OVERVIEW

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

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

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

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

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

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

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

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

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

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

OUR STRENGTHS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUR STRATEGY

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

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

Specifically, we plan to undertake the following strategic initiatives:

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

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

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

Strengthen overall business development capabilities to enhance core competencies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Further reform centralized management to maximize group synergy.

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

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

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

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

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

LIFE INSURANCE

Overview

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

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

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

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

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

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

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

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

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

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

Business Initiatives

We plan to adopt the following business initiatives:

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

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

— Bancassurance.

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

— Group life insurance.

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

— Renewal channel.

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

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

— Diversified distribution channels.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Individual Life Insurance

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

Products

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

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

Traditional Life Insurance

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

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

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

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

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

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

Participating Life Insurance

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

Short-Term Accident and Health Insurance

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

Universal Insurance

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

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

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

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

Distribution

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

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

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

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

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

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

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

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

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

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

Bancassurance

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

Products

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

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

Traditional Life Insurance

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

Participating Life Insurance

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

Short-Term Accident and Health Insurance

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

Universal Insurance

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

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

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

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

Distribution

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

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

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

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

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

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

Group Life Insurance

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

Products

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

Traditional Life Insurance

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

Participating Life Insurance

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

Short-Term Accident and Health Insurance

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

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

Universal Insurance

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

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

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

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

Distribution

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

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

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

Customers

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

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

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

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

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

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

Customer Service

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

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

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

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

(1) Premiums under in-force life insurance policies 13 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance, as calculated under PRC GAAP.

(2) Premiums under in-force life insurance policies 25 months after their issuance as a percentage of premiums under life insurance policies becoming in-force during the same period of issuance, as calculated under PRC GAAP.

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

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

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

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

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

Product Development and Pricing

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

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

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

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

Underwriting

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

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

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

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

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

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

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

Claims Settlement

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

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

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

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

Actuarial Practices

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

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

Reserves

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

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

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

Policyholders' Reserves

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

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

Claim Reserves

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

Unearned Premium Reserves

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

Premium Deficiency Reserves

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

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

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

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

Reinsurance

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

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

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

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

Negative Interest Rate Spread on Legacy High Guaranteed Return Products

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

PROPERTY AND CASUALTY INSURANCE

Overview

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

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

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

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

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

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

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

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

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

Business Initiatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property and Casualty Insurance Products

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

Automobile Insurance

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

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

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

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

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

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

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

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

Commercial Property and Engineering Insurance

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

Commercial Property Insurance

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

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

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

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

Special Risk Insurance

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

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

Engineering Insurance

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

Short-Term Accident and Health Insurance

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

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

Cargo Insurance

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

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

Hull Insurance

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

Liability Insurance

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

Other Insurance

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

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

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

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

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

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

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

Distribution

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

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

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

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

Direct Sales

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

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

Insurance Agents

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

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

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

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

Insurance Brokers

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

Customers

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

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

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

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

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

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

Customer Service

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

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

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

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

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

Product Development and Pricing

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

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

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

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

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

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

Underwriting and Claims Settlement

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

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

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

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

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

Reserves

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

Claim Reserves

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

Unearned Premium Reserves

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

Premium Deficiency Reserves

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

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

Reinsurance

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

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

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

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

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

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

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

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

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

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

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

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

ASSET MANAGEMENT AND INVESTMENT PORTFOLIO

Overview

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

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

Business Initiatives

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

- Improve our assets-liabilities management mechanism by establishing an asset allocation decision-making process, which comprises the ALCO, the tactical asset allocation decision-making team and the individual investment account management teams, and by formulating strategic asset allocation decisions and differentiated tactical asset allocation plans based on the characteristics of liabilities for each investment account;

- Improve the operational mechanism of our investment business that focuses on a matrix management model, under which, guided by strategic asset allocation decisions and tactical asset allocation plans, our account management teams, fixed-income investment professionals and equity investment professionals make investment decisions, in light of the characteristics and requirements of different insurance investment accounts under management, in the markets in a proactive, dynamic and prudent manner to achieve an increase in the net asset value of investments;

- Continue to build a high-quality team of asset management professionals by training and recruiting talents with professional expertise, increasing the overall professional and international expertise of our team and establishing a performance evaluation mechanism over time that is consistent with our focus on assets-liabilities management as well as a market-based incentive compensation mechanism;

- Improve the operational structure for asset management in line with advanced international practices by implementing centralized management of fundamental business functions on a platform that offers comprehensive operational support and by establishing professional investment platforms that support the professional operations of our respective investment businesses relating to capital markets, private debt and equity, and real estate, and, guided by the information technology application system for investment management business designed by us in collaboration with a leading international information technology firm, continue to implement an advanced investment business management system;

- Optimize our quantitative risk assessment mechanism and implement rigorous risk budgeting and quota management, enhance our ability to manage credit risk by strengthening the management of credit extension to banks and credit assessment in fixed income investments and by improving policies and procedures, and continue to prevent compliance and operational risks, so as to improve our overall investment risk management capabilities and pursue continued improvement in investment performance while adhering to compliance and risk control objectives in our operations;

- Further explore new investment channels for insurance funds and, subject to applicable laws, regulations and policies, accelerate the preparatory work for the establishment of specialized subsidiaries dedicated to private equity and debt investments and real estate investments, while continuing to promote debt investments in infrastructure projects and equity investments in unlisted financial institutions; and

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

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

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

Management Framework and Decision-Making Mechanisms

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

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

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

Investment Policies

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

- Under a professional and prudent guiding principle that is oriented towards assets-liabilities management, pursue sustainable and consistent investment returns that exceed our cost of liabilities within an economic cycle by adhering to rigorous investment decision-making mechanisms and processes and by adopting proactive yet cautious investment management;
- Formulate sound investment strategies and implement corresponding asset allocations by taking into consideration the characteristics of liabilities, operating targets, regulatory constraints and available investment channels; and
- Focus on the matching of our assets and liabilities, including their duration, cash flow and yield, continue to diversify and optimize our investment portfolio, and manage our investment portfolio's exposure to market, interest rate, credit and liquidity risks as well as concentration risk relating to investments in any single company or a group of related companies.

Internal Risk Control in Asset Management

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

Portfolio Composition

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

Term Deposits

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

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

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

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

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

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

Government Bonds

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

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

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

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

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

Policy Finance Bonds

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

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

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

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

Bonds and Subordinated Bonds Issued by Financial Institutions

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

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

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

Corporate Bonds

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

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

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

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

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

Equity Investment Funds

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

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

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

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

Equity Securities

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

Investments in Infrastructure Projects

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

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

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

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

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

Other Investments

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

OTHER OPERATIONS

Pacific-Antai Life Insurance Co., Ltd.

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

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

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

Proposed Acquisition of Changjiang Pension Insurance Co., Ltd.

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

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

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

Overseas Operations

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

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

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

RISK MANAGEMENT

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

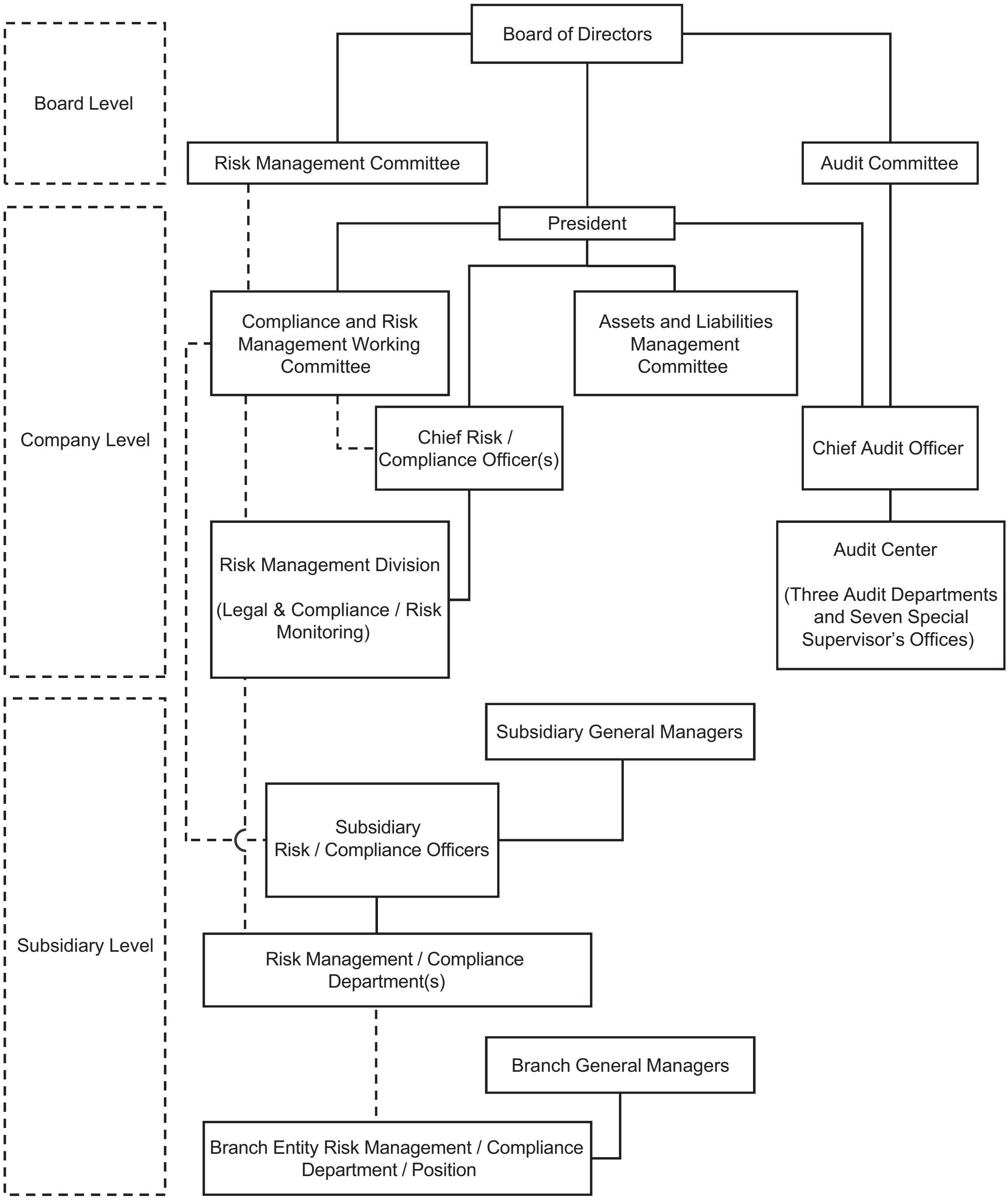
Risk Management Framework

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

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

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

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



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

Risk Management Organizational Structure at Board and CPIC Group Level

Audit Committee

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

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

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

Risk Management Committee

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

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

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

- Overall objectives and fundamental policies of, and rules of reference for, risk management;

