening shareholders' general meetings and to report its work to the shareholders' general meeting;
- to implement the resolutions of the shareholders' general meetings;
- to determine the development strategies, annual operation plans, and investment plans of our Company;
- to formulate our annual financial budget and final account statement;
- to formulate our profit distribution plan and plan for recovery of losses;
- to formulate proposals for increases or reductions of our registered capital and the issue of corporate bonds and other securities by our Company or the listing of our Company;
- to formulate plans for the repurchase of shares of our Company or merger, separation, dissolution and changes of the form of our Company;
- to formulate proposals for any amendment to our Articles of Association;
- to review and approve our Company's related transactions (other than those as required by laws, regulations, regulatory documents or the supervising body of the stock exchange where our Company's shares are listed or as required to be determined at a shareholders' general meeting for the relevant matter as under an authorized scheme of our Company);
- within the scope of approval via a shareholders' general meeting, to review and approve our establishment of legal status institutions, capital expenditures and external donations and other matters (except matters which the president is authorized to review);
- to decide or to authorize our chairman to decide on the establishment of our internal management structure;
- to appoint or remove our president and secretary of the Board and, based on the recommendations of the president, to appoint or remove the vice-president, assistant to the president, person in charge of finance, compliance or audit and, based on the proposals of the proposing shareholders, chairman of the Board, one-third or more of the Directors or half or more (at least two) of the independent Directors, to elect the chairman and members of the nomination and remuneration committee and, based on the recommendation of the nomination and remuneration committee, to elect the chairman and members of other committees of the Board (other than the chairman of the strategy and investment committee);

- to determine risk management, compliance and internal management policies, formulate internal control compliance management and internal audit systems, and approve our Company's annual risk evaluation report, compliance report and internal control assessment report;
- to formulate our Company's disclosure of information procedures, and so on, and manage matters related to our Company's disclosure of information, and so on;
- to review and evaluate annually the performance of the Directors and to submit a due performance report to the shareholders' general meeting and the Board of Supervisors;
- to decide on the rewards, performance review and remuneration of senior management officers hired by the Board;
- to review and approve the corporate governance report;
- to submit to the shareholders' general meeting on the appointment or removal of an accounting firm; and
- to exercise such other functions and powers as granted by laws, regulations, other regulatory documents or the Articles of Association and as empowered by the shareholders' general meeting.

Resolutions of the Board shall be approved and adopted by more than one-half of all Directors.

For the following matters, the resolutions shall be approved and adopted by two-thirds or more of all Directors:

- to formulate our annual budget and final account statement;
- to formulate our profit distribution plan and deficit recovery plan;
- within the scope of approval via a shareholders' general meeting, to review and approve our establishment of legal status institutions, capital expenditures, external donations and other matters (except matters which the president is authorized to review);
- to appoint or remove senior management officers hired by the board and determine their remuneration and performance evaluation;
- to formulate proposals for the increase or reductions of our registered capital and the issue of corporate bonds and other securities by our Company or the listing of our Company;
- to formulate proposals for the repurchase of shares of our Company or merger, separation, dissolution and changes of the form of our Company;
- to formulate proposals for any amendment to our Articles of Association;
- to submit to the shareholders' general meeting on the appointment or removal of an accounting firm; and
- other matters required by laws, administrative regulations, departmental rules or the Articles of Association, or considered by more than half of all Directors, to be of a nature which may have a material impact on our Company and shall be approved and adopted by two-thirds or more of all Directors.

Meetings of the Board comprise regular meetings and extraordinary meetings. Regular meetings shall be held at least four times every year, i.e. approximately once per quarter. Notice of a regular meeting shall be served on all the Directors and Supervisors at least 14 business days before the date of meeting (excluding the date of the meeting). In case of any urgent matters, upon request by shareholders representing one-tenth or more of the voting rights, not less than one-third of the members of the Board, not less than two independent Directors, the Board of Supervisors or the chairman of the Board, or otherwise as required by laws, regulations , other regulatory documents and the Articles of Association, an extraordinary meeting of the Board shall be convened. Notice of an extraordinary meeting shall be served on all the Directors and Supervisors at least five business days before the date of meeting (excluding the date of the meeting). In the event of an emergency, the convening of an extraordinary meeting of the Board is not subject to the above time limit of notification and notice for the meeting may be given by telephone or by other means of oral communication at any time with a written notice to be served thereafter. The convener shall provide an explanation for such action at the meeting. Meetings of the Board shall be held only if more than half of the Directors (including the Director who appoints another Director to attend the meeting on his/her behalf) are present. Each director shall have one vote in voting on resolutions of the Board meeting. Where there is a tie of votes casted for a resolution, the chairman of the Board shall not have one addition vote.