- Coordinate setup of risk management as well as each organization's duties and responsibilities;
- Risk assessment relating to significant decision-making and proposed measures to address significant risks;
- Annual risk evaluation reports; and
- Review material connected transactions.

Compliance and Risk Management Working Committee

We have established a compliance and risk management working committee under the leadership of CPIC Group's President. The principal duties and responsibilities of the compliance and risk management working committee include:

- Review the overall objectives and fundamental strategies of, and rules of reference for, compliance and risk management of CPIC Group and discharge the responsibility for improving the compliance and risk management systems;
- Review compliance evaluation reports, risk evaluation reports and risk management working reports, as well as risk assessment relating to significant decision-making and proposed measures to address significant risks;
- Assess and monitor the proposed risk prevention, crisis management and remedial measures in connection with significant risk or crisis events, implement risk identification and assessment, study potential risks as well as related measures to address such risks and oversee their implementation;
- Review reinsurance guidelines, overall reinsurance plans and significant reinsurance arrangements in connection with our life insurance and property and casualty insurance businesses; and
- Promote the development of management information systems for compliance and risk management.

Assets-Liabilities Management Committee

We have established the ALCO under the leadership of CPIC Group's President. The principal duties and responsibilities of the ALCO relating to risk management include:

- Devise a mechanism for the coordination of product design, marketing and investment;
- Review and approve investment-related risk tolerance levels proposed by our risk management functional departments;
- Approve investment risk budget allocations for investment accounts;
- Formulate medium- to long-term investment objectives and investment policies;
- Review and approve new types of investments and investment projects;
- Formulate asset allocation strategies, and review and approve medium- to long-term strategic asset allocations and annual tactical asset allocations; and
- Assume overall responsibility for monitoring and evaluating our investment performance.

The assets-liabilities management working team under the ALCO, or ALM working team, monitors the structure of our liabilities and our asset and liability mismatching risks on a monthly or quarterly basis, creates asset-liability matching models, performs asset-liability matching analyses based on our long-term assets and liabilities forecast, and carry out other activities to assist the ALCO in the performance of its duties.

Functional Departments Relating to Risk Management

Risk Management Division

Our risk management division, consisting of legal and compliance department and risk monitoring department, is responsible for the day-to-day compliance and risk control of our Company.

The primary responsibilities of our risk management division include setting up a uniform risk management framework, formulating risk management policies and procedures and assessing and monitoring the status of various risks, among other things.

Audit Center

We have centralized our internal audit function at the CPIC Group level with the establishment of an audit center, which is supported by three audit departments as well as seven regionally located special supervisor's offices. We have appointed an officer in charge of auditing matters. The audit center carries out internal audits under the direction and supervision of the audit committee of our Board, and the officer in charge of auditing matters reports to both the audit committee of our Board and our senior management at least on a quarterly basis. The audit center supervises and monitors our risk management and compliance management and plays an important role in helping ensure the effectiveness of our internal control and the integrity of our operations. See the section headed "— Internal Audit".

The primary responsibilities of the audit center relating to risk management include auditing, evaluating and reporting on the adequacy and effectiveness of the internal control and risk management systems of CPIC Group, its subsidiaries and related branch entities, and overseeing the implementation of measures to remediate any identified internal control deficiencies.

Recent Risk Management Measures

To achieve our risk management objectives, we have taken the following measures in recent years:

- Continuing to improve risk management system and related organizational setup
  - — We established an audit department prior to 2001 to undertake the responsibility of monitoring and improving our risk management;
  - — In 2003 and 2004, we commenced a consulting project focused on financial management and internal control and completed the implementation of standard operating procedures for our businesses and finance, including budget management, financial management, centralized procurement, information disclosure, internal audit, information system and fixed asset management, establishing an operational risk management mechanism characterized by process control, standardized operations and risk classification;
  - — In 2004, we established an audit committee under our Board to undertake the responsibility of reviewing and supervising financial reporting, internal audit and control procedures;
  - — In 2005, we established a risk management framework characterized by segregation of functions, compliance management and internal audit supervision to refine the duties and responsibilities of risk management, compliance management and internal audit, which further improved our internal control system, in terms of both its design and its implementation, with a view to controlling overall risk exposures;
  - — In 2007, we established a risk management committee under our Board to undertake the responsibility for overseeing our risk management. We have also established a

compliance and risk management working committee under the leadership of CPIC Group's President to discharge risk management responsibilities;

— In 2007, our Board appointed our chief compliance officer and an officer in charge of auditing matters;

— In 2008 and 2009, in cooperation with an international consulting firm and taking into account international best practices, we explored the possibility of creating a group-wide risk measurement system based on quantitative models;

— In 2008 and 2009, we compiled and started enforcing compliance manuals for various positions throughout our organization, which define major compliance risks at different types of positions and set forth compliance "dos and don'ts" relating to these risks;

— Beginning in 2007, we formulated and compiled a series of internal rules and guidance governing various aspects of our risk management, including, among other things, our group-wide Risk Management Policies (風險管理政策) and Procedures for Risk Management (風險管理工作規程);

— In 2009, we established the ALCO to undertake the responsibility of formulating general asset-liability matching principles and asset allocation strategies, among other things;

— In 2008 and 2009, we extended our risk management framework that we had initially set up in 2007 to cover our subsidiaries, their branch entities and our functional departments by establishing risk management and compliance departments and appointing officers in charge of risk related matters within our organizational structure, and we established a mechanism for reporting risk events within our organization; and

— In 2009, we established a set of standards for evaluating internal control deficiencies and started creating an internal control matrix to gauge our risk exposures in different aspects of our operations.

- Starting to establish the fundamental processes for risk management and a framework for risk assessment

— In accordance with the Tentative Guidelines for Risk Management of Insurance Companies promulgated by the CIRC and with reference to concepts from the enterprise risk management framework of the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, we started to establish the fundamental processes and procedures for risk management in connection with risk information collection, risk identification and assessment, and risk control, reporting and monitoring;

— Our current risk management is focused on the analysis and assessment of our principal risks, such as insurance risk, asset and liability mismatching risk, market risk, credit risk, operational risk and solvency margin adequacy compliance risk;

— We have adopted a group-wide emergency response mechanism that can be activated in cases of emergency events and have implemented an internal policy that requires timely reporting of significant risk events to our management; and

— As our businesses continue to develop, we plan to further integrate our risk management system, based on the overall risk profile of a financial services group company, and gradually establish and improve risk management information systems and risk management database, so as to provide strong technical support for risk identification, assessment, control and reporting.

- Enhancing the risk control relating to the use of insurance funds

  — We have adopted and implemented risk management strategies that seek to manage risks by investment type, set reasonable maximum exposures in risk budgeting and control overall risk exposures, and have sought to determine our overall risk control targets in connection with the use of insurance funds, including risk preferences, maximum exposures and return requirements, based on our strategic objectives, our needs for asset and liability management and the goals of our business operations;

  — We have further refined the indicators for monitoring key risks and the related early warning thresholds, taking into consideration macroeconomic conditions and capital market movements;

  — We have sought to make full use of the investment channels currently available for the use of insurance funds, consistent with our risk control targets, and implement both overall and specific measures in response to risks based on risk profile and market conditions; and

  — We have complied with relevant laws and regulations in allocating our investments and setting related allocation percentages, and sought to operate our asset management business within the legal and regulatory framework so as to avoid making investments that may involve excessive risks or that may go beyond our management or risk control capabilities.

Management of Principal Risks

Insurance Risk Management

Insurance risk is the risk of potential loss arising from, among others, (i) mispricing of products or inadequate reserves due to inaccurate assumptions regarding such factors as mortality, morbidity, loss ratio and surrender rate, (ii) inappropriate reinsurance arrangements or (iii) unanticipated major claims settlements.