Accounts and Audit

Appointment of an accounting firm

Our Company shall appoint an independent firm of accountants which is qualified under the relevant regulations of the PRC to audit our Company's annual financial reports and review our Company's other financial reports.

The term of office of the accounting firm appointed by our Company shall be one year from the conclusion of the annual shareholders' general meeting at which the appointment is made until the conclusion of the next annual shareholders' general meeting.

Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the accounting firm, but while any such vacancy continues, if a company has other serving accounting firm, such accounting firm may still act on behalf of that company.

Regardless of what is stipulated in the contract concluded between an accounting firm and the Company, the shareholders' general meeting may, before the expiration of term of office for the accounting firm, decide to dismiss that firm through the adoption of an ordinary resolution. If such accounting firm has the right to claim compensation from the Company for reason of such dismissal, that right shall not be affected.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Change and removal of an accounting firm

Our Company's appointment, removal and non-reappointment of an accounting firm shall be resolved by shareholders' in general meeting and be filed with the relevant supervising body.

The shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm not currently serving the Company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the Board of Directors to fill the vacancy, or the dismissal of an accounting firm before the expiry of its term:

- the proposal in relation to the appointment or dismissal shall be sent prior to the issue of notice of shareholders' general meeting to the accounting firm to be appointed, the accounting firm to be dismissed or the accounting firm which has left its post during the accounting year. An accounting firm leaving its post includes dismissal, resignation and retirement;

- in the event that an accounting firm leaving its post makes a statement in writing and requests the Company to inform shareholders of such statement, unless the Company receives the statement too late, the Company shall adopt the following measures:
  - (i) state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement; and
  - (ii) submit the copy of the statement as an appendix to the notice to the shareholders in the manner stipulated in the Articles of Association;
- in the event that the statement of the accounting firm has not been dispatched in accordance with the provisions in the preceding sub-paragraph, the relevant accounting firm may request such statement to be read at the shareholders' general meeting, and may make further appeals;
- the accounting firm leaving its post shall be entitled to attend the following meetings:
  - (i) the shareholders' general meeting at which its term of service would otherwise have expired;
  - (ii) the shareholders' general meeting for filling the vacancy caused by its dismissal; and
  - (iii) the shareholders' general meeting convened as a result of its voluntary resignation.

The accounting firm leaving its post shall be entitled to obtain all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the aforementioned meetings on matters in relation to its previous engagement as the accounting firm of the Company.

Resignation of an accounting firm

Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there has been any impropriety on the part of our Company.

Any accounting firm may resign its office by depositing at our Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the shareholders or creditors of our Company;

(ii) a statement of any relevant situations.

Where a notice is deposited under the preceding paragraph, our Company shall within 14 days send a copy of the notice to the relevant governing authority. If the notice contains a statement under subparagraph (ii) of the preceding paragraph, a copy of such statement shall be placed at the Company for shareholders' inspection. Unless otherwise stipulated in this Articles of Association, the copy of such statement shall also be sent by mail, postage prepaid, to every shareholder holding overseas listed and foreign invested shares of our Company at the address as recorded in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders or creditors of our Company, the accounting firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Dispute Resolution

Whenever any disputes or claims arise between holders of the overseas listed and foreign invested shares and our Company, holders of the overseas listed and foreign invested shares and our Company's Directors, Supervisors, president or other senior management officers, holders of the overseas listed and foreign invested shares and holders of domestic shares, based on the Articles of Association or any rights or obligations required by the relevant laws and regulations or other regulatory documents concerning the affairs of our Company, such disputes or claims of rights shall be referred by the relevant parties to arbitration.

If any disputes or claims of rights mentioned in the preceding paragraph are referred to arbitration, the laws of the People's Republic of China shall apply, save as otherwise provided in laws, regulations and regulatory documents.

Where a dispute or claim of rights mentioned above is referred to arbitration, it should cover all the claims of rights or the overall dispute. All persons who have a cause of action resulting from the same reasons or whose participation is necessary for the resolution of such dispute or claim of rights, if such person is our Company or our shareholder, Director, Supervisor, president or other senior executive officer, shall abide by the arbitration. Disputes in relation to the definition of shareholders and share registers need not be referred to arbitration.

A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or a claim of rights to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party may apply for a hearing to take place in Shenzhen in accordance with the requirements of the securities arbitration rules of the Hong Kong International Arbitration Centre.

The award of an arbitration body shall be final and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was converted into a joint stock limited company in the PRC on September 28, 2009 under the PRC Company Law. Our registered address is at 69 Dongheyan Street, Xuanwu District, Beijing, China. We have registered a place of business in Hong Kong at 15/F Floor, Guangdong Investment Tower, 148 Connaught Road, Central, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. Mr. Au Lai Chee has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above. As our Company was established in the PRC, we are subject to the relevant laws, rules and regulations of the PRC. A summary of certain relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V. A summary of the relevant sections of our Articles of Association is set out in Appendix VI.

2. Changes in share capital of our Group

The Company

As at the date of our conversion into a joint stock limited company, the authorized share capital of the Company was RMB30,600,000,000 divided into 30,600,000,000 Shares of par value of RMB1.00 each, all of which were credited as fully paid up and were held by the Company's promoter as follows:

Name	Number of Shares held	Percentage of Shareholding
MOF	30,600,000,000	100%

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

(a) On June 15, 2011, we entered into the Share Subscription Agreement with the MOF and the NSSF, pursuant to which we issued 3,891,050,583 new shares to the NSSF for a consideration of RMB10.0 billion. The total registered capital of the Company increased to RMB34,491,050,583.

(b) Immediately after the Global Offering, our registered capital will be RMB41,389,259,583, made up of 33,801,229,683 Domestic Shares of RMB1.0 each and 7,588,029,900 H Shares of RMB1.0 each (assuming that the H Share Over-allotment Option is not exercised).

(c) Save as disclosed in this Appendix, there has been no alteration in the Company's share capital since the date of our conversion into a joint stock limited company.

Our principal subsidiaries

Our principal subsidiaries are set out below. The following alterations in the share capital (or registered capital, as the case might be) of our principal subsidiaries have taken place within two years preceding the date of this prospectus:

(a) **PICC P&C**

PICC P&C was established in July 2003 with a registered capital of RMB8 billion when it was established and was subsequently listed on the Main Board of the Hong Kong Stock Exchange on November 6, 2003 through the issuance of 3,455,980,000 H Shares. In March

2012, the registered capital of PICC P&C has been increased to RMB12,256 million upon the completion of right issues. As of the Latest Practicable Date, PICC P&C was held as to 68.98% by our Company, 9.9% by American International Group, Inc. and the remaining 21.12% is held by other independent third parties.

(b) **PICC Life**

PICC Life was established in November 2005 with a registered capital of RMB1.0 billion. It increased its registered capital to approximately RMB2.71 billion in June 2007, to approximately RMB5.42 billion in September 2009, to approximately RMB8.80 billion in March 2010, to approximately RMB15.13 billion in July 2011 and to approximately RMB20.13 billion in December 2011. As of the Latest Practicable Date, PICC Life was held as to 71.08% by our Company, 8.62% by PICC P&C, 0.31% by PICC AMC , 10% by Sumitomo Life Insurance Company, 5% by Asian Financial Holdings Limited and 5% by Bangkok Bank Public Company Limited.

(c) **PICC Health**

PICC Health was established in March 2005 with a registered capital of RMB1.0 billion. In March 2009, PICC Health increased its registered capital to RMB3.0 billion. In June 2011, PICC Health increased its registered capital to approximately RMB3.65 billion. In December 2011, PICC Health increased its registered capital to approximately RMB3.97 billion. In September 2012, PICC Health increased its registered capital to approximately RMB4.33 billion. As of the Latest Practicable Date, PICC Health was held as to 88.44% by our Company, 2.54% by PICC Investment, 4.39% by DKV Deutsche Krankenversicherung AG, and 4.62% by two other independent third parties corporate shareholders.

(d) **PICC AMC**

PICC AMC was established in July 2003 with a registered capital of RMB100 million. In January 2007, PICC AMC increased its registered capital to RMB800 million. As of the Latest Practicable Date, PICC AMC was held as to 81% by our Company and the remaining 19% by MEAG.

(e) **PICC Investment**

PICC Investment was established in August 2007 with a registered capital of RMB50 million. As of the Latest Practicable Date, PICC Investment was held as to 100% by our Company.

(f) **PICC Capital**

PICC Capital was established in March 2008 with a registered capital of RMB100 million. As of the Latest Practicable Date, PICC Capital was held as to 55.0% by PICC AMC and 45.0% by PICC Investment.

(g) **ZSIB**

ZSIB was established in June 2005 with a registered capital of RMB50 million. In June 2012, ZSIB increased its registered capital to approximately RMB71.31 million. As of the Latest Practicable Date, ZSIB was held as to 82.54% by our Company and the remaining 17.46% by Tokio Marine.

(h) **CIB**

CIB It was established in December 2004 with a registered capital of RMB20 million. As of the Latest Practicable Date, CIB was held as to 55.01% by ZSIB, 20% by Guangdong Yudean Group Co., Ltd., 5% by Asia Insurance Company, Limited and the remaining 19.99% by six independent third parties corporate shareholders.