Product Pricing Risk Management

Product pricing risk is the risk of potential loss with respect to a particular insurance product arising from such uncertainties as the reliability of actuarial data, the actuarial-based pricing method, the pricing strategy and market competition. We have adopted the following measures to manage product pricing risk:

- We manage product pricing risk through establishing standards and guidelines designed to ensure that our level of product pricing risk for a particular product is within an acceptable range and consistent with the designed profile of the product;

- We conduct an actuarial assessment during product developments, using assumptions derived from historical claim experience data, carry out actuarial-based pricing and related testing, and reflect the actuarial results and risk management information in a detailed actuarial assessment report; and

- We focus on post-development monitoring and collect performance data of launched products. If post-development monitoring indicates that our actual experience differs significantly from our original expectations of a product, we would re-price, re-design or discontinue the product, as appropriate.

Reinsurance and Catastrophe Risk Management

We have adopted the following measures to manage reinsurance and catastrophe risk:

- We seek to make appropriate reinsurance arrangements on an overall basis and make necessary adjustments from time to time to help reduce uncertainties associated with rapid growth of our businesses;
- We require our underwriting staff to have a good understanding of the terms of our reinsurance contracts, and seek to strictly enforce our policies governing maximum retentions and strictly control our retained risks by entering into a variety of reinsurance arrangements to diversify the risks in excess of our retained risks;
- We have entered into cooperative arrangements with relevant government agencies and other expert organizations to obtain timely information regarding disasters, which have provided valuable technical and information support for our underwriting and claims settlement operations; and
- We have enhanced our control over region-specific cumulative underwriting risks with respect to catastrophes such as earthquakes, typhoons and floods, through quantitative analysis using international models for assessing catastrophe risk and through appropriate use of catastrophe reinsurance arrangements.

Irrational Market Competition Risk Management

We have adopted the following measures to manage irrational market competition risk:

- We seek to better manage premium rates and underwriting terms by adopting actuarial-based pricing with respect to different types of insurance products and by fixing and standardizing the basic terms, and to strictly control underwriting and claims settlement;
- We have adjusted our market strategies over time to avoid engaging in attempts to gain market shares for their own sake, and have instead focused our competitive strategies on reforming and innovating our operational and management systems by encouraging the interactions between CPIC Life and CPIC Property and by expanding our overall distribution channels; and
- We have sought to strengthen our internal control and compliance management and to better prevent risks by adopting strict rules against actions taken in violation of market order and norms and by imposing severe penalties on violators.

Asset and Liability Mismatching Risk Management

Asset and liability mismatching risk is the risk arising from the mismatch between the duration, cash flow and yield of assets and liabilities. As the current regulatory and market environment only permits a limited number of investment channels for PRC insurance companies like us, however, we are unable to invest in assets that have a duration of sufficient length to match the duration of our life insurance liabilities. See the section headed "Risk Factors — Risks Relating to the PRC Insurance Industry — The limited availability of long-term fixed income securities in the PRC capital markets and the legal and regulatory restrictions on the types of investments that insurance companies may make affect our ability to match closely the duration of our assets and liabilities". We intend to manage asset and liability mismatching risk by:

- Enhancing the role of the ALCO and the ALM working team in (i) formulating medium- to long-term strategic asset allocations, based on major asset classes, after taking into account the characteristics of our liabilities and balancing our risk tolerance with our financial objectives, and reviewing such strategic asset allocations on an annual basis; (ii) modeling medium- to long-term asset allocation forecast based on projected medium- to long-term liabilities and medium- to long-term investment return assumptions of major asset classes;

and (iii) coordinating product design, marketing and investment and monitoring the structures of our liabilities and asset and liability mismatching risks on a monthly or quarterly basis;

- Working within the current regulatory framework and market environment to increase the allocation of assets to long-term fixed income securities, and selectively investing in and holding assets with a longer duration to better match our assets with our liabilities in terms of both duration and yields;
- Monitoring developments in the CIRC's relaxation of regulatory restrictions that govern investment channels available to insurance companies, capitalizing on any new investment options and making timely and appropriate adjustments to our asset allocation;
- Monitoring the development of the PRC capital markets with a view to diversifying our investment portfolio and optimizing our return on investments, and taking into consideration capital market and investment portfolio factors in the pricing of products and the design of underwriting terms; and
- Following closely the state of affairs in the matching of assets and liabilities, as well as the degree of sufficiency of our solvency margin and our profitability in different economic environments, and studying and exploring the impact of various risks on the future financial strengths and the matching of assets and liabilities of insurance companies.

Market Risk Management

Market risk is the risk of potential loss that may result from unfavorable changes in interest rates, exchange rates, equity securities prices and other factors, as well as risks arising from significant crises that may lead to significant shortfalls in operating income as compared to operating and other expenses. The primary market risks that we face are changes in interest rates and equity price risk, and we are also exposed to exchange rate risk.

Specifically, interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As our financial assets principally comprise term deposits and debt investment products, changes in level of interest rates can have a significant impact on our overall investment return.

We are also exposed to the risk of equity securities market volatility as a result of our investments in stocks and equity investment funds. In particular, a market downturn may cause us to recognize realized and unrealized investment losses, which would adversely affect our results of operations and net assets.

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the Renminbi and other currencies in which we conduct business may affect our results of operations and financial condition.

We have adopted the following measures to manage market risk:

- We have established, and seek to improve, a market risk budgeting, warning and reporting mechanism as part of our market risk control system, by identifying, quantifying, budgeting, assessing and monitoring the market risk faced by our asset management business, to assist us in keeping potential market risk below an acceptable level;
- We monitor and assess our interest rate risk on a regular basis through such means as sensitivity analysis and stress testing, and seek to manage our interest rate risk by adjusting our portfolio mix and terms and by managing, to the extent possible, the average duration and maturity of our assets and liabilities;

- We follow a prudent equity investment principle that focuses on industry and issuer research, and seek to mitigate our equity price risk through industry and issuer diversification in our asset allocation; and
- We seek to limit our exposure to foreign currency risk by minimizing our net open foreign currency position.

For more information, see the section headed "Financial Information — Quantitative and Qualitative Disclosure About Market Risk".

Credit Risk Management

Credit risk is the risk of economic loss resulting from the failure of one or more of our obligors or co-obligors to make any payment of principal or interest when due, the failure of one or more of our counterparties to perform their contractual obligations or the deterioration in the credit profile of relevant parties.

We have adopted the following measures to manage credit risk:

- We mitigate credit risk by utilizing detailed credit control policies, by undertaking credit analysis on potential investments, by imposing aggregate counterparty exposure limits and by diversifying our fixed income investment portfolio;
- We seek to enhance our capabilities and effectiveness in performing credit risk assessment with respect to our fixed income investments by establishing our internal credit rating system and our management procedures for extending credit;
- We monitor the risk levels of various investment sectors and adjust asset allocations accordingly. For investment assets carried at historical cost, once we determine that it is probable that we will not be able to collect all the amounts due according to applicable contractual terms, an impairment loss is recognized in our financial results;
- To reduce the credit risk associated with our reinsurance agreements, specific counterparty exposure measures and limits are imposed. In addition, we monitor the cumulative risk in our reinsurance arrangements and seek to avoid concentration risk involving our reinsurers; and
- We regularly review overdue balances in our premiums receivable accounts and impose strict control to keep the overall balances below a reasonable amount.

Operational Risk Management

Operational risk is the risk of loss resulting from breakdowns in information, communication, transaction processing, settlement systems and procedures. Operational risk includes failure to obtain proper internal authorizations or to properly document transactions, equipment failure, inadequate training or errors by employees.

We have adopted the following measures to manage operational risk:

- We compiled and started enforcing compliance manuals for various positions throughout our organization, which define major compliance risks at different types of positions and set forth compliance "dos and don'ts" relating to these risks;
- We actively promote a culture of compliance within our organization and have introduced such concepts as "Compliance creates value", "Ensure compliance proactively" and "Compliance is everyone's responsibility". We have focused on compliance training and related review by including the status of internal control and compliance management within the scope of our performance review and incentives mechanism, and impose strict sanctions and penalties on violators;

- We have implemented what we believe to be appropriate and sufficient controls to identify, prevent and mitigate operational risk by establishing standardized operational procedures as well as regular self-assessment of risks and related controls. We also replenish or otherwise provide for appropriate resources to mitigate or offset potential losses, as we seek to minimize the impact of operational risk on our operational objectives. For example, we have set up a tiered authorization system relating to our underwriting and claims settlement processes, which is reinforced by automatic settings in our information technology system that help prevent unauthorized approvals;
- We have accelerated the establishment and improvement of our operational risk management system to provide for an internal control and supervision system across our organization that combines such different functions as prevention, monitoring and remediation throughout the entire process of a risk event; and
- Our internal and external audit functions carry out strict procedures to evaluate the effectiveness of our risk controls, and we adopt appropriate measures to address control deficiencies that are detected, based on recommendations to management in internal and external audit reports.

Solvency Margin Adequacy Compliance Risk Management

We have adopted the following measures to manage solvency margin adequacy compliance risk:

- CPIC Group has raised funds through share issuances and capital increases, which, in the form of capital injections to CPIC Life and CPIC Property, have strengthened their capital base. We have also stepped up our efforts to maintain in place a platform for sustained financing in order to meet solvency margin needs as a result of the future expansion in our business activities;
- We have continued to proactively adjust our business mix, optimize our asset allocation, improve our asset quality and enhance our operating efficiency so as to underscore the role of profitability in solvency margin; and
- We have also implemented measures in connection with solvency margin ratio monitoring, warning and stress testing.

Liquidity Risk Management

Liquidity risk is the risk of not having access to sufficient funds in a timely manner to meet our obligations as they become due. We are exposed to liquidity risk on insurance policies that permit surrender, withdrawal or other forms of early termination. We seek to manage our liquidity risk by matching, to the extent possible within the current regulatory framework and market environment, the duration of the cash flows from our investment assets with the duration of the cash flows required under our insurance policies. We also seek to manage our liquidity risk through selection of liquid assets and through asset diversification.