(i) **PIB**

PIB was established in June 2005 with a registered capital of RMB20 million. As of the Latest Practicable Date, PIB was is held as to 52.5% by ZSIB, 25% by Taiping Life Insurance Co., Ltd., 12.5% by Ocean Regal Development Limited and 10% by Shanghai Liangyou Group Co., Ltd.

(j) **PICC Hong Kong**

PICC Hong Kong was formerly known as Guangdong Asia Insurance Company Limited and was incorporated in February 1971. In November 2002, we acquired 90% interest of Guangdong Asia Insurance Company Limited and changed its name to The People's Insurance Company of China (Hong Kong), Limited, with an issued share capital of HK$60,000,000. In July 2003, PICC Hong Kong increased its issued share capital to HK$200 million. As of the Latest Practicable Date, PICC Hong Kong was held as to 75% by our Company and the remaining 25% by Asia Insurance (Investments) Limited.

(k) **PICC Europe**

PICC Europe was established in November 2000 with an authorized share capital of £1,000. In December 2000, PICC Europe increased its authorized share capital to £500,000. As of the Latest Practicable Date, PICC Europe is held by our Company as to 100%.

(l) **No. 88 Development Co.**

No. 88 Development Co. was established in February 1994 with a registered capital of RMB 500.6 million. As of the Latest Practicable Date, No. 88 Development Co. was held as to 1% by our Company, and the remaining 30.41%, 3.04%, 15.21%, 45.62% and 4.72% by PICC P&C, PICC AMC, PICC Health, PICC Life, PICC Investment, respectively.

Save as described above, there has been no other alteration in the share capital of the subsidiaries of the Company in the two years preceding the date of this prospectus.

3. **Resolutions of our Shareholders and our Board**

Pursuant to the resolutions of our Shareholders passed on May 14, 2012:

(a) the listing plan of our Company were approved, including, among other things,

- listing on the Hong Kong Stock Exchange through an initial public offering of H Shares;
- as part of Global Offering, offering of H Shares in the United States to Qualified Institutional Buyers (as such term is defined in Rule 144A under the US Securities Act) and outside of the United State in reliance on Regulation S of the US Securities Act, offering of H Shares to professional and institutional investors in Hong Kong and conducting a public offering without listing in Japan; and
- the issue and listing of A Shares;

(b) the Articles of Association were approved and shall become effective on the Listing Date;

(c) the Board of Directors was authorized to draft, amend, sign and submit the applications, relevant reports or materials relating to the proposal listing of H Shares and A Shares to the relevant authorities in the PRC and the Hong Kong Stock Exchange and to deal with approval, registration, filing, verifications or other formalities; and

(d) the Board of Directors was authorized, among other things, to do any acts and things relating to the issue and listing of the H Shares on the Hong Kong Stock Exchange.

Pursuant to the resolutions of our Shareholders passed on November 21, 2012:

(a) amendments to the Articles of Association which shall become effective on the Listing Date were approved; and

(b) subject to the completion of the Global Offering, a general mandate was granted to the Board of Directors to authorize, allot, issue and/or grant H Shares and Domestic Shares (including A Shares) at any time, either separately or concurrently, within a period up to (i) the date of conclusion of the next annual general meeting of the Shareholders after the date on which this resolution was passed by the Shareholders, (ii) the date which is 12 months from the date on which this resolution was passed by the Shareholders, or (iii) the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is the earliest, upon such terms and conditions as the Board of Directors in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association and to file such amendments and other documents relating to the exercise of the general mandate to the relevant authorities for registration, provided that, the number of H Shares or Domestic Shares to be issued shall not exceed 20% of the number of the existing H Shares or Domestic Shares in issue, respectively, as at the Listing Date.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a share transfer agreement dated November 6, 2012, entered into between our Company and PICC Investment in relation to the sale of a 45% equity interest in PICC Capital by PICC Investment to our Company for a consideration of RMB49,948,515.00;

(b) a share transfer agreement dated April 25, 2012, and as amended on the same date, entered into between PICC Investment and Beijing International Trust Co. Ltd (北京國際信託有限公司) in relation to the sale of a 55% equity interest in China Huawen Investment Holding Company Limited (中國華聞投資控股有限公司) by PICC Investment to Beijing International Trust Co. Ltd for a consideration of RMB 1,267,651,715.00;

(c) a share transfer agreement dated April 25, 2012, and as amended on the same date, entered into between PICC Investment and Beijing International Trust Co. Ltd (北京國際信託有限公司) in relation to the sale of a 54.21% equity interest in Guanglian (Nanning) Investment Holding Co. Ltd (廣聯(南寧)投資股份有限公司) by PICC Investment to Beijing International Trust Co. Ltd for a consideration of RMB 866,901,220.77;