We rely on a broad range of liquidity sources to meet our funding needs. We fund our operations principally from the receipt of written premiums and policy fees from policyholders and the related investment income. We may also obtain short-term financing in the form of repurchase agreements, whereby we sell securities to a counterparty with an obligation to repurchase them at a pre-determined price on a specified future date, as well as funds through the sale of investments. We conduct stress tests on our cash flows from time to time to analyze our liquidity risk, and have developed contingency plans to ensure the availability of adequate liquidity under a variety of market conditions. In addition, we have developed a set of analytical indicators to alert us to potential liquidity problems in our operations.

Concentration Risk Management

Concentration risk is the risk of incurring a major loss as a result of having a significant portion of our investments concentrated in a single entity, group of related entities, asset class or industry segment. We seek to control our concentration risk by limiting the proportion of investment in any single entity or group of related entities.

Due to current PRC regulatory restrictions on investments by insurance companies, substantially all of our investments are concentrated in a limited number of investments that are located in the PRC. Subject to compliance with applicable PRC regulations, we intend to diversify our investment portfolio by increasing our investments in new investment vehicles, particularly those with a longer maturity. In addition, although we currently do not have extensive investments that are located outside the PRC, we may, subject to compliance with applicable PRC regulations, explore investment opportunities outside the PRC.

INTERNAL AUDIT

Our audit center assists our management in the day-to-day operations by evaluating the adequacy and effectiveness of our internal controls and procedures, recommending improvements to these controls and procedures and supervising and monitoring related implementation. Our internal audit function also reports directly to our audit committee, which has overall oversight responsibility for the internal controls and procedures of our Company, our subsidiaries and our branch entities.

Our audit center is centrally staffed and administered at the CPIC Group level, and carries out its audits through three audit departments that are each responsible for the auditing of our life insurance business, our property and casualty insurance business and our asset management business, and seven regionally located special supervisor's offices that are responsible for the auditing of our branch entities. We believe that our centralized internal audit function helps ensure independent, centralized and more reliable reporting of audit findings regarding our operations to our audit center and our audit committee.

INFORMATION TECHNOLOGY

Overview

We believe that the use of information technology is critical to the efficient operation and performance of our business and is a key contributor to our success and future growth. Important operational and management areas that rely upon information technology include product development, underwriting and claims settlement, sales support and channel management, customer relationship management, investment management, actuarial practice, financial management and risk management, among others.

We have always aligned our information technology development with our overall strategies. Our information technology systems provide a strong support and safeguard for our business development and the implementation of our strategies through their advanced system framework design, infrastructure, application development and operations management.

Decision-Making Mechanism and Professional Team

Our information technology working committee under the leadership of our President, consisting of our senior management and heads of our information technology department and relevant business departments, is responsible for formulating our information technology plans as well as coordinating and supervising related implementation to support our decision-making.

Planning and Development

In 2002, we collaborated with an internationally leading information technology company in formulating a comprehensive information technology strategic plan, or ITSP, based on our business development strategy. ITSP sets forth the all-round, strategic plan for our information technology management framework, technology infrastructure and business operations and management platform. We have been implementing and optimizing ITSP since 2002 and have substantially in place an information technology management framework and a technology framework. We have also made significant progress in the construction of our core business networks.

We believe that, based on the Insurance Application Architecture, or IAA, our modularized ITSP is one of the largest, most comprehensive and most technologically advanced information technology strategic plans undertaken to date in the PRC insurance industry. The progress we have made with ITSP has resulted in a well-functioning technology platform and infrastructure for the overall development of our businesses and has contributed to the increase in the value of our businesses. We believe that ITSP will be able to contribute even more significantly to our business operations as we complete the construction of related system applications. With the implementation of ITSP, we have made further progress in centralizing management, technology, personnel, systems and information, which reflects our centralized management concept and lends a powerful support to our decision-making process, business operations and risk management, among other things.

Features

Key features of our information technology systems include:

- **System framework that effectively supports centralized business management.** We have endeavored to centralize and manage our information systems throughout our Company. The systems that have been or are in the process of being centralized include core business operations, underwriting and claims settlement, actuary, finance, customer services system, data center, corporate network, information exchange platform and internal information technology support. In particular:
  - — We have centralized all business data of our property and casualty insurance business, which has helped us increase the core value of our property and casualty insurance business by supporting business growth, improving operational efficiency, controlling operating costs and assisting in regulatory compliance;
  - — We have completed the construction of a back-office technology support platform for our life insurance business, which is expected to provide professional support for the operational management, sales management, comprehensive management and internal control in our life insurance business;
  - — We have constructed an information technology platform for customer service that features the sharing of a single 95500 hotline by our life insurance business and property and casualty insurance business and that supports customer service centers located in our regional or provincial operations centers. Two customer service centers for our life insurance business have commenced operation in regional operations centers located in Shanghai and Zhengzhou, with a third expected to commence operation in Changsha in 2009. The customer service centers for our property and casualty insurance business have commenced operation in provincial operations centers. These efforts have helped enhance the quality of our customer service and demonstrated the benefits of centralized resources;
  - — We have successfully implemented a centralized financial management system with timely collection of all financial data within our organization, which has enhanced our internal control, management and business decision-making capabilities;

— We have commenced the operation of our new ISO 20000 accredited data center in Shanghai, which help enhance the stability of our central management platform; and

— We have centralized our internal information technology support throughout the PRC, providing information technology support to all of our branch entities through our nationwide hotline around the clock.

- **Standardized Decision-Making and Development Process.** Since 2003, facilitated by leading international information technology companies, we have established a business-oriented framework for managing information technology projects. Based on the advanced "One Team" concept, our information technology working committee acts as the decision-maker of our information technology projects and our professional project teams are responsible for the management and execution of these projects. Our information technology projects follow a six-stage management process: concept formulation, planning, development, assessment, promotion and life cycle, with standardized control and monitoring at key junctures. Through the "One Team and Six Stages" mechanism, we have standardized our information technology development model and enhanced our information technology capabilities.

- **Consistent Open Technology Standards.** We apply consistent technology standards in developing our systems. For example, all our server equipment is based on open system platforms, our database management systems have standardized versions and substantially all of our applications are written in Java computer language. This makes us cost-effective, flexible and responsive to the changing business needs as we avoid integration problems relating to incompatible hardware systems and are not locked in by a particular hardware vendor. We maintain good working relationships with our information technology vendors, which are reviewed periodically.

- **Reliable System Operations.** During the past three years, we have never experienced a material system failure caused by software or hardware defects that resulted in widespread and substantial loss of service or other significant damages. For example, although the operation of our information technology system and related business operations in the Sichuan Province and other affected areas were initially disrupted following the occurrence of the Sichuan earthquake in May 2008, we were able to utilize our backup information technology facilities located elsewhere shortly thereafter to provide required information technology support. As a result, we did not lose key business data or suffer material financial losses on our information technology system from the impact of the Sichuan earthquake. On 3 February 2008, we entered into an investment and cooperation agreement with the management committee of Chengdu High and New Technology Industrial Development Zone. Pursuant to this agreement and subject to approval by our shareholders, we plan to set up an emergency disaster recovery center in Chengdu, Sichuan Province that would support our disaster recovery efforts and provide research, development and other support services in connection with our information technology system. Through a combination of backup communications lines and standby systems, we seek to maintain the uninterrupted availability of our information technology system throughout our nationwide branch network.

- **Industry-Leading Technology Standards.** Some of our accomplishments in information technology development have won us awards. We were selected by the CIRC in 2006 as the lead editor of Insurance Glossary, the first set of standard insurance terms for the PRC insurance industry, which won wide acclaim for being useful and up-to-date. *P13: Definition and Implementation of Information Technology Security Rules*, one of our ITSP projects, received the Outstanding Insurance Industry Security Plan Award at the 2007 PRC Enterprise Information Security Executive Conference jointly organized by the China Information Economics Society and the China Computer World. We were ranked by the National Informatization Evaluation Center among "The 2007 iPower 500", an award that honors the top 500 PRC companies in enterprise informatization. We were also awarded "The 2007 Best IT Governance Award" by the National Informatization Evaluation Center. In the 2008 China IT Users Annual Conference, we were awarded the "China Enterprise of Excellence in Informatization Award". We were also ranked among "The 2008 iPower 500" and awarded the "Chinese Enterprise Group Informatization Achievement Award" in 2008.

COMPETITION

We face competition in both life insurance and property and casualty insurance, including our overseas operations. Competition in the insurance industry is based on many factors, including price, sales force strength and abilities, product design features, customer service, claims services, reputation, perceived financial strength and the experience of the insurance company in the line of insurance to be written. The number of participants and the level of competition in the PRC insurance market have been increasing in recent years, in part as the CIRC has been gradually relaxing controls over the insurance industry and granting an increasing number of operating licenses to new entrants to encourage competition. We also compete with other insurance companies and financial institutions to attract and retain experienced personnel.

Our primary competitors are domestic and foreign-invested life insurance, property and casualty insurance, pension insurance and health insurance companies. Some of these companies may have greater financial, management and other resources than we do, and may have longer and more extensive operating experience than us. Furthermore, these companies may be able to offer a broader range of products and services and may have a stronger capital base than us. In addition, some of our domestic competitors have benefited from more extensive distribution networks than we have. Some large corporate groups in the PRC with substantial insurance needs have established their own self-insurance subsidiaries, which may impair our existing customer base and negatively affect our business, results of operations and financial condition, as well as our market position. We also face competition from smaller insurance companies, which have been making efforts to expand their market shares and may develop strong positions in various regions in which we operate. We also face potential competition in the PRC from commercial banks, which may be able to invest in, or form alliances with, existing insurance companies to offer insurance products and services that compete against us, or establish subsidiaries of their own to engage in insurance business directly.