(d) a joint venture amendment agreement dated March 15, 2012, entered into between our Company and Tokio Marine in relation to the amendments to the relevant agreements between the same parties dated September 27, 2004 and May 28, 2005, respectively, pursuant to the increased registered capital of ZSIB to RMB 71,305,800;

(e) a shareholding alteration agreement dated March 15, 2012 entered into between our Company and Tokio Marine in relation to ZSIB increasing its registered share capital to RMB 71,305,800 and the change in the shareholding structure after the capital increase;

(f) a share subscription agreement dated February 10, 2012, entered into between our Company and ZSIB in relation to the contribution by our Company of the increased registered capital of RMB 21,305,800 in ZSIB with our Company's 52.5% interest in PIB and 55.01% interest in CIB;

(g) a share transfer agreement dated December 27, 2011, entered into between PICC Investment and China Huawen Investment Holding Company Limited (中國華聞投資控股有限公司) in relation to the sale of 100 million shares in PICC Health by China Huawen Investment Holding Company Limited to PICC Investment for a consideration of RMB181,378,428.60;

(h) a share subscription agreement dated December 15, 2011, entered into among our Company, PICC P&C, PICC AMC, Sumitomo Life Insurance Company Limited, Asian Financial Holdings Limited, Bangkok Bank Public Company Limited (as the subscribers) and PICC Life in relation to the subscription by the subscribers of 5,000,000,000 shares in PICC Life for a total consideration of RMB 5,000,000,000;

(i) a share subscription agreement dated June 15, 2011, entered into among our Company, PICC P&C, PICC AMC, Sumitomo Life Insurance Company Limited, Asia Financial Holdings Limited, Bangkok Bank Public Company Limited (as subscribers), and PICC Life in relation to the subscription by the subscribers of 6,331,168,831 shares in PICC Life for a total consideration of RMB 6,331,168,831;

(j) an equity interest transfer agreement dated December 30, 2010, entered into among our Company, PICC P&C, PICC AMC, PICC Life, PICC Health, PICC Investment (as the transferees) and Beijing Huarong Infrastructure Investment Company Limited (北京華融基礎設施投資有限責任公司) in relation to the transfer of a 87.5% stake in No. 88 Development Co. to the transferees and an assignment of a creditor's right in No. 88 Development Co. of RMB 427,701,851 to our Company for a total consideration of RMB3,304,701,326 by Beijing Huarong Infrastructure Investment Company Limited;

(k) an equity interest transfer agreement dated December 30, 2010, entered into between our Company, PICC P&C, PICC AMC, PICC Life, PICC Health, PICC Investment (as the transferees) and Beijing City Xidan Commercial District Construction Development Company (北京市西單商業區建設開發公司) in relation to the transfer of a 12.5% stake in No. 88 Development Co. to the transferees and an assignment of a creditor's right in No. 88 Development Co. of RMB28,613,124.39 to our Company for a total consideration of RMB439,613,049.39;

(l) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Bank of China Limited in relation to the RMB1,000,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Bank of China Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(m) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and China Citic Bank Corporation Limited in relation to the RMB200,000,000 2011 fixed term debt issued by PICC P&C and subscribed by China Citic Bank Corporation Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(n) a subordinated fixed term debt subscription agreement dated June 3, 2011, and as amended on June 10, 2011, entered into between PICC P&C and China Merchants Bank Company Limited in relation to the RMB200,000,000 2011 fixed term debt issued by PICC P&C and subscribed by China Merchants Bank Company Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(o) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Bank of Shanghai Company Limited in relation to the RMB300,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Bank of Shanghai Company Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(p) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Shanghai Pudong Development Bank Company Limited in relation to the RMB100,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Shanghai Pudong Development Bank Company Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(q) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Agricultural Bank of China Limited in relation to the RMB1,000,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Agricultural Bank of China Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(r) a subordinated fixed term debt subscription agreement dated June 3, 2011, and as amended on June 10, 2011, entered into between PICC P&C and China Construction Bank Corporation in relation to the RMB500,000,000 2011 fixed term debt issued by PICC P&C and subscribed by China Construction Bank Corporation with a maturity period of 10 years and an option to redeem at the end of the first five years;

(s) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Hua Xia Bank Company Limited in relation to the RMB200,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Hua Xia Bank Company Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(t) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Industrial and Commercial Bank of China Limited in relation to the RMB1,000,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Industrial and Commercial Bank of China Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(u) a subordinated fixed term debt subscription agreement dated June 3, 2011, entered into between PICC P&C and Bank of Beijing Company Limited in relation to the RMB500,000,000 2011 fixed term debt issued by PICC P&C and subscribed by Bank of Beijing Company Limited with a maturity period of 10 years and an option to redeem at the end of the first five years;