The presence of foreign-invested insurance companies in the PRC market has continued to increase in recent years, and their business activities have continued to expand as the industry becomes more open to foreign competition as a result of the PRC's commitments pursuant to its WTO accession agreement. In particular, some new foreign entrants may be able to commence operations rapidly by forming alliances and joint ventures with other PRC insurance companies and by employing products and skills developed in their home markets.

In addition, changes in PRC investment regulations have relaxed rules on the formation of equity investment funds and sales of securities, among others, and have led to greater availability and variety of financial investment products. These products may be more attractive to the public and adversely affect the sale of some of our insurance products that offer similar or related financial investment functions. See the section headed "Risk Factors — Risks Relating to the PRC Insurance Industry — If we cannot effectively respond to the increasing competition in the PRC insurance industry, our profitability and market share could be materially and adversely affected".

Life Insurance

As of 31 December 2008, there were 30 licensed PRC life insurance companies. In addition, as of the same date, there were 26 foreign life insurance companies licensed to conduct insurance business in the PRC through joint ventures and other arrangements with PRC companies. Based on

PRC GAAP financial data published by the CIRC, China Life, Ping An and we accounted for approximately 39.7%, 16.8% and 8.1%, respectively, of the gross written premiums received by PRC life insurance companies in the first nine months of 2009. We also face competition in some areas from New China Life Insurance Co., Ltd. and Taikang Life Insurance Co., Ltd.

Our market share in the PRC life insurance market, in terms of gross written premiums, based on PRC GAAP financial data published by the CIRC, was 9.3%, 10.2%, 9.0% and 8.1% in 2006, 2007, 2008 and the first nine months of 2009, respectively. The slight decrease in our market share from 2007 to the first half of 2009 primarily resulted from our proactive management of the growth of certain products with lower profitability, such as bancassurance products and group life insurance products with shorter terms, as well as the increasingly intense competition in the PRC life insurance market with an increasing number of competitors.

We believe that we hold a solid competitive position in the PRC life insurance industry. Rather than focusing solely on the growth of gross written premiums, policy fees and deposits, we have developed a strategy that emphasizes profitable insurance products that provide a more sustainable profit source, such as regular premium individual life insurance products, regular premium bancassurance products and short-term accident insurance products.

Property and Casualty Insurance

As of 31 December 2008, there were 31 licensed PRC property and casualty insurance companies. In addition, as of the same date, there were 16 foreign-invested property and casualty insurance companies licensed to conduct business in the PRC. Based on PRC GAAP financial data published by the CIRC, PICC, Ping An and we accounted for approximately 41.1%, 12.3% and 11.6%, respectively, of the gross written premiums received by PRC property and casualty insurance companies in the first nine months of 2009.

We believe that we have a competitive advantage in the PRC property and casualty insurance industry. Our approach to property and casualty insurance business is increasingly focused on maintaining stable market share while improving profitability, and we intend to avoid competing for customers solely on the basis of price. We intend to continue focusing our efforts on the acquisition of higher quality property and casualty insurance customers.

Impact of PRC Accession to the WTO

As a result of the PRC joining the WTO in December 2001, the PRC government has been gradually reducing restrictions on foreign participation in the PRC insurance market. This has resulted in the gradual opening, and is expected to result in the further opening, of the PRC insurance market to foreign insurance companies. See the section headed "Supervision and Regulation — Major Insurance Industry Commitments Upon PRC's Accession to the WTO" for more information. The further opening of the PRC insurance market to foreign insurance companies may adversely affect our business as well as our future profitability.

Applicable PRC regulations require that the CIRC approve the establishment as well as the commencement of operations of a foreign-invested insurance company. By 31 December 2008, the CIRC had granted approval for the establishment of 48 foreign-invested insurance companies. Although these companies have increased, and are expected to further increase, competition in the PRC insurance industry, we believe the increased competition will also help accelerate the development and expansion of the PRC insurance market.

Overseas Operations

Our overseas operations are principally focused on the Hong Kong insurance market. CPIC HK primarily competes with local and international insurance companies that conduct business in Hong Kong, in particular local insurance companies that are affiliated with PRC insurers or banks, some of which have greater financial, management and other resources than we do, and may have more extensive operating experience than us.

OVERSEAS INVESTORS

On 31 December 2005, Carlyle Holdings Mauritius Limited, or Carlyle Mauritius, and Parallel Investors Holdings Limited, or Parallel Investors, collectively acquired approximately 24.975% of the then issued and outstanding share capital of CPIC Life pursuant to a number of investment and cooperation agreements with CPIC Life and CPIC Group, or the Life Investment Agreements. As a result of this investment, Carlyle Mauritius and Parallel Investors held approximately 5.273% and 19.702% of the then issued and outstanding share capital of CPIC Life, respectively. Carlyle Mauritius and Parallel Investors are both investment entities controlled by Carlyle-managed funds. We refer to Carlyle Mauritius and Parallel Investors collectively as the Overseas Investors. Pursuant to arrangements between Carlyle Mauritius and Parallel Investors, Carlyle Mauritius and Parallel Investors are required to act as one under the Life Investment Agreements. Pursuant to the Life Investment Agreements, certain matters relating to the management and operation of CPIC Life were subject to the affirmative vote of the shareholders of CPIC Life representing more than 78% of the voting shares at a duly convened shareholders' meeting where the representatives of both CPIC Group and the Overseas Investors should be present and/or the affirmative vote of more than 80% of the Directors present at a duly convened board meeting.

On 30 April 2007, the Overseas Investors transferred their entire equity interests in CPIC Life to us and subscribed for an aggregate of 1,333,300,000 of our shares in a private placement to certain then existing shareholders of us and the Overseas Investors pursuant to a share transfer agreement and a share subscription agreement with CPIC Group, or the Share Transfer and Subscription Agreements. As a result, Carlyle Mauritius and Parallel Investors held approximately 4.202% and 15.698% of our issued and outstanding share capital, respectively. Consequently, the Life Investment Agreements were terminated in their entirety. For more detailed information about the share subscription and transfer under the private placement, the Life Investment Agreements and the Share Transfer and Subscription Agreements, please refer to Appendix X — "Statutory and General Information".

After our A Share Offering and as of the Latest Practicable Date, Carlyle Mauritius and Parallel Investors held approximately 3.66% and 13.66% of our issued and outstanding share capital, respectively.

The Overseas Investors' Rights and Obligations Under the Share Transfer and Subscription Agreements

Pursuant to the Share Transfer and Subscription Agreements, the Overseas Investors have, among others, the following rights and obligations:

Conversion of Shares

Upon the listing of our H Shares, all of CPIC Group's shares held by the Overseas Investors will be converted into H shares listed on the Hong Kong Stock Exchange. Such conversion was approved by the CSRC on 23 November 2009.

Share Lock-Up

The Overseas Investors agreed that, prior to 31 December 2008, they would not transfer to any other party all or any part of the shares subscribed by them in CPIC Group pursuant to the Share Transfer and Subscription Agreements. For details, see the section headed "Share Capital — Share Lock-Up" in this prospectus.

Waiver of the Overseas Investors' Rights Under the Share Transfer and Subscription Agreements

Under the terms of the Share Transfer and Subscription Agreements, we agreed to compensate the Overseas Investors for any potential additional loss relating to the rectifying measures with respect to our investment in Finance Institute incurred by CPIC Group. We had made a provision of RMB325 million in 2006 for the potential loss relating to the rectifying measures with respect to our investment in Finance Institute. If the actual loss exceeds such provision, we agreed to compensate the Overseas Investors for the amount of 19.9% of the excess loss.

Pursuant to a letter dated 9 November 2009 issued by Carlyle Holdings Mauritius Limited and Parallel Investors Holdings Limited to our Company, the Overseas Investors waived its rights under the Share Transfer and Subscription Agreements with respect to the above indemnity regarding the excess loss and confirmed that they have no right to, and would not require us to pay to them, any excess loss.

LEGAL AND REGULATORY PROCEEDINGS

General

We are involved in legal and regulatory proceedings in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.

The CIRC and other PRC governmental agencies, including the SAT, the SAIC, the PBOC, the Ministry of Human Resources and Social Security of the PRC and their local counterparts, from time to time make inquiries and conduct on-site or off-site examinations or investigations concerning our compliance with PRC laws and regulations in relation to our financial condition and business operations, our solvency adequacy, tax payment, labor and social welfare, among other things.

According to the Administrative Provisions on Insurance Companies, the CIRC shall conduct both on-site and off-site inspections on insurance institutions. The on-site inspections conducted by the CIRC or its local bureaus on an insurance institution may focus on one or more aspects, including the good standing of an insurance institution, its capitalization and reserves, solvency margin, use of funds, financial condition, transactions with insurance intermediaries, appointment of senior management and other matters deemed necessary by the CIRC.

For example, in April 2007, the CIRC, as part of its regular supervision practice in respect of PRC insurance companies, requested three PRC insurance companies, including CPIC Life, to conduct a review and assessment of their internal controls. Accordingly, CPIC Life engaged a reputable accounting firm to conduct a review and assessment of its internal control system from May 2007 to September 2007. According to the final report issued by this accounting firm, CPIC Life shared the notion that an effective risk management mechanism plays a key role in an enterprise and, consistent with that notion, had established various components of, and sought to continue to integrate and improve over time, its organizational structure of risk management framework, its risk identification and assessment mechanisms and its risk control and supervision mechanisms. The report was submitted to the CIRC in September 2007. As we have not received any comment or other feedback from the CIRC on such review and assessment, no follow-up review has been conducted.

In February 2009, in light of the unraveling global financial crisis, the CIRC requested eight PRC insurance holding companies, including us, to conduct a self-assessment of their risk exposures based generally on data as of and for the year ended 31 December 2008. The self-assessment covered risk exposures arising from nine areas: (i) solvency margin, (ii) financial condition, (iii) corporate governance, (iv) major investments, (v) internal management and control, (vi) brand name and reputation, (vii) compliance with laws and regulations in operations, (viii) legal proceedings and (ix) other areas. Based on an examination and assessment of our risk exposures and related risk management measures in these areas, we did not identify risk events in 2008 that in our view would have a material adverse effect on our business or operations, while at the same time noting the challenges arising from the global financial crisis and the need to continue to improve our risk management mechanisms. We submitted our self-assessment report to the CIRC in March 2009 and have not received any comment or other feedback from the CIRC.

As of the Latest Practicable Date, we were not aware of any material examination or investigation that is ongoing with respect to us. In the past, we have been found to have violated certain laws and regulations, including, among others, Regulations on Administration of Insurance Companies, Regulations on Registration Administration of Companies, Enterprise Income Tax Law and Regulations on the Management of Foreign Exchange, in connection with our normal business operations. As a result, we have been subject to penalties, including, among others, fines. In 2006, 2007, 2008 and the first six months of 2009, we were penalized for 116 times, 46 times, 70 times and 14 times and were fined a total of approximately RMB2.95 million, RMB4.58 million, RMB3.87 million and RMB1.00 million, respectively, by PRC regulatory authorities, including, but not limited to, the CIRC and its local bureaus, the local bureaus of the SAIC and the tax bureaus. These fines covered violations relating to, among other things, improper payments to those intermediaries that lacked proper qualifications in connection with sales of insurance products, improper payment in cash of handling fees to insurance agents without complying with the necessary procedures as required by applicable laws and regulations and failure to complete the tax registration with the relevant tax authorities within a stipulated period of time. These penalties have not had a material adverse effect on our business, financial condition or results of operations. As of 30 June 2009, the total claims in unresolved legal and arbitral proceedings involving claims in excess of RMB5 million in which we were defendant or respondent amounted to approximately RMB230 million. The majority of these claims involved general commercial disputes arising from the operations of our insurance businesses. In the opinion of King & Wood PRC Lawyers, our PRC legal counsel, these proceedings will not have a material adverse effect on our business. While we cannot predict the outcome of any pending or future examination, investigation or litigation, we do not believe that any pending legal matter will have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any future litigation or regulatory proceeding will not have an adverse outcome, which could have a material adverse effect on our operating results or cash flows. See the section headed "Risk Factors — Risks Relating to Our Company — Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect our reputation, business, results of operations and financial condition".

As required by relevant PRC regulations, the SAB conducted an audit in 2006 in respect of the performance by our former Chairman of his economic responsibilities, as well as our assets, liabilities, profits and losses as of and for the years ended 31 December 2003, 2004 and 2005 during his term of office, and issued its audit report and audit decision in December 2006. In addition, the MOF Office conducted an accounting information audit of our Company for the year 2005 and issued an audit opinion in December 2006. Although the audits by the SAB and the MOF Office concluded that our historical financial statements under PRC GAAP for the relevant periods, in general, truthfully reflected our financial condition and results of operations during those periods and were generally in compliance with the applicable PRC GAAP standards and related rules, the SAB and the MOF Office also identified certain errors in our accounting treatment as well as incidents of noncompliance with relevant regulations and required us to take corrective measures. Such identified accounting errors primarily related to the improper application of PRC GAAP standards and related rules in connection with certain income statement and balance sheet line items in our PRC GAAP financial statements for those periods. Other violations or incidents of noncompliance identified primarily included (i) deficiencies in our investment decision-making process, in particular in connection with our prior investment in Finance Institute, (ii) improper payments of handling fees to insurance agents, (iii) violations in connection with insurance business activities, such as improper refund payments associated with sales of insurance policies and (iv) internal control deficiencies, such as those in connection with expenditures and information systems.

We have submitted to the SAB and the MOF Office in April 2007 our plans to remediate such identified accounting and other violations and have taken measures to implement such plans, and have not received any further comments from these regulators. All identified accounting errors have been corrected and adjusted in accordance with the requirements stipulated by the SAB and the MOF Office. With respect to other violations or incidents of noncompliance identified, we have also implemented a series of measures in order to strengthen the overall control environment and reinforce the existing controls to prevent the re-occurrence of such violations and incidents of noncompliance. Specifically, we have been taking proactive measures to improve our internal control system, in particular our internal audit division that supervises and monitors our risk management and compliance management, and to enhance our internal audit division's inspections and risk assessments of our branches and sub-branches, in an effort to help ensure the effectiveness of our internal control and the integrity of our operations. Our internal audit division, which is responsible for following up on the findings identified by the SAB and the MOF Office as well as related remedial measures, has included in our 2008 annual internal audit plan specific audit procedures relating to such remedial measures, with the results of such audit reviewed by our management and significant findings reported to our Board. With respect to improper payments of handling fees to insurance agents, we have revised our policies and procedures to put in place specific payment conditions and methods as well as new controls, including, among others, segregation of duties of initiation, approval and payment, termination of unqualified agents, restriction on cash and cash check payments, and requirement of obtaining official invoices from insurance agents before payments, so as to help ensure that handling fees are paid based on properly signed agency agreements and are not directly offset against insurance premiums and that premium receipts are deposited in a timely manner. With respect to improper refund payments associated with sales of insurance policies, we have also revised our policies and procedures regarding refund of surrendered group insurance policies, such that refunds from any surrendered policies are strictly prohibited from cash or cash check settlements and all surrenders must be properly approved through formal applications. In particular, we have taken a series of rectifying measures with respect to our prior investment in Finance Institute. See the section headed "— Fudan-Pacific Institute of Finance" below.

Insurance agents in the PRC are required to obtain a qualification certificate from the CIRC in order to conduct insurance agency business. According to the Provisions on the Administration of Insurance Agents, the CIRC may order rectification, issue warnings and impose a fine of not more than RMB30,000 if an insurance company entrusts insurance agents that do not possess such qualification certificates to conduct insurance agency business. In cases involving severe violations, the CIRC may order the noncompliant insurance company to dismiss and replace its senior management and other persons that are directly responsible for such noncompliance, and may refuse to approve any application from such company for setting up a branch or subsidiary. As of 30 June 2009, approximately 1.66% of our individual life insurance agents and approximately 0.60% of our individual property and casualty insurance agents had not obtained such a certificate. In the opinion of King & Wood PRC Lawyers, our PRC legal counsel, since a high percentage of our insurance agents have obtained such qualification certificate, the penalties that have been imposed on us are limited to warnings and fines of insignificant amounts, and there have not been any severe administrative penalties imposed on us, such noncompliance will not have a material adverse impact on our business. We have also been advised by King & Wood PRC Lawyers that, as insurance agents are not a party to the insurance policies, the lack of relevant qualification certificates does not and will not affect the validity of the insurance policies sold through the involvement of such insurance agents. In addition, since February 2008, we have imposed an internal policy that requires our individual insurance agents to obtain the required qualification certificates.

As the legal and regulatory framework governing the operations of PRC insurance companies is still evolving and undergoing significant changes, we may require a significant period of time before we are able to achieve full compliance with certain new laws and regulations. Furthermore, our growth and expansion have strained our management and other resources and have from time to time affected our ability to maintain stringent internal controls at all times. We have taken a number of measures to prevent future breaches of laws and regulations and have adopted a set of internal procedures to monitor our litigation and regulatory exposure. Our integrated compliance system includes a compliance and risk management working committee composed of our senior management and the heads of related departments, as well as relevant policies and manuals including, among others, a compliance policy and a compliance management and operations manual. We also seek to circulate internally the latest laws and regulations promulgated by relevant PRC authorities to keep our employees informed of legal and regulatory developments. Our legal and compliance department is responsible for our day-to-day compliance- and litigation-related matters. In particular, our legal and compliance department has developed an anti-money laundering policy and a related operations manual that outline detailed procedures to help prevent money laundering. We have also set up a client identification system to help monitor suspicious transactions. Furthermore, our legal and compliance department has developed an operations manual to help identify significant litigation matters and streamline the reporting of litigation matters from our subsidiaries and branch entities to our legal and compliance department as they arise.

Our management at each corporate level is responsible for compliance with laws, regulations and internal policies within their individual territories or departments. Our branches at the provincial level are required to report material litigation and regulatory matters to our head office on a timely basis. We may penalize our employees or individual agents who commit misconduct or fraud, breach the terms of their employment or agency agreements, exceed their authorization limits or fail to follow prescribed procedures in delivering insurance policies and premium payments, in each case having regard to the severity of the offense. Moreover, our training center has introduced courses and seminars, which are given on a regular basis, to keep our employees and individual insurance agents up to date on the evolving legal and regulatory framework of the PRC insurance industry. We plan to continue to improve our control and compliance policies in the future.