(v) a share subscription agreement dated June 15, 2011, entered into among our Company, MOF and the NSSF in relation to the subscription by NSSF of 3,891,050,583 shares in our Company for a total consideration of RMB10 billion;

(w) a cornerstone investment agreement dated November 21, 2012, entered by and among American International Group, Inc., CICC HKS, HSBC, CS, Goldman Sachs and the Company, pursuant to which American International Group, Inc. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$500,000,000;

(x) a cornerstone investment agreement dated November 21, 2012, entered by and among China Aerospace Investment Holdings Ltd., CICC HKS, HSBC, CS, Goldman Sachs, BOCI Asia Limited and the Company, pursuant to which China Aerospace Investment Holdings Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US dollar fifty million;

(y) a cornerstone investment agreement dated November 21, 2012, entered by and among China Export & Credit Insurance Corporation, CS, BOCI Asia Limited and the Company, pursuant to which China Export & Credit Insurance Corporation agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US dollar one hundred million;

(z) a cornerstone investment agreement dated November 21, 2012, entered by and among China Life Insurance (Group) Company, CICC HKS, HSBC, CS, Goldman Sachs, Merrill Lynch International and the Company, pursuant to which China Life Insurance (Group) Company agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$100,000,000;

(aa) a cornerstone investment agreement dated November 21, 2012, entered by and among China National Machinery Industry Corporation and CICC HKS, HSBC, CS, Goldman Sachs, ABCI Securities Company Limited and the Company, pursuant to which China National Machinery Industry Corporation agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$75,000,000;

(bb) a cornerstone investment agreement dated November 21, 2012, entered by and among China Reinsurance (Group) Corporation, China Property & Casualty Reinsurance Company Limited, CICC HKS, HSBC, CS, Goldman Sachs and the Company, pursuant to which China Reinsurance (Group) Corporation agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$10,000,000 (inclusive of brokerage fee, Hong Kong Exchange trading fee and SFC transaction levy) and China Property & Casualty Reinsurance Company Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$60,000,000 (inclusive of brokerage fee, Hong Kong Exchange trading fee and SFC transaction levy);

(cc) a cornerstone investment agreement dated November 21, 2012, entered by and among China Southern International Select Allocation Fund, CICC HKS, HSBC, CS, Goldman Sachs, CCB International Capital Limited and the Company, pursuant to which China Southern International Select Allocation Fund agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50,000,000;

(dd) a cornerstone investment agreement dated November 20, 2012, entered by and among Fosun International Limited, CICC HKS, HSBC, CS, Goldman Sachs, ABCI Securities Company Limited and the Company, pursuant to which Fosun International Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$20,000,000;

(ee) a cornerstone investment agreement dated November 21, 2012, entered by and among Ingosstrakh Insurance Company, CICC HKS, HSBC, CS, Goldman Sachs and the Company, pursuant to which Ingosstrakh Insurance Company agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$25,000,000;

(ff) a cornerstone investment agreement dated November 21, 2012, entered by and among Pinpoint Asset Management Limited, CICC HKS, HSBC, CS, Goldman Sachs, Essence International Securities (Hong Kong) Limited and the Company, pursuant to which Pinpoint Asset Management Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$40,000,000;

(gg) a cornerstone investment agreement dated November 21, 2012, entered by and among Munsun Financial Investment Fund LP, CICC HKS, HSBC, CS, Goldman Sachs, CCB International Capital Limited and the Company, pursuant to which Munsun Financial Investment Fund LP agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$140,000,000;

(hh) a cornerstone investment agreement dated November 21, 2012, entered by and among Scor SE, CICC HKS, HSBC, CS, Goldman Sachs and the Company, pursuant to which Scor SE agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50,000,000;

(ii) a cornerstone investment agreement dated November 15, 2012, entered by and among GF Securities Co Ltd, State Grid Yingda International Holdings Corporation Ltd, Deutsche Bank AG, Hong Kong Branch and the Company, pursuant to which State Grid Yingda International Holdings Corporation Ltd as the ultimate investor agreed to subscribe through GF Securities Co Ltd as its asset manager, for our H Shares in the amount of the Hong Kong dollar equivalent of US$300,000,000;

(jj) a cornerstone investment agreement dated November 21, 2012, entered between Yue Xiu Securities Holdings Limited, CICC HKS, HSBC, CS, Goldman Sachs, J.P. Morgan Securities (Asia Pacific) Limited and the Company, pursuant to which Yue Xiu Securities Holdings Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$100,000,000;

(kk) a cornerstone investment agreement dated November 20, 2012, entered between Zhongrong International Trust Co., Ltd., CICC HKS, HSBC, CS, Goldman Sachs, Essence International Securities (Hong Kong) Limited and the Company, pursuant to which Zhongrong International Trust Co., Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50,000,000;