Fudan-Pacific Institute of Finance

Our Investment in Fudan-Pacific Institute of Finance

In 2004, we, along with Fudan University and four other investors, jointly established Fudan-Pacific Institute of Finance, or Finance Institute. As of 31 December 2006, before we rectified our investment in Finance Institute, we contributed an aggregate of RMB52.5 million in return for a 21.656% ownership interest in Finance Institute. Under the cooperation agreement entered into by us and Fudan University, we, as a major investor in Finance Institute, were responsible for the construction of its educational facilities and related infrastructures and for raising funds to support its early operations.

Our Rectifying Measures with Respect to Finance Institute

Our above investment in Finance Institute was inconsistent with the CIRC's approval in 2003 of our establishment of a staff training center and exceeded our authorized business scope. Therefore, we have taken the following rectifying measures:

- Finance Institute has ceased to enroll new students since 2007.
- With the written consent of the relevant creditors of Finance Institute, we paid off, or otherwise resolved, all outstanding bank loans and construction-related payables owed by Finance Institute to these creditors. As of 31 March 2007, we, including CPIC Life and CPIC Property, became the largest creditor of Finance Institute, with a total claim of RMB923 million.

- On 21 June 2007, we entered into an asset-debt swap agreement with Finance Institute, under which Finance Institute paid off the aggregate debt of RMB923 million it owed to us with its buildings, related facilities and other assets having a total audited book value of RMB978 million. We settled the difference between these two amounts by way of a cash payment of RMB54 million to Finance Institute.

- On 21 June 2007, CPIC Group entered into an agreement with Fudan University to terminate the prior cooperation agreement between them relating to Finance Institute. Under this agreement, we would transfer our ownership interests in Finance Institute to Fudan University for a consideration of RMB1 and we have undertaken to Fudan University to continue to provide, free of charge, teaching locations, lodgings and related facilities to all students currently enrolled in the four-year undergraduate programs of Finance Institute until 31 August 2010. This agreement became effective on 26 July 2007.

The above rectification plan with respect to Finance Institute was approved by PRC education authorities and the CIRC in July 2007. In the opinion of our PRC legal counsel, King & Wood PRC Lawyers, other than our prior investment in Finance Institute as described in this section headed "Fudan-Pacific Institute of Finance", we have complied with all applicable laws and regulations restricting the use of funds by PRC insurance companies during each year of 2006, 2007 and 2008 and the first six months of 2009.

In addition, we entered into agreements with four of the remaining investors in Finance Institute, other than Fudan University, under which we agreed to pay these investors an aggregate of RMB81 million in return for the abandonment of their entire ownership interests in Finance Institute. We subsequently paid these investors an aggregate of RMB81 million. We recorded a provision of RMB94 million as of 30 June 2009, for impairment losses in connection with our disposal of Finance Institute, to cover recompense payments to relevant parties involved and potential losses arising from our future disposal of the assets of Finance Institute. Based on their assessment of the available information and circumstances as of the Latest Practicable Date, the Directors are of the view, with which Ernst & Young, our auditors and reporting accountants, concurs, that such provision of RMB94 million as of 30 June 2009 is adequate for its purpose. Depending on the market conditions and subject to approvals by relevant PRC regulatory authorities, we may sell, lease or otherwise dispose of the land and other properties relating to Finance Institute in accordance with applicable laws and regulations as well as the asset-debt swap agreement entered into between us and Finance Institute.

Our non-compliance with the CIRC's approval in 2003 in connection with our prior investment in Finance Institute was primarily attributable to deficiencies in our internal control, compliance and corporate governance systems, in particular deficiencies in our investment decision-making process, at that time. In recent years, we have sought to improve our internal control, compliance and corporate governance systems in an effort to prevent the occurrence of similar incidents. Such measures have included, among others, (i) amending our articles of association, as well as the procedures governing our shareholders' general meetings, our Board meetings and the meetings of our Board of Supervisors, to improve our corporate governance structure in accordance with applicable PRC laws, rules and regulations, including applicable CIRC requirements, (ii) establishing a Board structure that includes independent directors and several board committees, such as an audit committee and a risk management committee, (iii) implementing a series of investment decision-making policies and procedures that aim to be more transparent and standardized, (iv) strengthening our financial management with respect to budgeting and fund allocations, (v) establishing a legal and compliance department that conducts compliance review and research in connection with our significant business decision-making (consulting with external legal counsel when necessary), and (vi) enhancing the function of the office of the Board, which reviews proposed Board resolutions before their submission to the Board for approval and assists in related compliance review. We review our internal control, compliance and corporate governance systems from time to time, and may need to adopt additional policies and procedures in the future with a view to further improving such systems.

EMPLOYEES

As of 31 December 2006, 2007 and 2008, we employed 54,192, 59,996 and 64,131 employees, respectively, in the PRC. The following table sets forth the number of our employees by function as of 30 June 2009:

	Number of employees	% of total employees
Management	589	0.8%
Professional staff[1]	26,862	37.7
Sales and marketing	28,385	39.9
Others	15,388	21.6
Total	71,224	100.0%

(1) Professional staff includes primarily our actuarial, underwriting, claims settlement, accounting and investment staff.

The following table sets forth the total number of our employees by age as of 30 June 2009:

	Number of employees	% of total employees
Under 31	27,530	38.7%
31 to 40	27,617	38.8
41 to 50	12,684	17.8
Over 50	3,393	4.8
Total	71,224	100.0%

The following table sets forth the total number of our employees by education as of 30 June 2009:

	Number of employees	% of total employees
Master's degree or above	1,404	2.0%
Bachelor's degree	21,789	30.6
Others	48,031	67.4
Total	71,224	100.0%

The number of our employees set forth above in this section does not include individual insurance agents not employed by us.

We believe that our sustainable growth depends on the capability and dedication of our employees and we recognize the importance of human resources for improving our business and results of operation. We have devoted substantial attention and resources to recruiting and training our employees. In 2002, we engaged an international human resources consulting firm to establish job qualifications and standards for all of our positions throughout our organization. We have also implemented a policy under which employees must hold required internal or external credentials in order to fill certain professional positions within our organization. In addition, we have been exploring an incentive mechanism that seeks to link employee compensation with business performance.

We also provide our employees with benefits in accordance with PRC laws and regulations on basic pension insurance, basic health insurance, work related injury insurance, unemployment benefits, maternity insurance and housing fund or allowances.

None of our employees is subject to collective bargaining agreements governing employment with us. We believe that our employee relations are satisfactory.

PROPERTIES

Head Office

We are headquartered in the South Tower of the Bank of Communications Financial Building at 190 Central Yincheng Road, Pudong New District, Shanghai, the PRC.

Buildings and Units

As of 30 September 2009, we owned 603 buildings and units in the PRC with an aggregate gross floor area of approximately 1,015,224 square meters, among which 575 buildings and units with an aggregate gross floor area of approximately 774,042 square meters are occupied and used by us, while 28 buildings and units with an aggregate gross floor area of approximately 241,182 square meters are currently occupied and used by Finance Institute pursuant to an agreement between Fudan University and us dated 21 June 2007. We also owned 1 office and 5 residential units in Hong Kong with an aggregate gross floor area of approximately 385.8 square meters.

Our owned buildings and units in the PRC are primarily used for offices, business operations of our branches and sub-branches and staff quarters. Among them, 383 buildings and units with an aggregate gross floor area of approximately 715,918 square meters are commercial or office properties and 220 buildings and units with an aggregate gross floor area of approximately 299,306 square meters are used for residential, educational or ancillary purposes.

We have obtained the relevant title certificates for most of the buildings and units occupied and used by us in the PRC as follows:

- We have obtained all relevant land use right certificates and building ownership certificates for 460 buildings and units with an aggregate gross floor area of approximately 725,232 square meters.

- We have not obtained the relevant land use right certificates and/or building ownership certificates for 81 buildings and units with an aggregate gross floor area of approximately 44,130 square meters. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant land use right certificates and/or building ownership certificates. We have only obtained the relevant allocated land use right certificates with respect to 34 buildings or units with an aggregate gross floor area of approximately 4,680 square meters. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain approvals from relevant authorities and settle the payment of land transfer premium and other related fees for such land use rights.

  The above 115 buildings and units without the relevant title certificates or with only restricted use, comprise 34 commercial properties with an aggregate gross floor area of approximately 39,045 square meters and 81 residential and ancillary properties with an aggregate gross floor area of approximately 9,765 square meters, represented 6.3% of the total 575 buildings and units occupied and used by us as of 30 September 2009. As of 30 September 2009, these 115 buildings had a total net book value of approximately RMB187 million, representing approximately 0.3% of our consolidated net asset value.

According to the asset-debt swap agreement entered into between Finance Institute and us on 21 June 2007, Finance Institute paid off the aggregate debt of RMB923 million it owed to us with its buildings, related facilities and other assets having a total audited book value of RMB978 million. According to the agreement entered into between Fudan University and us on 21 June 2007, we have undertaken to continue to provide, free of charge, teaching locations, lodgings and related facilities to all students currently enrolled in the four-year undergraduate programs of Finance Institute until 31 August 2010. Pursuant to the above arrangements, Finance Institute currently occupies and uses 28 buildings and units of ours with an aggregate gross floor area of approximately 241,182 square meters, which buildings and units we refer to as the Properties Related to Finance Institute. We have already obtained all relevant land use rights certificates and construction work completion certificates for the Properties Related to Finance Institute, and are currently applying for the building ownership certificates for these 28 buildings and units. According to our PRC legal counsel, King & Wood PRC Lawyers, we may not transfer, lease, mortgage or otherwise dispose of such properties until we obtain the relevant building ownership certificates and there is no material legal impediment for us to obtain the outstanding building ownership certificates for such properties. For the details on the rectifying measures with respect to Finance Institute, please see the section headed "Business — Legal and Regulatory Proceedings — Fudan-Pacific Institute of Finance".