(ll) a cornerstone investment agreement dated November 21, 2012, entered between Zijin Mining Group Company Limited, CICC HKS, HSBC, CS, Goldman Sachs, Essence International Securities (Hong Kong) Limited and the Company, pursuant to which Zijin Mining Group Company Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50,000,000;

(mm) a cornerstone investment agreement dated November 21, 2012, entered between Tokio Marine, CICC HKS, HSBC, CS, Goldman Sachs and the Company, pursuant to which Tokio Marine agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

(nn) the Hong Kong Underwriting Agreement dated November 23, 2012, entered into among our Company, the Joint Sponsors, The Hongkong and Shanghai Banking Corporation Limited and the Hong Kong Underwriters, further details of which are set out in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement.”

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

(a) Trademarks

(i) As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group's business:

Trademark	Proprietor	Territory of registration
中国人保	Company	PRC
PICC	Company	PRC
人保	Company	PRC
中国人保	Company	PRC
95518	Company	PRC
PICC 中国人保	Company	PRC
PICC 中国人民保险集团公司 THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA	Company	PRC
PICC 人保集团 PICC GROUP	Company	PRC
PICC 人保财险 PICC P&C	Company	PRC
PICC 人保健康	Company	PRC
PICC 人保寿险	Company	PRC
PICC 人保投资	Company	PRC

Trademark	Proprietor	Territory of registration
PICC 人民保险	Company	PRC
PICC 人保资产 PICC AMC	Company	PRC
车险管家	Company	PRC
PICC 人保	Company	PRC
PICC	Company	Taiwan
PICC	Company	Hong Kong
PICC	Company	Japan
PICC	Company	U.S.
PICC	Company	Madrid [system for the international registration of marks]
PICC	Company	Malaysia
PICC	Company	Canada
PICC	Company	New Zealand
PICC	Company	Thailand
PICC	Company	Australia
PICC	Company	Indonesia
PICC	Company	Korea

Trademark	Proprietor	Territory of registration
中国人民财产保险股份有限公司	PICC P&C	PRC
	China Insurance Brokers Co., Ltd.	PRC

(b) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Applicant	Territory of application
PICC 中国人民保险	Company	PRC
中国人民保险	Company	PRC
PICC 中国人民保险集团股份有限公司 THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED	Company	PRC

(c) **Domain Names**

As at the Latest Practicable Date, our Group has registered the following key domain names:

Domain Name	Registrant
Picc.com.cn	Company
Picc.com	Company
Picc.cn	Company
中國人民保險集團公司.中國、中國人民保險公司.cn	Company
人民保險集團.中國、人民保險集團.cn	Company
人民保險集團	Company
中國人保	Company
PICC	Company
中國人民保險集團公司	Company
PICC	Company
中國人保	Company
中國人民保險集團股份有限公司	Company
95518	Company
人民保險	Company
piccnet.com.cn	PICC P&C

Domain Name	Registrant
e-picc.com.cn	PICC P&C
95518.com.cn	PICC P&C
4001234567.com.cn	PICC P&C
picchealth.com	Company
picclife.cn	PICC Life
piccamc.com	Company
zrib.com.cn	CIB
zyib.com.cn	PIB
www.zsib.com.cn	ZSIB

(d) **Copyrights**

As of the Latest Practicable Date, our Group has registered the following copyrights which are material in relation to our Group's business:

Name	Copyright Number	Method of Acquisition	Scope of Right
Health management system [Abbreviation: PICCHealthHMS] V1.0	Ruanzhudengzi Number BJ27251	Original Acquisition	Entire Right
NSSF protection services system [Abbreviation: PICCHealthSIP] V1.0	Ruanzhudengzi Number BJ28575	Original Acquisition	Entire Right
Claims movement monitoring display system V1.0	Ruanzhudengzi Number BJ29175	Original Acquisition	Entire Right
Medical protection services system V1.0	Ruanzhudengzi Number BJ34551	Original Acquisition	Entire Right
Claims Auxiliary Program [Abbreviation: CAP] V1.0	Ruanzhudengzi Number BJ36314	Original Acquisition	Entire Right
Work Management Platform 2.0	Ruanzhudengzi Number 0434589	Original Acquisition	Entire Right
Information Resources Management Platform 1.0	Ruanzhudengzi Number 0432679	Original Acquisition	Entire Right

3. **Our Policyholders**

None of our top five largest policyholders combined accounted for 30% or more of our gross written premiums, deposits and expenses from our insurance business as of the Latest Practicable Date.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Immediately following completion of the Global Offering (assuming that the H Share Over-allotment Option is not exercised), none of our Directors and chief executive of our Company will have any interests and short positions in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required pursuant to 352 of the SFO to be entered in the register referred to therein once the Shares are listed.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering, assuming no exercise of the H Share Over-allotment Option, the following persons will have interests or short positions in the Shares or underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