We are in the process of applying for the relevant title certificates for the above properties without the property ownership certificates (including the Properties Related to Finance Institute). We believe that such properties are not crucial to our operations and the lack of the title certificates does not and will not have a material adverse effect on our business, results of operations and financial condition because: (i) the Properties Related to Finance Institute were transferred to us as repayment of assets pursuant to the asset-debt swap agreement and have been used for educational purpose, therefore their defects do not and will not materially affect our business and operation; and (ii) the defective properties other than the Properties Related to Finance Institute represent a minimal portion of the total value of our properties and we believe we can, if necessary, relocate to alternative premises without materially affecting our operations.

Land Use Rights

In addition to the above owned buildings and units, we owned land use rights in three parcels of vacant land in Shandong province (with a total site area of approximately 20,266 square meters) and three parcels of land in Shanghai (with a total site area of approximately 822,614 square meters) in the PRC as of 30 September 2009.

Units to Be Acquired

We have entered into 17 agreements to acquire 17 office buildings or units in the PRC as our offices, including an office building located in Beijing for a consideration of approximately RMB2.2 billion. We plan to use this building as our office building in Beijing. Such office units are still being renovated and have a total gross floor area of approximately 152,965 square meters.

Leased Properties

As of 30 September 2009, we leased approximately 4,118 buildings and units with an aggregate lettable area of approximately 1,690,333 square meters in the PRC and two properties in Hong Kong with an aggregate lettable area of approximately 565 square meters from independent third parties. Our leased properties are used for office, commercial and residential purposes.

For 2,904 buildings and units out of the 3,784 buildings and units in the PRC leased by us, representing an aggregate lettable area of approximately 1,103,017 square meters, the relevant lessors have not provided us with relevant land use right certificates, building ownership certificates and/or real estate certificates. For 590 leased buildings and units, with an aggregate lettable area of approximately 256,116 square meters, the relevant lessors have not provided us with confirmation letters to undertake to indemnify us for losses arising from their defective legal titles or other rights to such buildings and units. In addition, we have not registered the lease agreements with the relevant PRC authorities for 3,649 buildings and units with an aggregate lettable area of approximately 1,490,863 square meters. Based on the Interpretation of PRC Contract Law by the Supreme People's Court, our PRC legal counsel, King & Wood PRC Lawyers, is of the view that the lack of registration of the lease agreements will not affect the legality of such lease agreements. However, under the Regulations on City House Leasing, relevant PRC authorities are entitled to order us to post register the leasing agreement and may impose penalties (the amount of penalties has not been specified by relevant laws and regulations) on us for such lack of registration. We are in the process of registering, and requesting the relevant lessors to assist us to register, these leases with the relevant PRC authorities. We believe that most of these buildings and units leased by us can, if necessary, be replaced by other comparable alternative premises in relevant region without any material adverse effect on our operations or financial condition.

Property Valuation

Jones Lang LaSalle Sallmanns Limited, an independent valuer appointed by us for the purpose of the Listing, has valued properties owned by us as of 30 September 2009 at approximately RMB7,366 million, with RMB7,281 million attributable to the Group. The text of the letter and the valuation certificates issued by Jones Lang LaSalle Sallmanns Limited are set out in the valuation report set forth in Appendix V to this prospectus.

Exemption and Waivers from the Hong Kong Stock Exchange and the SFC in respect of the property valuation report

In view of the above, we have applied to the Hong Kong Stock Exchange for the following exemption and waivers from the Hong Kong Stock Exchange and the SFC in respect of the disclosure of certain particulars of our properties in the property valuation report in this prospectus, as set forth in Appendix V to this prospectus:

- with respect to the format and contents of the property valuation report, a waiver from strict compliance with Rule 5.01 and Rule 5.06 and Paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules and an exemption from the SFC from strict compliance with paragraph 34(2) of the Third Schedule to the Companies Ordinance on the grounds that (i) it would be unduly burdensome to include the full valuation report in this prospectus in full compliance with the relevant requirements and (ii) taking into account the nature of the Company's business, it would be of little relevance and assistance to potential investors to include the level of details on each property in this prospectus in full compliance with the relevant requirements. A summary of the valuation report is included in the prospectus and the full valuation report (in Chinese) complying with the requirements of the Hong Kong Listing Rules and the Companies Ordinance will be available for inspection; and

- a waiver from strict compliance with Rule 19A.27(4) of the Hong Kong Listing Rules so that no certified English translation of the full valuation report will be required to be made available for inspection on the grounds that (i) it would be unduly burdensome to prepare an English translation of the valuation report, as substantially all of the properties are located in the PRC and consequently the underlying valuation and title information is in Chinese and (ii) the provision of such report in English language would be of little relevance to potential investors in an insurance company.

The Directors are of the view that the above exemption and waiver granted will not prejudice the interests of our potential investors.

INTELLECTUAL PROPERTY

We conduct business under the "CPIC" and "太平洋保險保太平" brand names and logos. We are also the registered owner of 17 domain names, including "www.cpic.com.cn" and "www.95500.com.cn". Details of our intellectual property rights are set out in the paragraph headed "Our intellectual property rights" under the section headed "Further Information About

Our Business" in Appendix X to this prospectus. As of the Latest Practicable Date, we have registered 34 trademarks in the PRC and one trademark in Hong Kong. We are in the process of applying for the registration of 17 trademarks in the PRC and Hong Kong.

As of the Latest Practicable Date, we were not aware of any material incidence of intellectual property rights infringement claims or litigation initiated by others and vice versa for the three years ended 31 December 2008 and the six months ended 30 June 2009.

CONNECTED TRANSACTIONS

Upon the listing of the H Shares on the Hong Kong Stock Exchange, a number of transactions which we have entered into will constitute connected transactions within the meaning of the Hong Kong Listing Rules. For the purpose of this section, the term "connected person" shall have the meaning as defined under Chapter 14A of the Hong Kong Listing Rules.

Certain of our connected persons have purchased life insurance products and property and casualty insurance products from CPIC Life and CPIC Property, respectively. Based on our estimated percentage ratios, such transactions are exempt from the reporting, announcement and independent shareholders' approval requirements prescribed under Chapter 14A of the Hong Kong Listing Rules. Details of such transactions are set forth below:

Sales of Group Life Insurance

CPIC Life has sold group life insurance products to certain of our connected persons who are not individuals, including some of our substantial shareholders, promoters and their respective associates, on normal commercial terms in the ordinary course of business. These insurance products include, among others, group accident and health insurance products, group endowment insurance products and group annuity products, all of which are available to independent third parties. Our connected persons do not receive any preferential treatment for purchasing these insurance products. The premiums paid by these connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices, or are fixed with reference to market reference prices approved by the CIRC.

The sale of group life insurance products by CPIC Life to our connected persons who are not individuals falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. The sale of group life insurance products by CPIC Life to our connected persons is thus exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

We will comply with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Hong Kong Listing Rules if any of the percentage ratios exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.

Sales of Individual Life Insurance

CPIC Life has sold individual life insurance products to certain of our connected persons who are individuals, including certain Directors, Supervisors and chief executives of us, or their associates, on normal commercial terms in the ordinary course of business. These insurance products include, among others, individual accident and health insurance products and individual annuity products, all of which are available to independent third parties. Our connected persons purchase these insurance products for private use and do not receive any extra preferential treatment for purchasing these insurance products. The premiums paid by these connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices.

The sale of individual life insurance products by CPIC Life to our connected persons who are individuals constitutes acquisitions by such connected persons of consumer goods for their own private use on normal commercial terms in the ordinary course of business, and thus falls within the exemption as stipulated under Rule 14A.33(1) of the Hong Kong Listing Rules. As a result, it is exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to14A.48 of the Hong Kong Listing Rules.

Sales of Property and Casualty Insurance

In addition, CPIC Property has sold property and casualty insurance products to certain of our connected persons, including certain Directors, Supervisors, chief executives, promoters and substantial shareholders of us and certain of their respective associates as defined by the Hong Kong Listing Rules, on normal commercial terms in the ordinary course of business. These insurance products include, among others, automobile insurance products, commercial property insurance products, personal property insurance products, engineering insurance products, hull insurance products, cargo insurance products and accident insurance products, all of which are available to independent third parties. Our connected persons purchase these insurance products for private use and do not receive extra preferential treatment for purchasing these insurance products. The premiums paid by such connected persons are comparable to those paid by independent third parties for similar types of insurance products or to the prevailing market prices.

The sale of property and casualty insurance products by CPIC Property to our connected persons falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules. Furthermore, the sale of property and casualty insurance products by CPIC Property to our connected persons who are individuals constitutes acquisitions by them of consumer goods for their own private use on normal commercial terms in the ordinary course of business, and thus falls within the exemption as stipulated under Rule 14A.33(1) of the Hong Kong Listing Rules. As a result, the sale of property and casualty insurance products by CPIC Property to our connected persons is exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Hong Kong Listing Rules.

We will comply with the reporting, announcement and/or independent shareholders' approval requirements in accordance with the Hong Kong Listing Rules if any of the percentage ratios with respect to the sale of property and casualty insurance products by CPIC Property to our connected persons which are not individuals exceeds the de minimis threshold as stipulated under Rule 14A.33(3) of the Hong Kong Listing Rules.