			Immediately following the Completion of the Global Offering (assuming no exercise of the H Share Over-allotment Option)		
Name of shareholder	**Nature of interest and capacity**	**Class**	**Number of Shares**	**Approximate % of interest in our Company**	**Approximate % of the relevant class of Shares of our Company**
MOF	Legal and beneficial owner	Domestic Shares	29,987,990,898(L)	72.45%	88.72%
NSSF	Legal and beneficial owner	Domestic Shares	3,813,238,785(L)	9.21%	11.28%
	Legal and beneficial owner	H Shares	689,820,900(L)	1.67%	9.09%

3. Service contracts

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

4. Directors' and Supervisors' remuneration

The aggregate amount of remuneration which were paid to our Directors and Supervisors for the years December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB7,162,000, RMB9,908,000, RMB10,748,000 and RMB2,879,000, respectively.

Remuneration and benefits in kind equivalent to approximately RMB7,056,000 in aggregate is expected to be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2012 under arrangements in force at the date of this prospectus.

5. **Fees or commissions received**

Save as disclosed in this prospectus, none of the directors or any of the persons whose names are listed in the paragraph entitled "Consents" in the section entitled "Other Information" in this Appendix had received any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

F. OTHER INFORMATION

1. **Estate Duty**

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. **Litigation**

Save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

3. **Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

Save as disclosed in this prospectus, all of the Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

4. **Preliminary Expenses**

Our estimated preliminary expenses are approximately HK$1,300,000 and are payable by our Company.

5. **Qualifications of Experts**

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
HSBC Corporate Finance (Hong Kong) Limited	a licensed corporation to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Credit Suisse (Hong Kong) Limited	a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Deloitte Consulting (Shanghai) Co. Ltd, Beijing Branch	Actuarial consultants
Ernst & Young	Certified public accountants
King & Wood Mallesons Lawyers	PRC legal advisors

6. **Consents**

Each of China International Capital Corporation Hong Kong Securities Limited, HSBC Corporate Finance (Hong Kong) Limited, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Deloitte Consulting (Shanghai) Co. Ltd, Beijing Branch, Ernst & Young and King & Wood Mallesons Lawyers has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. **Binding Effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

8. **Compliance Adviser**

We have appointed China International Capital Corporation Hong Kong Securities Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our H Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

9. **No material adverse change**

Our Directors believe that there has been no material adverse change in the financial or trading position of our Group since June 30, 2012 up to the Latest Practicable Date.

10. **Bilingual Prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

I. MISCELLANEOUS

Save as otherwise disclosed in this prospectus:

(a) none of our directors nor any of the parties listed in the paragraph entitled “Consents” in the section entitled “Other Information” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;

(d) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(e) none of our Directors or their respective associates or any shareholders of our Company who to the knowledge of the Directors owns more than 5% of our issued share capital had any interest in the top five policyholders of our Company; and

(f) neither our Company nor any of its subsidiaries have any authorized debentures outstanding.

Our Directors confirm that:

(a) none of our directors nor any of the parties listed in the paragraph entitled "Consents" in the section entitled "Other Information" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(c) our Company has no outstanding convertible debt securities; and

(d) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms, (ii) the written consents referred to in the paragraph entitled "Other Information — Consents" in Appendix VII to this prospectus, (iii) copies of each of the material contracts referred to in the paragraph entitled "Further Information about our Business — Summary of Material Contracts" in the section entitled "Statutory and General Information" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

1. our Articles of Association;
2. the Accountants' Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012;
4. the report from Ernst & Young in respect of the unaudited pro forma financial information of our Company, the text of which is set forth in Appendix II to this prospectus;
5. the actuarial report prepared by Deloitte Consulting (Shanghai) Co. Ltd, Beijing Branch in relation to the embedded value referred to in Appendix III;
6. the material contracts in the paragraph entitled "Consents" in the paragraph entitled "Further Information about our Business — Summary of Material Contracts" in Appendix VII to this prospectus;
7. the written consents referred to in the paragraph entitled "Other Information — Consents" in Appendix VII to this prospectus;
8. the legal opinions prepared by King & Wood Mallesons Lawyers, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interests; and
9. copies of the following PRC laws, together with unofficial English translations thereof:
   - (i) the PRC Company Law;
   - (ii) the PRC Securities Law;
   - (iii) the PRC Insurance Law;
   - (iv) the Mandatory Provisions; and
   - (v) the Special Regulations.

PICC

中国人民保险集团股份有限公司

THE PEOPLE'S INSURANCE COMPANY (GROUP) OF CHINA LIMITED